

Employment, Financial and Well-being Effects of the 2021 Expanded Child Tax Credit

Wave 1 Executive Summary: September 2021

Leah Hamilton, MSW, Ph.D. | Appalachian State University
Co-Principal Investigator

Stephen Roll, Ph.D. | Social Policy Institute at Washington University in St. Louis
Co-Principal Investigator

Mathieu Despard, MSW, Ph.D. | University of North Carolina, Greensboro
Co-Investigator

Elaine Maag, M.S. | Urban Institute
Contributor

Yung Chun, Ph.D. | Social Policy Institute at Washington University in St. Louis
Contributor

Executive Summary

The 2021 temporary expansion of the Child Tax Credit (CTC) is unprecedented in its reach and is predicted to cut American child poverty by more than half. The expanded CTC provides families with \$3,600 for every child in the household under the age of six, and \$3,000 for every child between the ages of six and 17. Almost all middle- and low-income families with children are eligible for the CTC. Married parents making less than \$150,000 and single parents making less than \$112,500 per year will receive the full amount of the credit, which begins to phase out slowly after these income cut-offs. The purpose of this study is to understand the impact of the CTC on families and to inform current proposals to make the credit permanent.

To understand how families were responding to the CTC, we utilized a probability-based online panel to survey a nationally-representative group of 1,514 American parents eligible for the credit. The survey was administered between July 8 and July 13, 2021—immediately before the first CTC payments were delivered. In this summary report, we highlight key findings from the first wave of the study, focusing specifically on how families plan to use CTC payments and their initial perceptions of the expanded credit. The full report, examining the impacts of the CTC on families relative to a comparison group of households ineligible for the CTC, is forthcoming in early 2022. Notable findings of the current study include the following:

- Most parents (87.7%) had heard about the credit.
 - Parents with only one child and those with household incomes below \$25,000 were the least likely to have heard about the credit.
- When asked what parents intended to do with the credit, the most common responses were:
 - save for emergencies (74.8%)
 - apply the money towards housing, food, and utilities (66.6%)
 - purchase clothing or other essentials for their child(ren) (58.1%)
 - purchase more or better quality foods for their family (49.0%)
 - contribute to a college fund for their child(ren) (41.9%)
- 21.3% of respondents either owned a small business or intended to launch one in the next 12 months. This indicates that these parents may be receiving support for their family expenses as they're trying to get their business off the ground.
- Households with \$50,000 or less in income were more likely than higher-income households to:

- plan on using the CTC for essential expenses
- spend more time with their child(ren)
- spend more on tutors for their child(ren)
- Many households, regardless of income, planned to use the CTC to help build a college fund for their child(ren).
- 93.6% of parents planned to continue working or work more while receiving the credit.
 - Those most likely to work less were parents with infants or toddlers (11.2%).
- 19.7% said they would use the credit to stay home more with their child(ren).
 - Those most likely to say this lived with a spouse or partner.
- 83.2% of parents either supported making the expanded credit permanent or were undecided.
- Nearly three in four (72%) parents preferred monthly payments over an annual lump sum.

Opinions about the Child Tax Credit policy

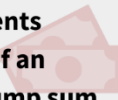
83.2%

parents support or are undecided on making the CTC permanent



72.0%

preferred monthly installments instead of an annual lump sum



87.7% of people have heard of the CTC

Least likely to hear of CTC:

extremely low income parents (0 - \$25K)



parents with 1 child



Top 5 uses for the Child Tax Credit

Save for emergencies 74.8%



Housing, food and utilities 66.6%



Clothes/essentials for children 58.1%



More/better food for family 49.0%



Start/grow college fund 41.9%



Background

The Child Tax Credit (CTC) was created in 1997 as part of the Taxpayer Relief Act (P.L. 105-34). The original credit was \$400 per child under age 17 in 1998 and grew to \$500 per child the following year. The credit was largely nonrefundable, except for a small number of families with at least three children, which meant that for most people it could only be used to offset taxes owed.¹ The credit began to phase out once income reached \$75,000 for people who were not married and \$110,000 for married couples. The majority of the credit's benefits accrued to families in the middle of the income distribution and very few low-income families received any benefit.

The Economic Growth and Tax Relief Reconciliation Act of 2001 (P.L. 107-16) doubled the credit to \$1,000 per child under age 17 and made the credit refundable for families that earned at least \$10,000. Although the increase to \$1,000 per child was supposed to happen gradually, reaching its full value in 2010, subsequent legislation sped up the increase to 2003 and then made the increase permanent. The refundable portion of the credit, often called the Additional Child Tax Credit, was calculated as 10% of earnings in excess of \$10,000, which was later increased to 15% of earnings. The minimum level of earnings needed to receive the credit as a refund was reduced several times, ultimately falling to \$2,500 in the Tax Cuts and Jobs Act of 2017. That same legislation consolidated several family provisions which had the effect of doubling the CTC to \$2,000 per child under age 17, up to \$1,400 of which could be received as a refund, and extending the point at which the credit began to phase out to \$200,000 for people who were not married and \$400,000 for married couples.

In early 2021, President Joe Biden and Congress passed a COVID-19 relief package that gave most Americans a \$1,400 economic impact payment and further expanded the existent CTC on a temporary basis (Taylor, 2021). This expansion increased the credit's maximum value (\$3,000 for school-age children and \$3,600 for children under the age of six) for single parents filing as head of household with income less than \$112,500 and for married couples with income less than \$150,000.² For families with higher incomes, the CTC phases down until it reaches its pre-2021 level of up to \$2,000 per child. Most important to very low-income families,

¹ Families with 3 or more children could receive a refundable credit to the extent that an employer's share of Social Security taxes plus individual income taxes exceeded a family's Earned Income Tax Credit.

² In some cases, a person claiming the CTC will file as single, rather than head of household. In these cases, the credit begins to phase out once income reaches \$75,000.

the CTC was made fully refundable, eliminating the earnings requirement to receive the refundable portion of the credit. For one year, even very low-income families qualify for the full credit. The CTC was also extended to families with children aged 17. Finally, half of the credit will be issued in regular monthly payments to most families from July to December 2021.

These temporary changes give the credit significant advantages over existing family assistance programs such as Temporary Assistance to Needy Families, which has low income and asset limits and strict work requirements, and is criticized for creating employment and savings disincentives among low-income families (Hamilton, 2020). It also has advantages over the Earned Income Tax Credit, which lifted 5.6 million people out of poverty in 2018 (Center on Budget and Policy Priorities, 2018) but does not reach unemployed households. Thirty-nine million households will receive the expanded CTC, reaching 88% of American children (Internal Revenue Service, 2021) and boosting the income of the poorest 20% of families by an average of 37.4% (Davis et al., 2021). Further, because families of color are over represented in poverty, the expanded CTC would lift 1 million Black children and 1.7 million Hispanic children out of poverty in an average year if the expanded credit were extended (Acs & Werner, 2021).

