

# **Time to Act:** Why a Connecticut Child Tax Credit Cannot Wait

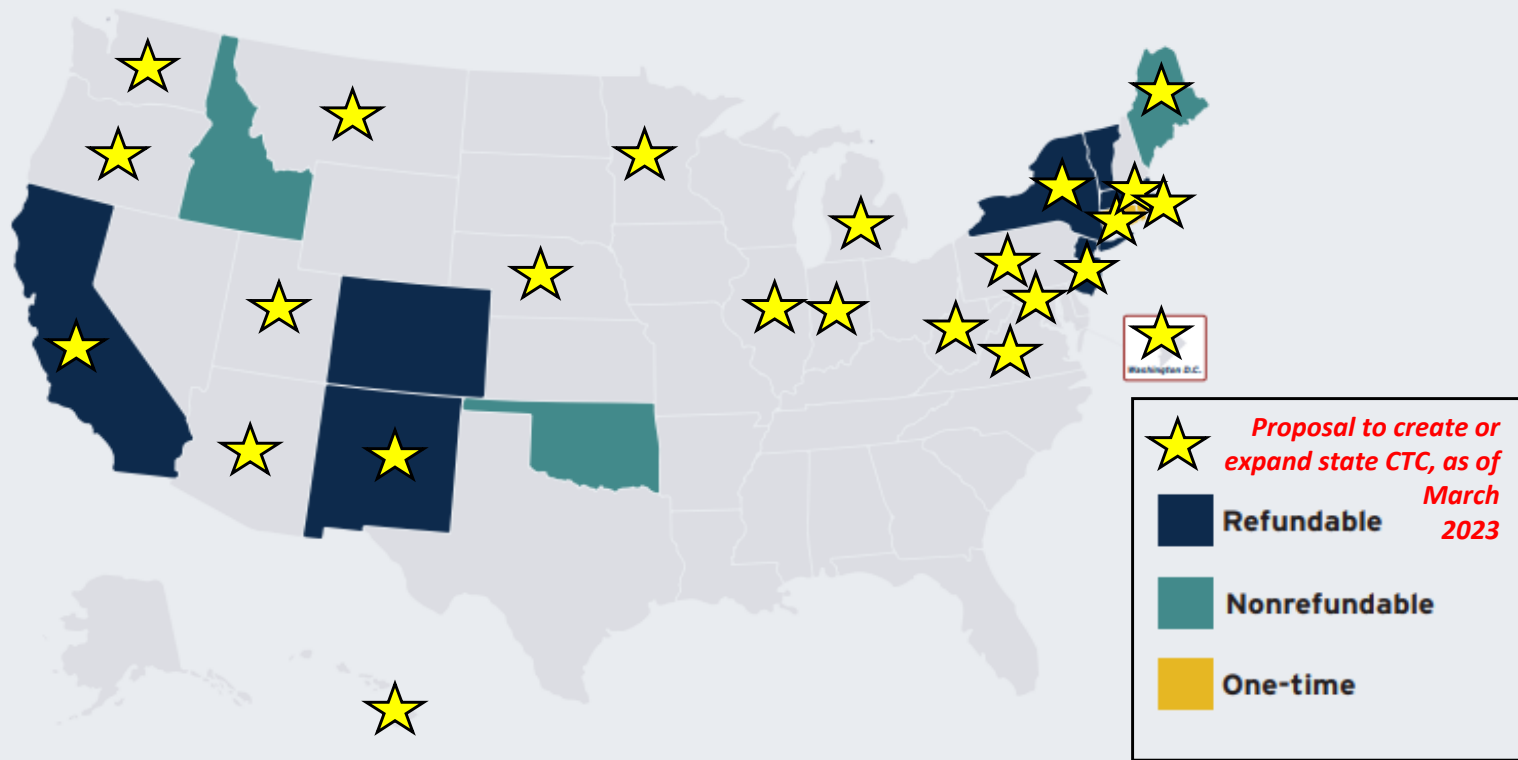
May 9, 2023

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Policy Director



## MORE STATES ARE ADOPTING AND EXPANDING CHILD TAX CREDITS

**FIGURE 3. State Child Tax Credits in 2022**



Note: Maryland has a modest, temporary CTC (through January 1, 2023) that is limited to children with disabilities; taxpayer AGI must be under \$6,000.

