In the Absence of the Expanded Child Tax Credit, Many Families with Children Faced Material Hardship in 2022

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January 2024

Exposure to poverty and material hardship during childhood can have negative long-term effects on health, education, and employment outcomes (Maag et al. 2023). Experiencing poverty and hardship in early childhood, a period of rapid brain development, can be particularly harmful (Chaudry and Wimer 2016).

The 2021 expansion of the child tax credit (CTC) was associated with reduced childhood poverty and hardship (Burns and Fox 2022; Karpman et al. 2022; Parolin et al. 2021; Shafer et al. 2022). But Congress did not extend this expansion in 2022. Under current law, almost 19 million children in the lowest-income families receive less than the full CTC because their parents earn too little.

Congressional leaders are currently debating proposals to expand the CTC. To understand the importance of a credit expansion for families with children, we analyzed December 2022 data from the Urban Institute’s Well-Being and Basic Needs Survey. We examined levels of material hardship under the current CTC, family employment status, and reasons why some families have insufficient employment and earnings to receive the full credit.

We find that in 2022, many families with children faced difficulty paying for food, housing, and other basic needs, even as the national unemployment rate reached a historic low. Specifically, we find the following:

- Despite having higher rates of family employment, working-age adults living with children were more likely than adults living without children to report difficulty affording basic needs in the previous year.
- Among adults living with children and who were neither employed nor looking for work, about three in four were not working because of child care or family responsibilities, health or disability reasons, or enrollment in school or training.

As Congress continues to grapple with if and how to expand the CTC, our findings suggest high levels of employment do not necessarily protect families with children from experiencing hardship. In addition, adults who live with children and are not employed—which can reduce the family’s CTC—typically face limitations on their ability to work. Increasing the CTC amount and extending eligibility to families in which one or more adults are unable to work could enhance the effects of the credit in mitigating levels of hardship.

FINDINGS

Working-age adults living with children under age 18 were more likely than those without children to report difficulties paying for basic needs such as food, utilities, and housing (figure 1). For instance, 27 percent of adults living with children under age six and 26 percent of adults living with children ages 6 to 17 reported experiencing household food insecurity in the past year, compared with 23 percent of adults who were not living with children. Adults living with young children were nearly twice as likely as those not living with children to report problems paying utility costs or experiencing a utility shutoff (18 percent versus 10 percent). Forty percent of adults with
children experienced at least one type of hardship, compared with 33 percent of adults without children (data not shown).

**FIGURE 1**

Material Hardships Experienced in the Past 12 Months among Adults Ages 18 to 64, by Presence of Children in the Household

*Source: Well-Being and Basic Needs Survey, December 2022.*

*Notes: Food hardship is defined as household food insecurity based on responses to the six-item short form of the US Department of Agriculture’s Household Food Security Survey Module. Medical hardship includes unmet needs for medical care because of costs or problems paying family medical bills. Utility hardship includes not being able to pay gas, oil, or electricity bills or having a utility shutoff. Housing hardship refers to not paying the full amount of the rent or mortgage or being late with a payment because the household could not afford to pay. *

* Estimate differs significantly from adults living with children under age 6 at the 0.05 level, using two-tailed tests.

^ Estimate differs significantly from adults living only with children ages 6–17 at the 0.05 level, using two-tailed tests.

Figure 2 shows that most families with children include at least one working adult, suggesting employment was often insufficient for ensuring their ability to meet basic needs. Both adults living with young children and adults living with older children were more likely than those without children to be in families in which at least one adult (either the respondent or their spouse or partner) was employed at the time of the survey (88 percent and 84 percent versus 75 percent). More than 70 percent of respondents with children were working, 5 to 6 percent were unemployed, and the remainder were not in the labor force (i.e., neither working nor actively looking for work).
Most adults living with children who were neither employed nor looking for work faced limitations on their ability to work. More than 50 percent of adults with young children (and 32 percent of adults with only older children) cited child care or other family responsibilities as the main reason they were not looking for work. Eighteen percent of adults living with young children and 21 percent of adults living with older children reported not looking for work because of a health problem or disability. More than one in five adults (22 percent) living with only older children reported they did not look for work because they were in school or other training. Overall, 76 percent of adults living with children and not in the labor force cited child care or family responsibilities, enrollment in school or training, or health problems or disabilities as the main reasons they were not looking for work.

### TABLE 1
Main Reason Adults Ages 18 to 64 Were Not Looking for Work, December 2022

<table>
<thead>
<tr>
<th>Reason</th>
<th>Adults living with children under age 6 (%)</th>
<th>Adults living only with children ages 6–17 (%)</th>
<th>Adults not living with children (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child care/other family responsibilities</td>
<td>53</td>
<td>32*</td>
<td>12*/^</td>
</tr>
<tr>
<td>Health problem or disability</td>
<td>18</td>
<td>21</td>
<td>35*/^</td>
</tr>
<tr>
<td>In school or other training</td>
<td>5</td>
<td>22*</td>
<td>12*/^</td>
</tr>
<tr>
<td>Retired</td>
<td>5</td>
<td>7</td>
<td>26*/^</td>
</tr>
<tr>
<td>No work is available or cannot find work</td>
<td>3</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Other reason</td>
<td>15</td>
<td>12</td>
<td>10</td>
</tr>
</tbody>
</table>


* Estimate differs significantly from adults living with children under age 6 at the 0.05 level, using two-tailed tests.

^ Estimate differs significantly from adults living only with children ages 6 to 17 at the 0.05 level, using two-tailed tests.
CONCLUSION

Working-age adults with children were more likely than adults without children to face difficulty meeting basic needs in 2022, despite having higher family employment rates. Adults living with children tend to be younger and at an earlier stage of their careers, while also facing child care costs and additional child-related expenses. Expanding the CTC could provide a much-needed economic boost for families with children struggling to pay for food and housing.

Many adults living with children and who were not employed cited child care and other family responsibilities as interfering with their ability to work. Over half of those with young children and almost one-third of adults with older children reported this was the main reason they were not looking for work. Other key factors that prevented adults with children from working included being in school, enrolling in a training program, or having health problems or disabilities.

This analysis suggests that restricting eligibility for the child tax credit based on employment status of adults in the family will leave out many children in families with adults who cannot work because of caregiving responsibilities, because they are seeking further education, or because of health problems or disabilities (L’Esperance et al. 2022, 2023).

NOTES

1 The expansion temporarily increased the maximum credit to up to $3,600 per child under age 6 and $3,000 per child ages 6 to 17. The expansion also made the CTC fully refundable so that children in the lowest income families could receive the full credit. These changes expired after 2021. Since then, families have returned to receiving a maximum credit of up to $2,000 per child ages 16 and under.

REFERENCES


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ACKNOWLEDGMENTS

This summary was funded by Doris Duke Foundation as part of the Innovations in Cash Assistance for Children program. We are grateful to them and to all our funders, who make it possible for Urban to advance its mission. The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders. Funders do not determine research findings or the insights and recommendations of Urban experts. Further information on the Urban Institute’s funding principles is available at urban.org/fundingprinciples. The authors thank Tracy Gordon, Genevieve M. Kenney, Timothy Smeeding, and Stephen Zuckerman for their review of earlier drafts of this summary. Copyright © January 2024. Urban Institute. Permission is granted for reproduction of this file, with attribution to the Urban Institute.