Overall, experts estimate that the credit will reduce child poverty by more than half (Maag & Airi, 2021), representing substantial potential savings as childhood poverty currently costs more than \$1 trillion per year in reduced productivity and increased crime, health care and social services spending (McLaughlin & Rank, 2018). Researchers at the Center on Poverty and Social Policy at Columbia University predict that the expanded credit will cost tax payers \$100 billion per year but generate \$800 billion in annual economic stimulus via future earnings and tax contributions, decreased infant mortality and other negative health outcomes, and reductions in child protection and law enforcement involvement (Garfinkel et al., 2021).

Some have argued that the expanded CTC is essentially a “guaranteed income” for families (DeParle, 2021); an idea that is currently growing in popularity as a legitimate policy alternative. Sixty years of guaranteed income pilot data consistently show associations between guaranteed income programs and improved physical and mental health, improved child educational outcomes and decreased crime and drug use (Akee et al., 2010; Hasdell, 2020; Marinescu, 2017). Recent polls find that roughly half of Americans support the implementation of a guaranteed income (alternatively, “basic” income or BI), but resistance usually relates to presumed work

disincentives (Hamilton et al., 2021). This assumption is not supported by existent research, which finds that recipients of BI continue working as they did before or reduce work only slightly (Hasdell, 2020). In the recent Stockton, CA pilot, full-time employment among recipients *increased* by 40% (Baker et al., 2021). Further, previous research on the CTC, before its expansion, found that it was also related to increased labor force participation among mothers (Zheng, 2020), with similar results observed among single mothers receiving the Canadian child tax credit (Schirle & Koebel, 2015). While there is no empirical reason to believe that the CTC will significantly reduce employment, it remains a salient public perception question if this policy is to become permanent.

It may be difficult to observe significant changes in behaviors such as crime, drug use and hospitalizations over six months, but these too represent important public policy questions and warrant investigation. Previous research on cash transfer programs can however give us some insights into how the monthly payments might influence behavior. A meta-analysis of 30 global cash transfer programs found that spending on temptation goods such as alcohol and tobacco decreased after implementation of the program (Evans & Popova, 2016). An expansion of the child tax benefit in Canada was likewise associated with lower expenditures on tobacco and alcohol while low-income families spent more money on education, food, rent, and transportation (Jones et al., 2015).

However, it is important to note that the *frequency* of cash transfer programs has a significant potential influence on behavioral outcomes. For example, researchers discovered small increases in drug related incidents in the days and weeks following the annual, lump-sum disbursement of the Alaska Permanent Dividend Fund (Watson et al., 2020) which is at odds with most other studies of cash transfer programs with smaller, recurring disbursements (Evans & Popova, 2016). One cash transfer project with individuals experiencing homelessness in Canada found that when the payments were split up and made more frequently, drug use declined (Richardson et al., 2019). Similarly, a pilot project which broke up EITC payments over four regular installments found that recipients experienced both improved financial outcomes and decreased psychological stress (Kramer et al., 2019). Thus, increasing the frequency of transfers may help lessen demand for drugs, alcohol and cigarettes.

Recurring installment payments may also have a consumption smoothing effect. Income volatility, defined as significant and unpredictable changes in month-to-month income, increases the likelihood that a household

will experience food insecurity, housing instability and a host of other negative outcomes (Smith-Ramani et al., 2017). Experts in the psychology of economic scarcity explain that income volatility can “elicit a range of counterproductive behaviors such as attentional neglect, forgetting, impulsive spending, anxiety and poor planning” (Smith-Ramani et al., 2017, p. 365). Monthly payments can help families cope with income volatility that results from factors like precarious employment (e.g., irregular work hours for wage earners, fluctuating and seasonal earnings among self-employed and “gig” workers) and caregiving responsibilities (e.g., parents who lack paid sick leave who need to stay home with a sick child). Monthly CTC payments may also give a liquidity boost to households that struggle to save by creating enough financial “slack” to build short-term savings needed to smooth consumption when regular income falls short, is volatile and/or when confronting expense shocks (Despard et al., 2018). Forty-one percent of Americans report not having enough savings to cover a \$2,000 financial emergency, such as a medical bill or major car repair (Pew Charitable Trusts, 2015), which may help explain why researchers estimate that escaping poverty takes “almost 20 years with nearly nothing going wrong” (White, 2017). Further, the accumulation of assets is an important component of intergenerational mobility and plays a critical role in persistent racial inequality (Pfeffer & Killewald, 2019).

Monthly CTC payments may further influence households’ use of credit and unsecured debt. When faced with a financial emergency or when income falls short of usual expenses, households typically turn to credit. For households with subprime credit scores, credit options may be limited to high-cost options such as payday loans. Regular CTC payments may lessen demand for credit and/or enable households to pay down and better manage unsecured debt. Lastly, the monthly delivery of the CTC marks an important departure from traditional policy approaches, which may have additional effects on household financial well-being. Currently, individuals must wait until they file their federal income tax returns to claim credits that may generate refunds. Waiting for tax refunds may force households to defer meeting important material needs and/or accumulate unsecured debt to smooth consumption. People also often defer healthcare until after tax refunds arrive, even when they are able to predict what their refund will be (Farrell, Greig, & Hamoudi, 2018).

In sum, both the additional amount of the CTC and its partial advance payment mechanism may improve the financial well-being and health of many families—especially those with lower incomes, a lack of savings, and low credit scores. In particular, the additional CTC may help lessen families’ risk for material hardship. Indeed,

the U.S. Census Bureau's Household Pulse Survey found a significant decline in the number of households with children reporting food and financial insecurity immediately before and after the first monthly payment was deposited on July 15, 2021 (Perez-Lopez, 2021). This is important because hardship is associated with a host of adverse outcomes related to other policy objectives, such as increased risk for child maltreatment (Yang, 2015), child behavior problems (Zilanawala & Pilkauskas, 2012), and intimate partner violence (O'Connor & Nepomnyaschy, 2020). Understanding how the CTC may affect families in ways that relate to various policy goals is important for informing long-term public and political discourse around this and related BI benefits.

Support for and Awareness of the Expanded Child Tax Credit

Several recent polls have found that a majority of Americans support the expanded credit. A survey conducted in April 2021 by Data for Progress found that 59% of respondents supported the expansion, including 75% of Democrats and 43% of Republicans (Data for Progress, 2021). A more recent survey by Morning Consult/Politico, conducted in July 2021, found that 54% of respondents (including 75% of Democrats and 31% of Republicans) supported the temporary expansion of the credit (Williams, 2021). However, it is less clear whether Americans support making the expansion permanent. The Morning Consult/Politico survey also found that only 35% of respondents agreed with making the credit permanent (including 55% of Democrats and 16% of Republicans) (Williams, 2021) while a separate survey of likely voters, also conducted in July, found that 51% support making the credit permanent, again with significant differences by political party (Wilson, 2021).