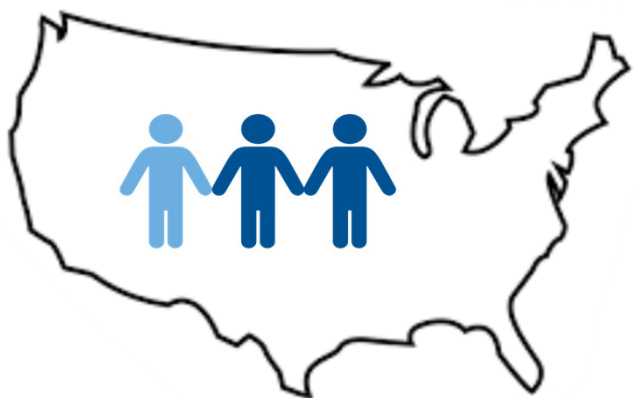
Source: Institute on Taxation and Economic Policy, Columbia Center on Poverty and Social Policy, 2022

Original figure from pg. 9 of Collyer et al (2022) [State Child Tax Credits and Child Poverty: A 50-State Analysis](#). ITEP and CPSP.

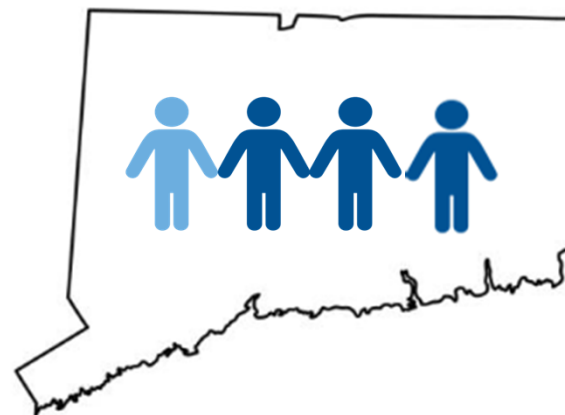
Updated list of states with proposals to create or expand state CTCs from the Economic Security Project: Bailin (2023) [States Step Up to Show Moms Deserve the Credit](#).

# Child Tax Credit: The Case for Federal Reform & State Action

Prior to the temporary 2021 expansion,  
**1 in 3 children nationwide**  
(including more than *1 in 4 Connecticut children*)  
were excluded from the full federal Child Tax Credit  
because their families earned  
too little to qualify



**\*NOTE:**  
after the 2021 expansion  
expired, these children  
are now left out  
once again



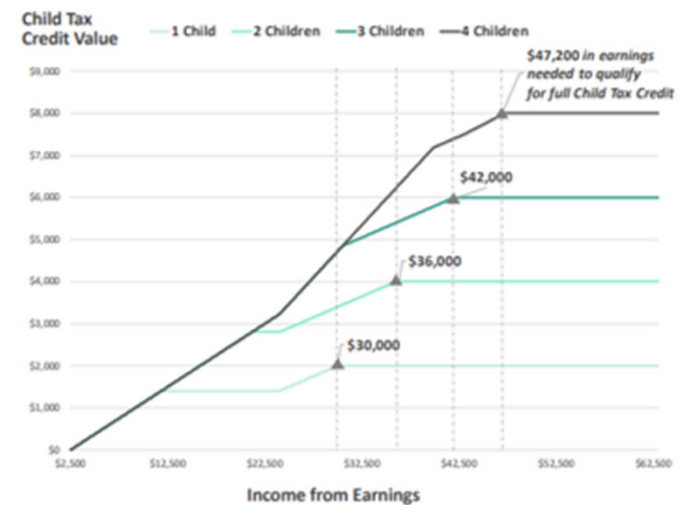
# Child Tax Credit: The Case for Federal Reform & State Action