There also appears to be wide variations between Americans in their awareness of the expanded credit before its implementation. In one survey conducted in April 2021, 53% of likely voters were unaware of the credit, but this number decreased to 35% by July (Wilson, 2021). Another survey conducted in June 2021 found that 29% of low- to moderate-income households had heard little to nothing about the credit. This lack of awareness was much higher (78%) among households who did not file taxes in 2020 (most often because their income is too low), meaning that those who could most benefit from the credit were the least aware of it (SaverLife, 2021). This may also mean that these households were unaware that they need to sign up for the credit through the IRS non-filer portal.

Current Study

In contrast to the limited basic income pilot studies, the temporary expansion of the CTC gives researchers an unprecedented opportunity to measure the employment, financial and well-being effects of a sweeping guaranteed-income-like policy intervention. In the current study, we seek to answer the following research questions:

1. Are parents aware of the expanded credit?
2. For what purposes do parents intend to use their CTC payments?
3. Do parents support making the tax credit permanent and if so, do they prefer monthly payments or an annual lump sum?
4. Do parents see the funds provided by the CTC as sufficient for their families?

In January 2022, we intend to survey the same parents and a comparison group to learn more about the credit's effects on family economic, physical and social well-being, and its ability to affect economic inequality for eligible households.

Methodology

To conduct this study, we utilized a probability-based online panel to survey 1,514 American parents who qualified for the CTC.³ The survey was administered between July 8 and July 13, 2021. This time frame enabled us to collect data on households immediately before the first CTC payment went out on July 15. Our sample was limited to those with household incomes below \$150,000 as the credit begins to phase out at this level for married couple families. The use of a probability-based panel allows us to use weights to ensure that our sample is representative of the U.S. population of CTC-eligible parents.

³ For the full study, which assesses the impacts of the CTC on households relative to a comparison group, we also surveyed a similarly sized sample of households not eligible for the CTC, e.g., parents of children aged 18 or higher, and adults without children. By assessing outcomes for CTC-eligible parents, non-eligible parents, and adults without children, pre- and post-implementation of the CTC, we can assess the impacts of the CTC through a difference-in-differences research design, which is a common quasi-experimental method used in assessing the impact of policies and programs. However, data collection for this full study is ongoing and will only be complete in January, 2022, after the CTC payments have ended. The current report focuses only on the sample of CTC-eligible parents and their plans for and opinions of the CTC.

The survey captures a wide variety of questions concerning household characteristics, measures of economic and social well-being, interactions with and investment in children, and an array of questions designed to measure opinions of the CTC and how households plan to use the credit. For the purposes of this report, we present indicators directly related to the CTC itself, including families' awareness of the CTC, how they plan to use their CTC payment, whether they plan on taking the CTC as a monthly payment or a single lump sum at tax time, and their opinions on various aspects of the credit.

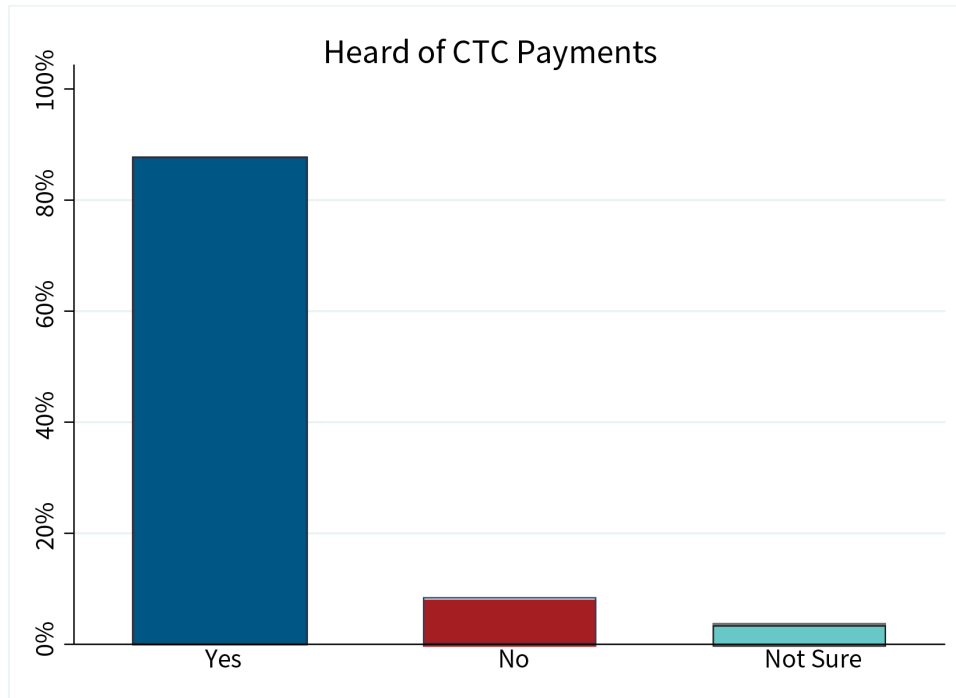
The analyses in this report are descriptive, and we rely on simple summary statistics and cross-tabulations to highlight key results. Generally, to highlight statistically significant findings, we use basic statistical tests such as chi-squared tests. However, where appropriate, we also use multiple regression analysis to assess whether observed relationships between key variables remain consistent when controlling for other variables. This approach allows us to, for example, assess whether the relationship between planned usage of the CTC and income holds when accounting for the number of children in a household.

Wave 1 Findings

Awareness of the CTC

Overall, awareness of the credit was high among our respondents, with 87.7% having heard about the expanded CTC (see Figure 1). Those least likely to be aware of the credit were parents with only one child (83.6%, $p=0.04$) and those with extremely low incomes (\$0 to \$25K; 82.3%, $p=0.01$). Awareness was highest among those with household incomes \$25k to \$50k (92.0%, $p=0.01$).