**Those disproportionately left out include:**

- More than **1 in 2** Black children
- **1 in 2** Latino children
- **70%** of children in single-parent hhs
- Close to **1 in 3** children in rural areas
- Close to **1 in 2** children in larger families (*hhs with three or more children*)
- **40%** of children in families with children under age 6

[Collyer et al \(2019\)](#)

***Plus***, families who add a child to their family must earn more to maintain access to the full credit amount



[Curran and Collyer \(2020\)](#)

Poverty Could Have Spiked  
to Highest Recorded Levels



But...Relief Efforts Saw  
Poverty Drop During  
Pandemic

*With 2021 child poverty reaching  
the lowest levels ever recorded*

The New York Times

TheUpshot

## A Gloomy Prediction on How Much Poverty Could Rise

Researchers suggest the poverty rate may reach the highest levels in half a century, hitting African-Americans and children hardest.



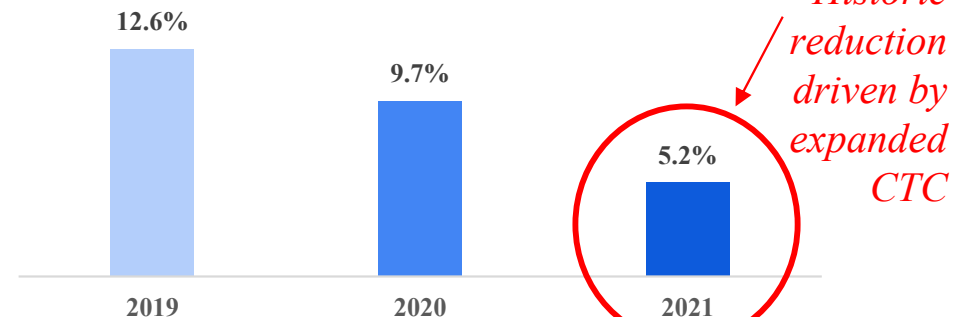
By Jason DeParle

Published April 16, 2020 Updated July 28, 2020

Based on CPSP report:

[www.povertycenter.columbia.edu/news-internal/coronavirus-forecasting-poverty-estimates](http://www.povertycenter.columbia.edu/news-internal/coronavirus-forecasting-poverty-estimates)

National SPM Child Poverty Rate



5.4 million ***fewer*** children living in SPM poverty in 2021 than in 2019

Image and data from [pg. 1 of Census Bureau 2020 SPM report](#)

# The Expanded Child Tax Credit

The American Rescue Plan made 3 key changes for 2021:



***Increased*** annual benefit levels to a maximum of \$3,000 per child aged 6 to 17 and \$3,600 per child under age 6



***Expanded*** eligibility to include those with moderate, low, or no earnings previously left out



***Delivered*** payments on a monthly, rather than annual, basis worth up to \$250 or \$300 per child

# Impact of the Expanded Child Tax Credit



## ACCESS

Reached 62 million children, though some newly-eligible faced access challenges

## INCOME

Buffered family incomes amidst pandemic & uncertain economy

## POVERTY

Helped reduce child poverty to lowest level on record

## SPENDING

Families spent it on children & basic household needs – most common item: food

## HUNGER

Reduced food insecurity, particularly among families with lower incomes

## STRESS

Reduced financial stress & material hardship (e.g. inability to cover expenses & more)

## EMPLOYMENT

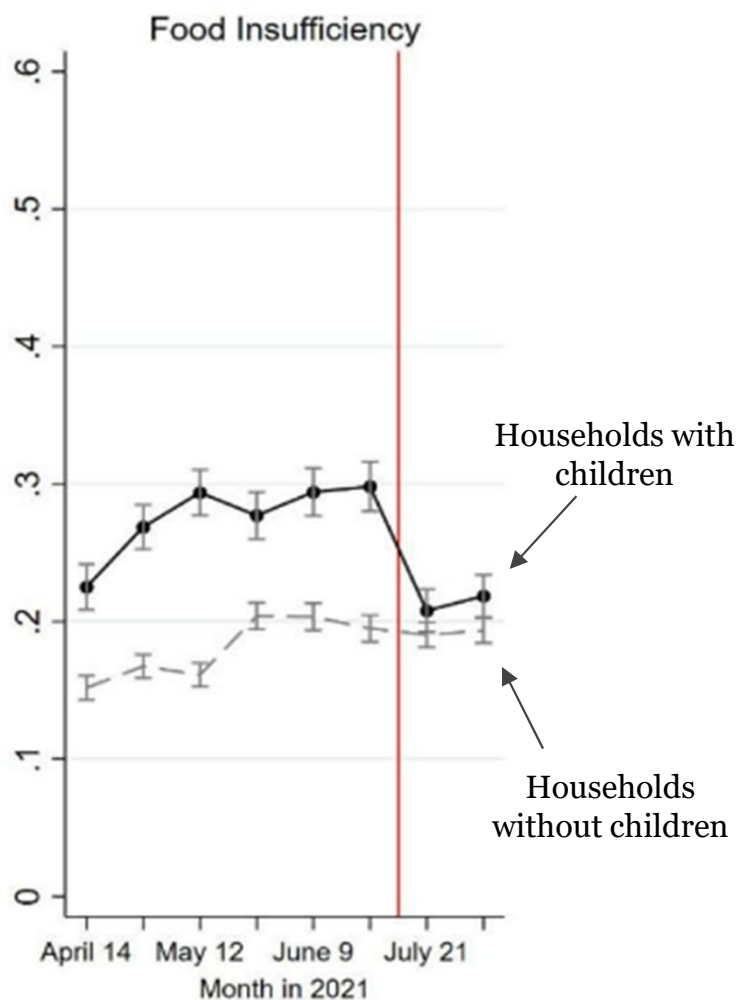
No evidence of reductions in parental work

## EQUITY

Children of color stood to benefit the most

For more, see Curran (2022) Research Roundup of the Expanded Child Tax Credit: One Year On. New York: Center on Poverty and Social Policy.  
[www.povertycenter.columbia.edu/s/Child-Tax-Credit-Research-Roundup-One-Year-On-CPSP-2022.pdf](http://www.povertycenter.columbia.edu/s/Child-Tax-Credit-Research-Roundup-One-Year-On-CPSP-2022.pdf)

# Child Tax Credit Effects on Food Insufficiency



The initial Child Tax Credit payments reduced food insufficiency by 25%.

Food insufficiency here is defined as sometimes or often not having enough food to eat in the house in the previous seven days.

(Parolin et al. 2021)