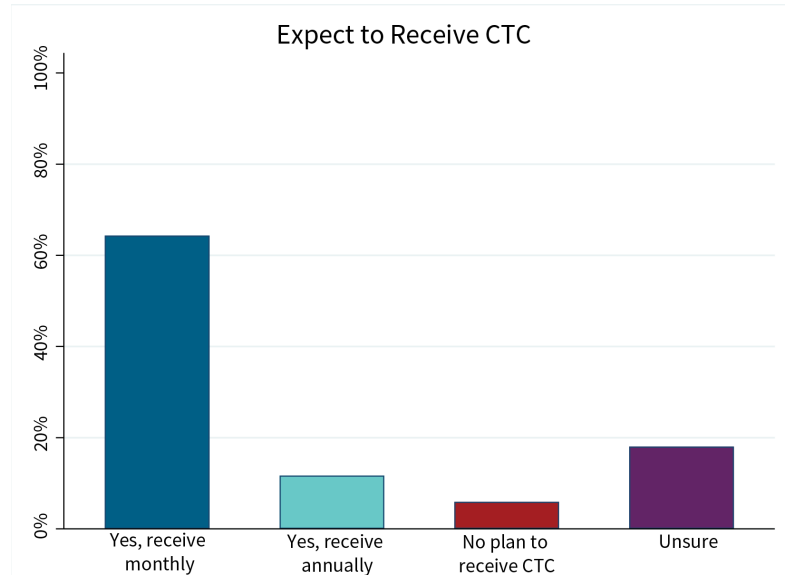
Figure 1. Awareness of Child Tax Credit Payments



n=1,444 CTC-eligible respondents

When asked if they anticipated receiving the monthly payments, Figure 2 shows that 64.3% planned on receiving monthly payments, 11.7% planned to opt-out of the monthly payments and receive the credit as a single payment in 2022, and 5.9% did not plan on receiving the credit at all. Those most likely to anticipate receiving the monthly credit were those with incomes \$25k to \$50k (73.5%, $p < 0.001$). Those most likely to opt out of monthly payments were Latinx respondents (14.4%, $p = 0.00$) and those with household incomes above \$100,000 (21.4%, $p < 0.001$). Finally, those who were least likely to believe that they would be eligible for the credit were parents with one child (9.2%, $p = 0.03$), parents with an infant or toddler (9.1%, $p < 0.001$), Black respondents (10.9%, $p < 0.001$), and those who were neither employed nor unemployed (i.e., receiving disability, retired, or full-time unpaid caregivers; 13.3%, $p = 0.07$).

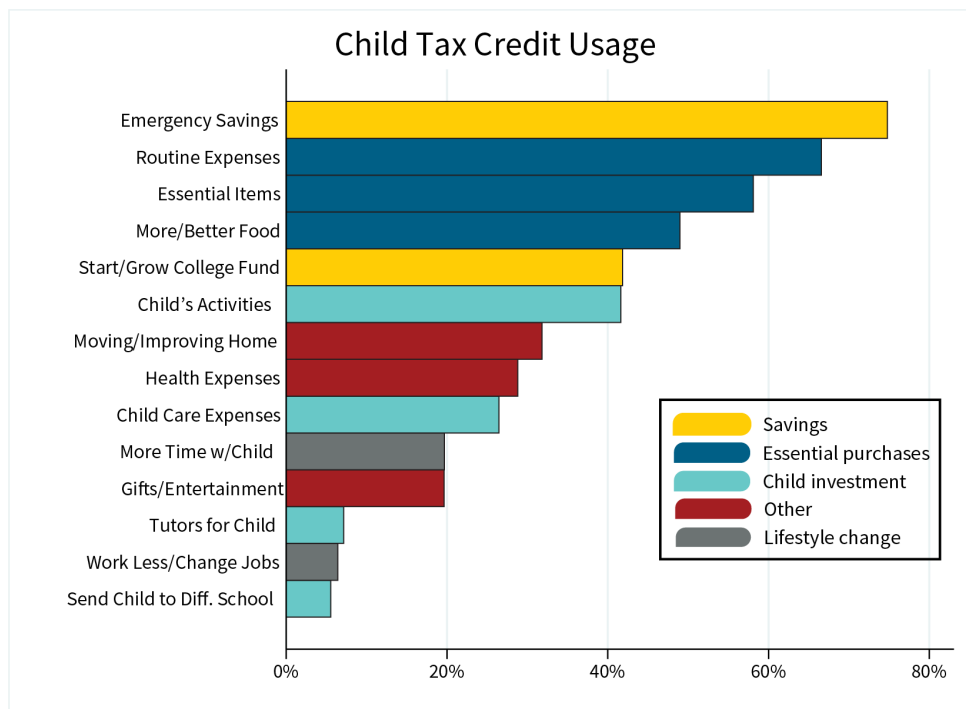
Figure 2. Expected Means of Receiving the CTC



n=1,417 CTC-eligible respondents

Planned Usage of the CTC

Figure 3. Planned Usage of the Child Tax Credit



n=1,056 – 1,078 respondents who anticipate receiving the CTC. Responses differ slightly across categories as some respondents skipped answering yes/no for certain categories.

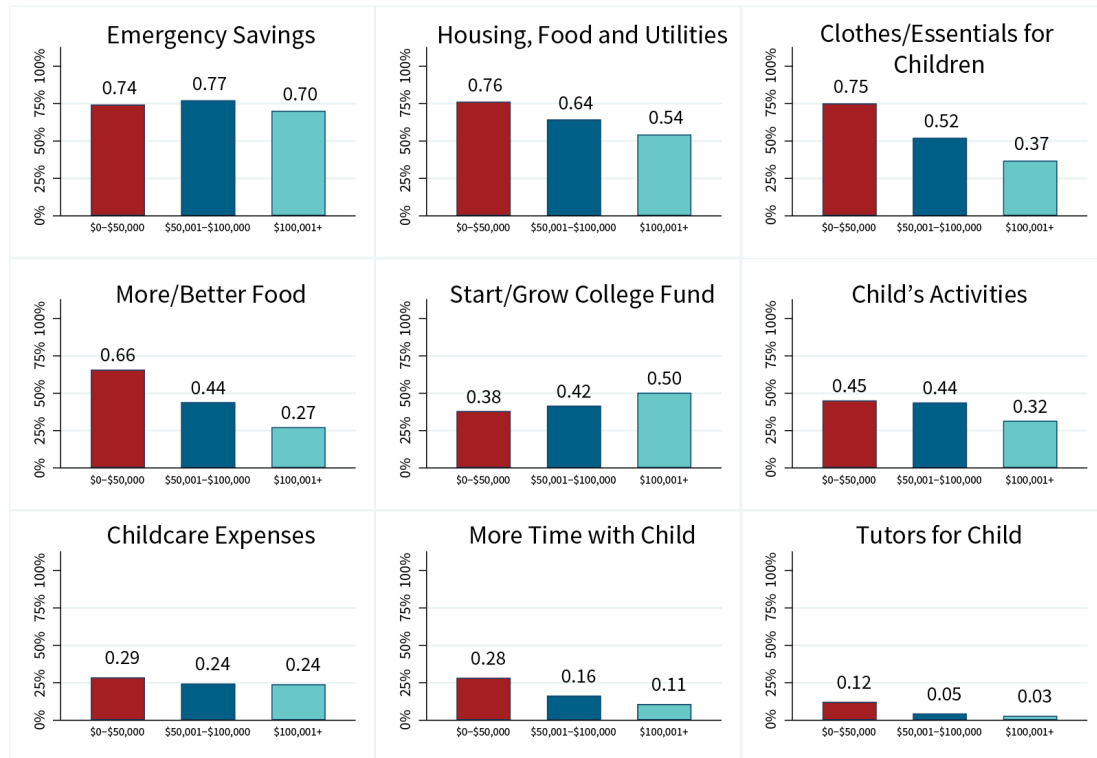
Figure 3 highlights how families plan to use their CTC payments. Most respondents said that they would save for emergencies (74.8%), put it towards usual expenses (housing, food, utilities; 66.6%), purchase clothing or other essential items for their children (58.1%), purchase more or better food for their family (48.9%), or put it toward a college fund for their children (41.9%). Overall, very few respondents predicted that the credit would significantly influence their work arrangements. Only 6.4% said they would either work less or change jobs and 19.7% said they would use the credit to stay home more with their children. When we control for demographic factors using regression, those most likely to use the credit to stay home with children are those living with a spouse or partner, while parents of two children are more likely to use the credit to either work less or find a new job. By not requiring work to receive the expanded credit, it appears that this policy is allowing two-parent families greater freedom in making their own work and child care decisions. It can also create an important safety net for children whose parents may be vulnerable to volatility in the low-wage labor market, or have disabilities, health issues or low levels of education. Multiple recent studies of the Temporary Assistance to Needy Families program have found that work requirements, rather than incentivizing families towards economic independence, have simply excluded the most vulnerable children from assistance due to their parents' complex barriers to employment (Hamilton, 2020).