# Families Spent CTC on Basic Needs – First & Foremost: Food

**Families below \$150,000 (national)**

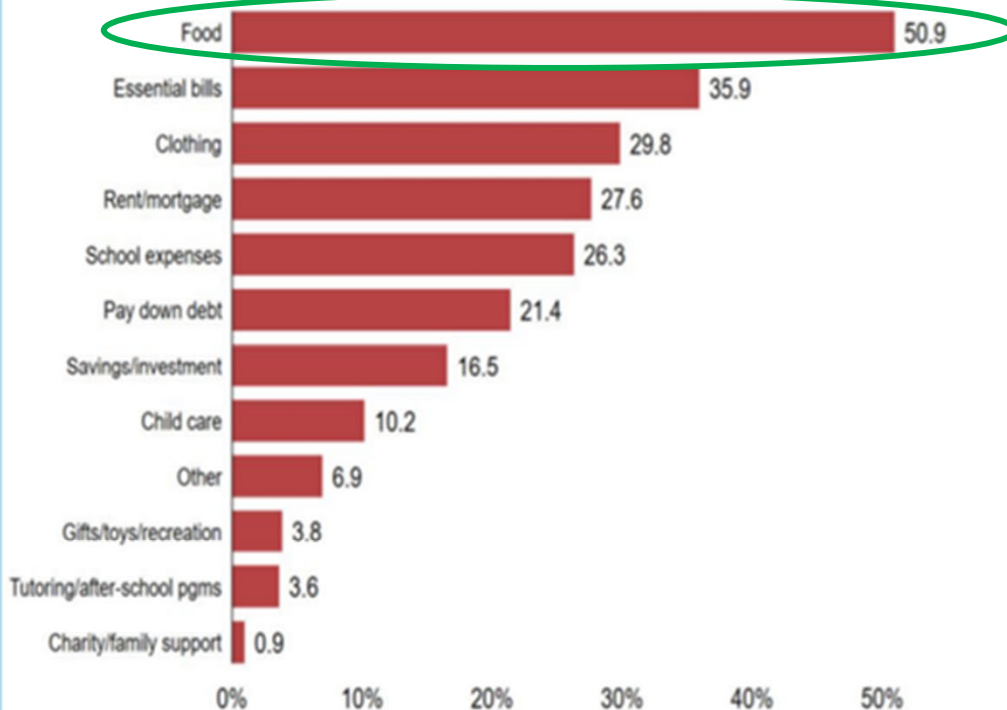


Image from [Roll et al \(2021\)](#), Washington University in St. Louis & Appalachian State University

**Families below \$35,000 (national)**

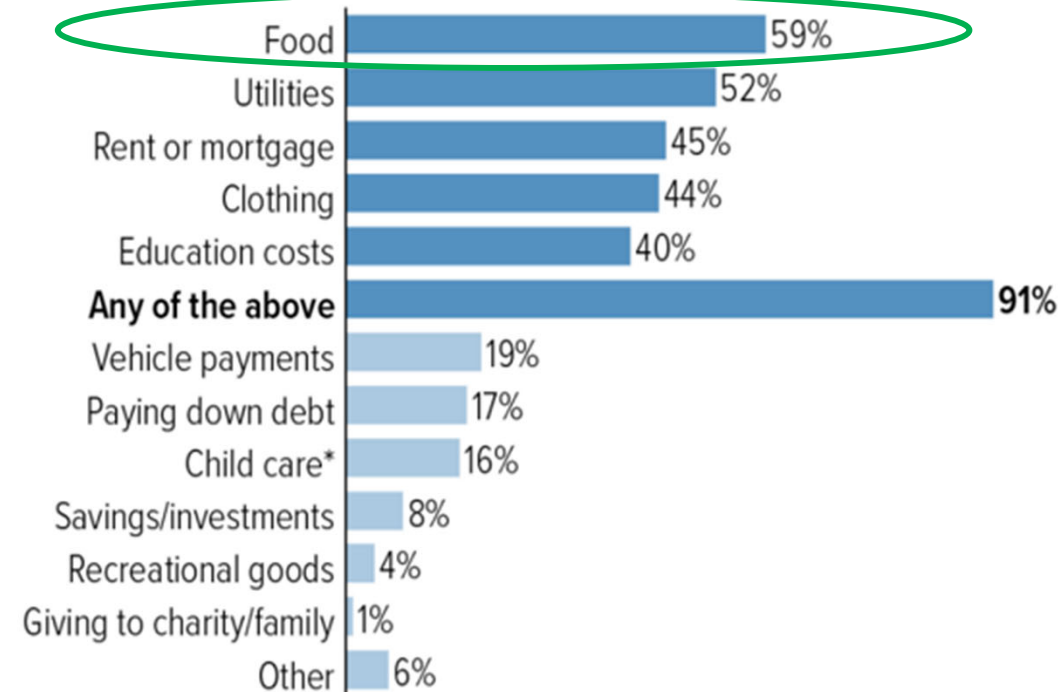


Image from [Zippel \(2021\)](#), Center on Budget & Policy Priorities

# Hardship On The Rise Without Federal Child Tax Credit

**THE HILL**

**Rising number of families struggle to meet expenses after expiration of child tax credit**

BY REID WILSON - 03/01/22 11:22 AM ET



**Harder to Pay the Bills Now That Child Tax Credit Payments Have Ended**

**Households With Children That Struggled to Cover Household Expenses Were at Least Twice as Likely to Rely on CTC**

KATHERINE G. GIEFER  
FEBRUARY 28, 2022



**Nearly half of families with kids can no longer afford enough food 5 months after child tax credit ended**

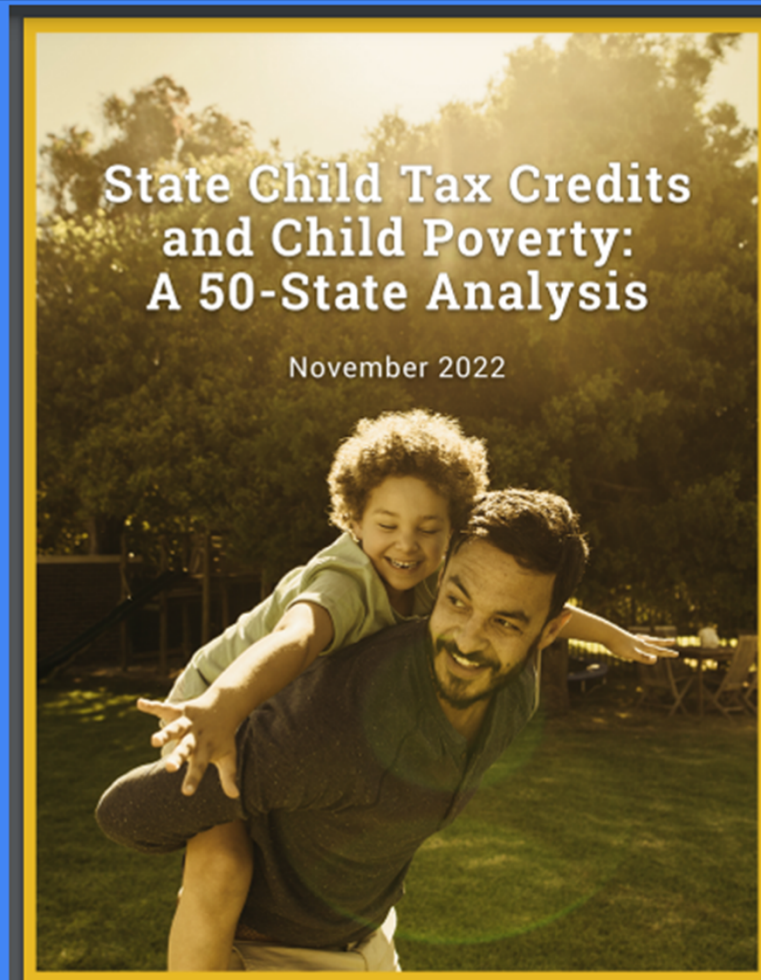
PUBLISHED FRI, JUN 3 2022-1:06 PM EDT | UPDATED FRI, JUN 3 2022-1:31 PM EDT