Interestingly, there was some significant variation between demographic groups on their expected usage of the credit. For example, parents with infants or toddlers were more likely than the full sample to report that they would work less or change jobs (11.2% vs. 6.4%, $p=0.04$), stay home with their child (28.2% vs. 19.7%, $p=0.02$), change their children's school (9.0% vs. 5.5%, $p=0.10$), spend more for childcare-related expenses (44.1% vs. 26.5%, $p< 0.001$) and essential items for their children (69.8% vs. 58.1%, $p=0.01$). Allowing parents with young children the freedom to spend more time with their children may have not only beneficial effects on their children but also on the larger economy. When welfare-to-work programs require mothers to return to work shortly after the birth of a child, they are more likely to take low-paid, precarious work in order to meet requirements, but then ultimately spend more time receiving assistance in the ensuing years. Conversely, in states which extend loosen requirements after childbirth, mothers are more able and likely to find stable employment that fosters long-term economic stability for their family (Kim, 2018).

Those who were unemployed also had different expected uses for the credit than the full sample. Households in which the respondent or their spouse/partner was unemployed were more likely to anticipate staying home with their child more (38.6% vs. 19.7%, $p < 0.001$), buying more/better food for their family (59.7% vs. 49.0%, $p = 0.01$), paying for usual expenses (80.2% vs 66.6%, $p < 0.001$) and essential items (72.6% vs. 58.1%, $p < 0.001$). Figure 4 examines the relationship between households' reported 2020 income and their plans for the CTC. From this, we see that, while households across the income spectrum planned to use the CTC to build their emergency savings and pay for childcare expenses at similar rates, households with \$50,000 or less in income were more likely than average to report using the CTC for routine expenses (76.3% vs. 66.6%, $p < 0.01$), purchasing essential items (75.2% vs. 58.1%, $p < 0.01$), buying more or better food (65.8% vs. 49.0%, $p < 0.01$), spending more time with their child (28.4% vs. 19.7%, $p < 0.01$) and spending more on tutors for their child(ren) (12.3% vs. 7.1%, $p < 0.01$). By contrast, higher-income households were more likely than average to report starting/growing a college fund for their child(ren) using the CTC (50.4% vs. 41.9%, $p = 0.01$), but almost 40% of households making \$50,000 or less still planned to do so as well.

Figure 4. Planned Usage of the Child Tax Credit (for selected uses), by Household Income in 2020

Child Tax Credit Usage, by Income

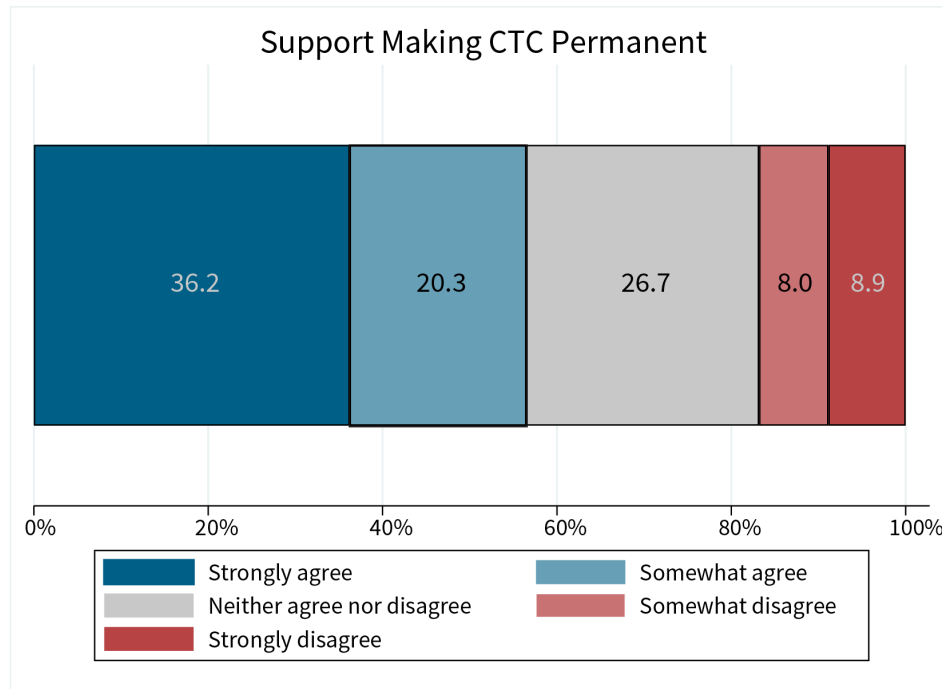


n=1,049 – 1,071 respondents who anticipate receiving the CTC. Responses differ slightly across categories as some respondents skipped answering yes/no for certain categories.

Parents' Views of the CTC

Similar to one national survey described above, Figure 5 shows that more than half (56.5%) of parents agreed that the credit should be made permanent, while only 16.9% disagreed. Black and Hispanic households ($p < 0.001$ and $p = 0.02$, respectively), those with lower-incomes ($p < 0.001$), and the unemployed ($p < 0.001$) were most likely to agree with the statement.

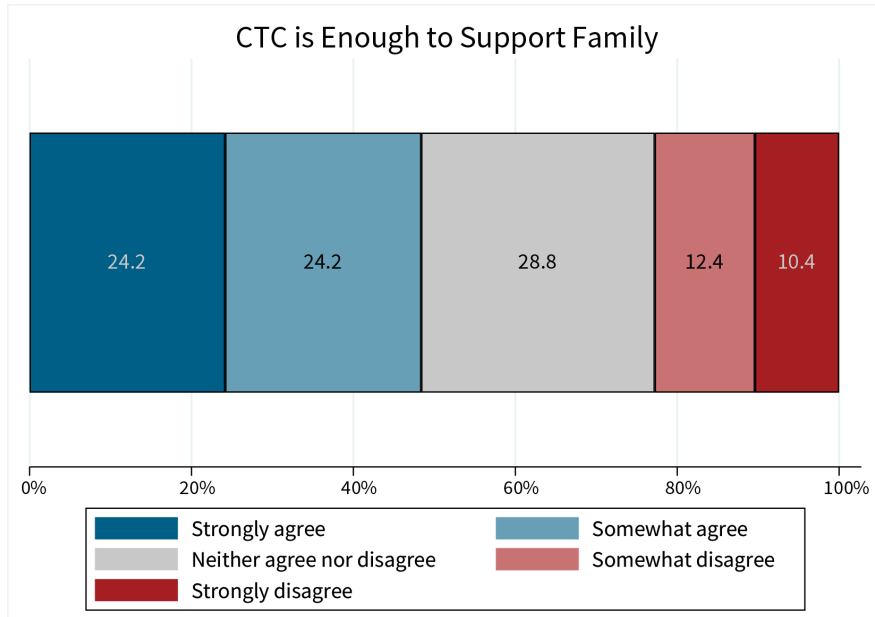
Figure 5. Support for Making the Child Tax Credit Permanent



n=1,364 respondents who either plan on receiving the CTC or are unsure if they will receive the CTC

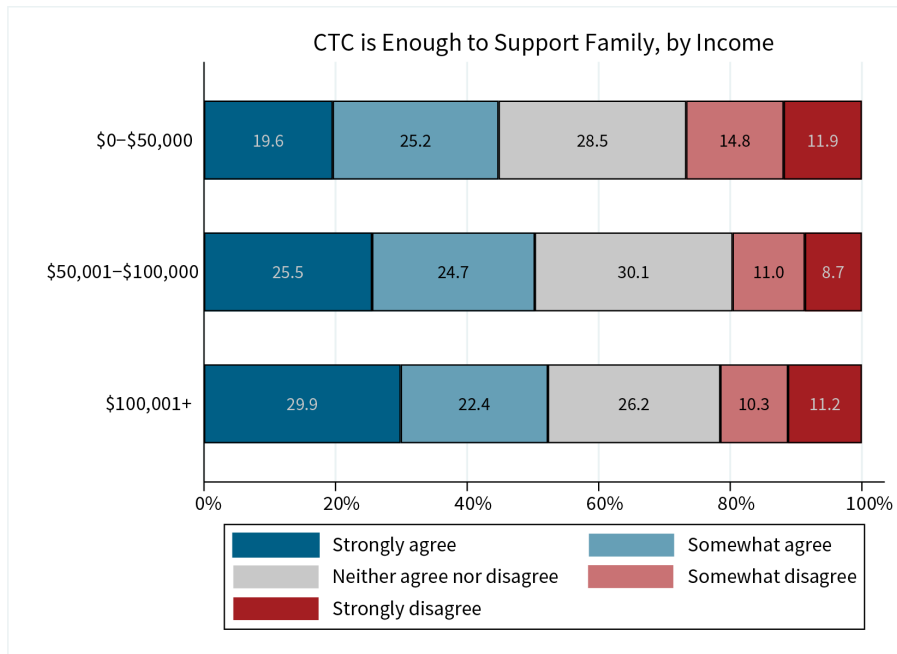
In Figure 6, we examine households’ agreement with the statement “In addition to my other sources of income, the Child Tax Credit payment of \$250 or \$300 each month is enough to allow me to support my family.” When asked if the monthly CTC would be sufficient to support their family, 48.4% agreed while 22.8% disagreed. Figure 7 examines households’ agreement with this statement by their 2020 income. Families with less than \$50,000 in income were the least likely to agree that the CTC funds were sufficient to support their family. However, even among this group, only about a quarter of respondents explicitly disagreed that this amount was sufficient.

Figure 6. Perceptions of Child Tax Credit Payment Sufficiency in Supporting Family



n=1,352 respondents who either plan on receiving the CTC or are unsure if they will receive the CTC

Figure 7. Perceptions of Child Tax Credit Payment Sufficiency in Supporting Family, by Income



When asked if they preferred monthly payments or an annual lump sum were the credit to become permanent, three out of four respondents (72.0%) preferred monthly payments rather than a lump-sum. Those most likely to support monthly payments were Black respondents (86.5%, $p < 0.001$), those with annual household incomes \$0 to \$25K (84.9%, $p < 0.001$) and those either employed part-time (82.8%, $p = 0.07$) or unemployed (78.9%, $p = 0.04$). When we control for demographics factors using regression, Black and Hispanic families are still more likely to support monthly payments, as are families of 2 or more children.

Discussion

In this survey, launched immediately before the first CTC payments went out to families in July, we find that most parents (87.7%) have heard about the expanded credit, but there may be greater need for outreach among households with only one child and those with very low incomes. Parents overwhelmingly planned to use the credit to save for emergencies and college tuition, apply the money towards housing, food, and utilities, and purchase more or better quality foods, clothing, and other essentials for their children. Very few respondents (6.4%) anticipated using the credit to work less. Those most likely to work less were those with infants and toddlers. This group of parents were also more likely to predict using the credit to change their child's school and spend more on childcare. It appears that the expanded CTC gives families with very young children greater choice in their childcare arrangements. Similarly, less than 20% of parents anticipated using the credit to stay home more with their children, but those most likely to say this lived with a spouse or partner. Here again, the credit appears to give families greater flexibility in making work and childcare choices.

In addition, we see that families' plans for the CTC depended on their income levels. Specifically, families on the lower end of the income distribution (making \$50,000 or less in 2020) were much more likely to report using the CTC to cover household essentials like bill payments and food. However, despite planning to use the CTC for these routine expenses and necessities, we also see evidence that these households planned to use at least some of their CTC payments to invest in their children by contributing to a college fund, hiring tutors, and

spending more on their children’s activities. This may indicate that the CTC will play a dual role in families’ finances, better allowing them to handle their budget constraints and manage their essential expenses, while also allowing them to provide their children with the skills and resources that are often necessary to success later in life.

Our findings suggest that parents will use additional cash benefits in ways that support financial security, family stability and child development in ways that fit their needs and priorities, which likely vary based on the age of their children. For example, the additional CTC can help families with very young children pay for child care or help offset the loss of income that results from reducing work to care for children at home.

Parents’ varied uses of the additional CTC also support a range of policy goals. Use of the credit to meet basic needs lessens the risk for material hardship, which may help reduce child maltreatment (Kang, 2013; Yang, 2015). Using the credit to build emergency savings aligns with federal savings initiatives (e.g., the “Ready” National Public Service Campaign, the Consumer Financial Protection Bureau’s “Start Small Save Up” initiative). Getting help from tutors, supporting children’s activities and saving for college all represent investments in children’s education and development aligned with education policy.

In early 2022, we intend to ask the same parents how the credit affected their employment, childcare, and spending. We will also compare how the credit impacted families’ well-being, finances, behaviors, and employment against a control group of those ineligible for the credit. This work will allow us to better understand the holistic effects of the CTC on the outcomes of families, thus pointing toward the potential benefits of extending the CTC beyond 2021.

References

- Acs, G., & Werner, K. (2021). *How a Permanent Expansion of the Child Tax Credit Could Affect Poverty*. Urban Institute. https://www.urban.org/sites/default/files/publication/104626/how-a-permanent-expansion-of-the-child-tax-credit-could-affect-poverty_0.pdf
- Akee, R. K. Q., Copeland, W. E., Keeler, G., Angold, A., & Costello, E. J. (2010). Parents' Incomes and Children's Outcomes: A Quasi-Experiment Using Transfer Payments from Casino Profits. *American Economic Journal: Applied Economics*, 2(1), 86–115.
- Baird, S., McKenzie, D., & Özler, B. (2018). The effects of cash transfers on adult labor market outcomes. *IZA Journal of Development and Migration*, 8(1), 22. <https://doi.org/10.1186/s40176-018-0131-9>
- Baker, D. A. C., Samra, S., Coltrera, E., Addo, M., Carlson, M., Crowder, P., Cusack, M., Elliott, S., Horn, D., Steckel, J., & Zaghloul, T. (2021). *Preliminary Analysis: SEED's First Year* (p. 25). Stockton Economic Empowerment Demonstration. https://static1.squarespace.com/static/6039d612b17d055cac14070f/t/603ef1194c474b329f33c329/1614737690661/SEED_Preliminary+Analysis-SEEDs+First+Year_Final+Report_Individual+Pages+-2.pdf
- Canning, P., & Stacy, B. (2019). *The Supplemental Nutrition Assistance Program (SNAP) and the Economy: New Estimates of the SNAP Multiplier* (Economic Research No. 265). US Department of Agriculture. <https://doi.org/10.22004/ag.econ.291963>
- Center on Budget and Policy Priorities. (2018). *Policy Basics: The Earned Income Tax Credit*. Center on Budget Policies and Priorities. <https://www.cbpp.org/research/federal-tax/policy-basics-the-earned-income-tax-credit>
- Data For Progress. (2021). *Permanent Child Tax Credit Expansion*. <https://www.filesforprogress.org/datasets/2021/5/dfp-permanent-child-tax-credit-expansion-TOPS.pdf>

- Dávalos, M. E., Fang, H., & French, M. T. (2012). Easing the Pain of an Economic Downturn: Macroeconomic Conditions and Excessive Alcohol Consumption. *Health Economics*, 21(11), 1318–1335.
<https://doi.org/10.1002/hec.1788>
- Davis, A., Schieder, J., & Wamhoff, S. (2021). *Child Tax Credit Enhancements Under the American Rescue Plan*. Institute on Taxation and Economic Policy. <https://itep.org/child-tax-credit-enhancements-under-the-american-rescue-plan/>
- DeParle, J. (2021, March 7). In the Stimulus Bill, a Policy Revolution in Aid for Children. *The New York Times*.
<https://www.nytimes.com/2021/03/07/us/politics/child-tax-credit-stimulus.html>
- Despard, M. R., Guo, S., Grinstein-Weiss, M., Russell, B., Oliphant, J. E., & deRuyter, A. (2018). The mediating role of assets in explaining hardship risk among households experiencing financial shocks. *Social Work Research*, 42(3), 147-158.
- Evans, D. K., & Popova, A. (2016). Cash transfers and temptation goods. *Economic Development and Cultural Change*, 65(2), 189–221. <https://doi.org/10.1086/689575>
- Farrell, Diana, Greig, F., & Hamoudi, A. (2018). *Deferred Care: How Tax Refunds Enable Healthier Spending*. JP Morgan Chase & Company Institute. <https://www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/institute/pdf/institute-tax-refunds-healthcare-report.pdf>
- Garfinkel, I., Sariscsany, L., Ananat, E., Collyer, S., & Wimer, C. (2021). The costs and benefits of a child allowance. *Poverty and Social Policy Brief*, 5(1), 10.
- Hamilton, L., Despard, M., Roll, S., Bellisle, D., Hall, C., & Wright, A. (2021). Does Frequency or Amount Matter? Testing the Perceptions of Four Universal Basic Income Proposals. *Social Policy Institute Research*. <https://doi.org/10.7936/xr7t-5764>
- Hamilton, L. (2020). *Welfare Doesn't Work: The Promises of Basic Income for a Failed American Safety Net*. Springer Nature.

- Hamilton, L., Rothwell, D., Huang, J., Nam, Y., & Dollar, T. (2019). Guarding Public Coffers or Trapping the Poor? The Role of Public Assistance Asset Limits in Program Efficacy and Family Economic Well-Being. *Poverty & Public Policy*, 11(1–2), 12–30. <https://doi.org/10.1002/pop4.244>
- Hammond, S. (2020, December 10). *New research finds the Child Tax Credit promotes work*. Niskanen Center. <https://www.niskanencenter.org/new-research-finds-the-child-tax-credit-promotes-work/>
- Hasdell, R. (2020). *What We Know About Universal Basic Income: A Cross-Synthesis of Review* (p. 27). Basic Income Lab. https://basicincome.stanford.edu/uploads/Umbrella%20Review%20BI_final.pdf
- Internal Revenue Service. (2021, May 17). *IRS, Treasury announce families of 88 percent of children in the U.S. to automatically receive monthly payment of refundable Child Tax Credit*. <https://www.irs.gov/newsroom/irs-treasury-announce-families-of-88-percent-of-children-in-the-us-to-automatically-receive-monthly-payment-of-refundable-child-tax-credit>
- Jones, L. E., Milligan, K. S., & Stabile, M. (2015). *Child Cash Benefits and Family Expenditures: Evidence from the National Child Benefit* (Working Paper No. 21101; Working Paper Series). National Bureau of Economic Research. <https://doi.org/10.3386/w21101>
- Kang, J. (2013). Instrumental social support, material hardship, personal control and neglectful parenting. *Children and Youth Services Review*, 35(9), 1366-1373.
- Kim, J. (2018). The timing of exemptions from welfare work requirements and its effect on mother's work and welfare receipt around childbirth. *Economic Inquiry*, 56(1), 317-342.
- Kramer, K., Andrade, F., Greenlee, A., Mendenhall, R., Bellisle, D., & Blanks, R. (2019). Periodic Earned Income Tax Credit (EITC) payment, financial stress and wellbeing: A longitudinal study. *Journal of Family and Economic Issues*, 3, 511. <https://doi.org/10.1007/s10834-019-09618-2>
- Levay, K. E., Freese, J., & Druckman, J. N. (2016). The Demographic and Political Composition of Mechanical Turk Samples. *SAGE Open*, 6(1), 2158244016636433. <https://doi.org/10.1177/2158244016636433>

- Maag, E., & Airi, N. (2021). *The Child Tax Credit Grows Up to Lift Millions of Children Out of Poverty*. Tax Policy Center. <https://www.taxpolicycenter.org/taxvox/child-tax-credit-grows-lift-millions-children-out-poverty>
- Marinescu, I. (2017). *No strings attached: The behavioral effects of U.S. unconditional cash transfer programs*. Roosevelt Institute. <http://rooseveltinstitute.org/wp-content/uploads/2017/05/No-Strings-Attached-050417-1.pdf>
- McLaughlin, M., & Rank, M. R. (2018). Estimating the economic cost of childhood poverty in the United States. *Social Work Research*, 42(2), 73–83. <https://doi.org/10.1093/swr/svy007>
- Moffitt, R. A. (1979). The Labor Market Replacement Effect of a Negative Income Tax. *Industrial and Labor Relations Review*, 33(1), 85–94. <https://doi.org/10.2307/2523048>
- Nam, Y. (2008). Welfare reform and asset accumulation: Asset limit changes, financial assets, and vehicle ownership. *Social Science Quarterly*, 89(1), 133–154.
- O'Connor, J., & Nepomnyaschy, L. (2020). Intimate partner violence and material hardship among urban mothers. *Violence Against Women*, 26(9), 935-954.
- Perez-Lopez, D. (2021). *Economic Hardship Declined in Households With Children as Child Tax Credit Payments Arrived*. US Census Bureau. <https://www.census.gov/library/stories/2021/08/economic-hardship-declined-in-households-with-children-as-child-tax-credit-payments-arrived.html>
- Pew Charitable Trusts. (2015). *Pew Finds American Families Ill-Equipped for Financial Emergencies*. <http://pew.org/1MSR6O3>
- Pfeffer, F. T., & Killewald, A. (2019). Intergenerational Wealth Mobility and Racial Inequality. *Socius*, 5, 2378023119831799. <https://doi.org/10.1177/2378023119831799>
- Richardson, L., Laing, A., & Mendell, J. (2019). *The Cheque Day Study: Community Impact Statement*. British Columbia Center on Substance Abuse. <https://www.bccsu.ca/wp-content/uploads/2019/06/Cheque-Day-Study-Community-Impact-Statement.pdf>

- SaverLife. (2021, July 15). *Missing Out on Crucial Child Tax Credit Relief: Who Is at Risk and Why*. About Saverlife. <https://about.saverlife.org/research-posts/missing-out-on-crucial-child-tax-credit-relief>
- Sanson-Fisher, R. W., Bonevski, B., Green, L. W., & D'Este, C. (2007). Limitations of the randomized controlled trial in evaluating population-based health interventions. *American Journal of Preventive Medicine*, 33(2), 155–161. <https://doi.org/10.1016/j.amepre.2007.04.007>
- Schirle, T., & Koebel, K. (2015). *The differential impact of universal child benefits on the labor supply of married and single mothers* [LCERPA Working Paper]. Laurier Centre for Economic Research and Policy Analysis. <https://econpapers.repec.org/paper/wlulcerpa/0094.htm>
- Smith-Ramani, J., Mitchell, D., & Lucas McKay, K. (2017). *Income Volatility: Why It Destabilizes Working Families and How Philanthropy Can Make a Difference*. Aspen Institute. https://www.aspeninstitute.org/wp-content/uploads/2017/12/AFN_2017_Income-Volatility_Final.pdf
- Taylor, J. (2021, March 16). Child Tax Credit 2021: Who Gets \$3,600? Will I Get Monthly Payments? And Other FAQs. *Kiplinger*. <https://www.kiplinger.com/taxes/602431/child-tax-credit-2021-who-gets-3600-will-i-get-monthly-payments-and-other-faqs>
- Watson, B., Guettabi, M., & Reimer, M. (2020). Universal Cash and Crime. *The Review of Economics and Statistics*, 102(4), 678–689. https://doi.org/10.1162/rest_a_00834
- White, G. (2017, April 27). Peter Temin: Economic Mobility Requires the Nearly Impossible—The Atlantic. *The Atlantic*. <https://www.theatlantic.com/business/archive/2017/04/economic-inequality/524610/>
- Williams, C. (2021, July 21). Biden's Child Tax Credit Gets Support From Over Half of Voters. A Similar Share Says It Should Expire. *Morning Consult*. <https://morningconsult.com/2021/07/21/child-tax-credit-payments-biden-poll/>
- Wilson, M. (2021). *NEW POLL: A Majority of Voters Support Permanently Expanding Child Tax Credit as Awareness for the Tax Cut Grows*. Fighting Chance for Families.

<https://www.fightingchanceforfamilies.org/press-releases/new-poll-a-majority-of-voters-support-permanently-expanding-child-tax-credit-as-awareness-for-the-tax-cut-grows>

Yang, M. Y. (2015). The effect of material hardship on child protective service involvement. *Child abuse & neglect, 41*, 113-125.

Zheng, W. (2020). *Child Tax Credit and Maternal Labor Supply*. https://b6ad33f0-5c8f-4cae-8827-e0b202e9df5d.filesusr.com/ugd/727ad2_ebc7d866770149868145d8ad583cc10d.pdf

Zilanawala, A., & Pilkauskas, N. V. (2012). Material hardship and child socioemotional behaviors: Differences by types of hardship, timing, and duration. *Children and Youth Services Review, 34*(4), 814-825.