**Food insufficiency in families with children increased after expiration of Child Tax Credit monthly payments**

April 28, 2022

# Opportunities for State Action



# Connecticut Families Used CTC to Buy Food & Other Essentials

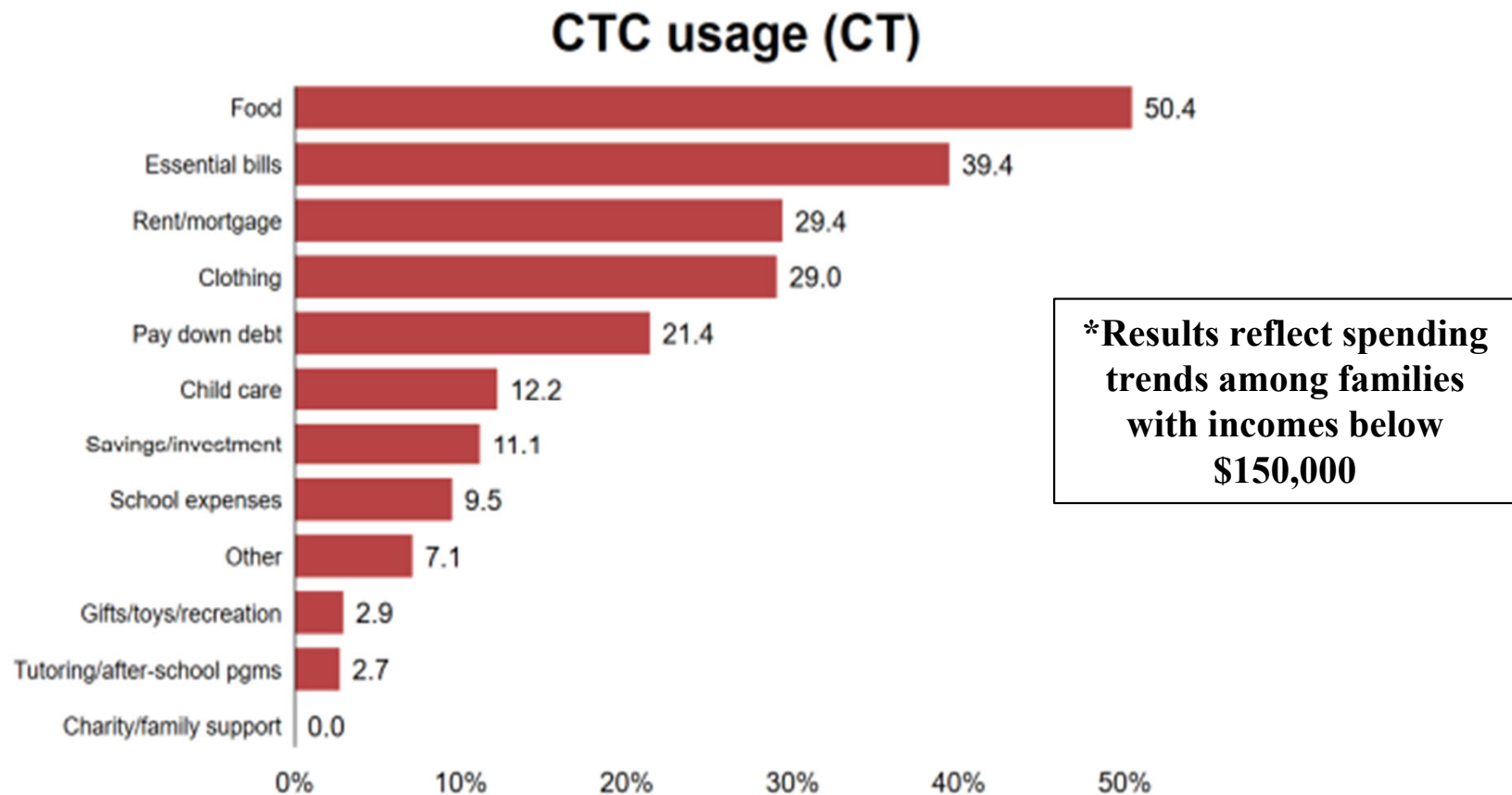


Image from Roll et al (2021) [\*How are Connecticut families using their Child Tax Credit payments?\*](#)  
Washington University in St. Louis & Appalachian State University

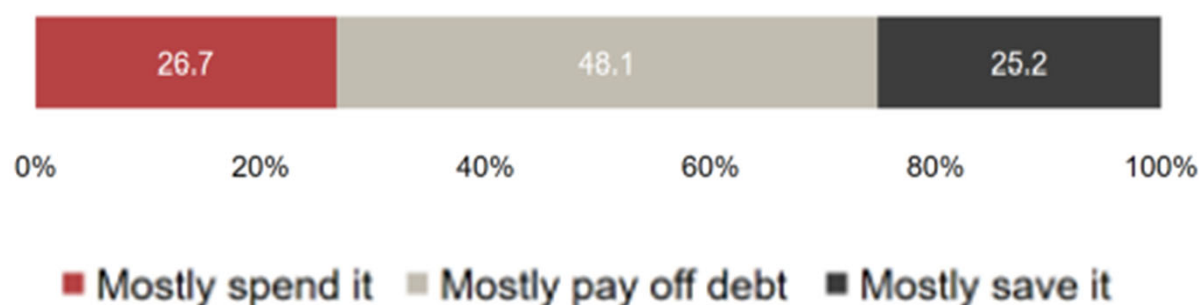
# Share of households with incomes under \$35,000 who used the monthly Child Tax Credit for:

State	Basic Needs (Food, Clothing, Rent, Mortgage, Utilities)	Basic Needs and/or Education Costs
U.S.	88%	91%
Connecticut	93%	93%
Massachusetts	93%	94%
New Hampshire	75%	75%
New Jersey	87%	89%
New York	86%	86%
Pennsylvania	89%	93%
Rhode Island	87%	89%
Vermont	81%	83%

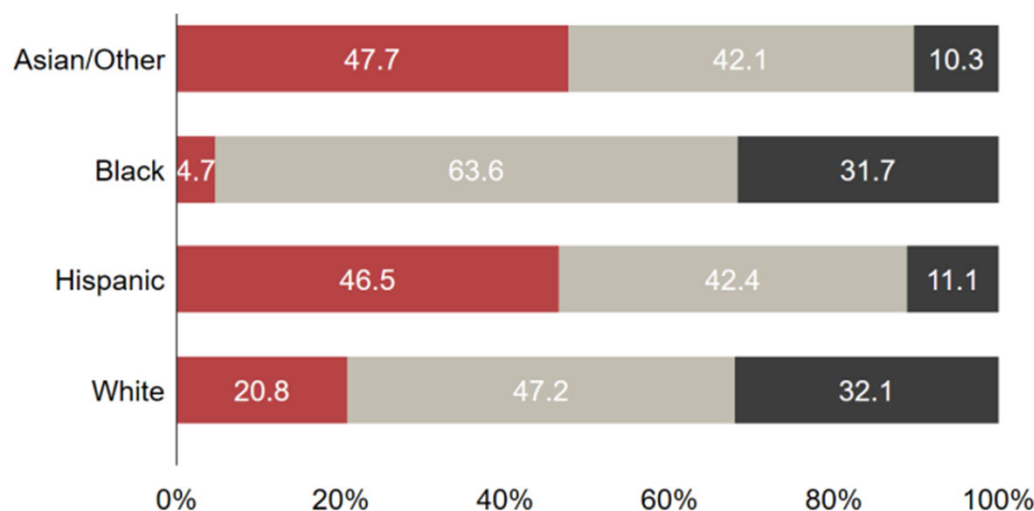
Excerpted from [Zippel \(2021\)](#), Center on Budget and Policy Priorities

# Child Tax Credit Also Helped Connecticut Families Pay Down Debt

**Connecticut residents under \$150,000 in household income, *all*:**



**Connecticut residents under \$150,000 in household income, *by race and ethnicity*:**



Images from Roll et al (2021) [How are Connecticut families using their Child Tax Credit payments?](#)  
Washington University in St. Louis & Appalachian State University



## MORE STATES ARE ADOPTING AND EXPANDING CHILD TAX CREDITS

### THE CASE FOR THE CONNECTICUT CHILD TAX CREDIT

CONNECTICUT  
**VOICES**  
FOR CHILDREN



Source: Institute on Taxation and Economic Policy, Columbia Center on Poverty and Social Policy, 2022

2022



- ★ Proposal to create or expand state CTC, as of March 2023
- Refundable
- Nonrefundable
- One-time

Updated list of states with proposals to create or expand state CTCs from the Economic Security Project: Bailin (2023) [States Step Up to Show Moms Deserve the Credit.](#)

# PRINCIPLES TO CONSIDER WHEN DESIGNING AND ENHANCING STATE CHILD TAX CREDITS

## ***Full Refundability***



Children in families with no or low earnings are eligible for the full credit.

## ***Per-Child Benefits***



The full credit is made available to children regardless of family size or where they come in the birth order.<sup>19</sup>

## ***Indexed to Inflation***



The value of the credit is indexed to inflation so as to not erode the credit over time.

## ***Young Child Bonus***



A larger credit to children under age 6 is provided to target additional resources at a critical period of child development.

## ***Monthly Payments***



The credit is delivered in regular installments, rather than a once-per-year lump sum.<sup>20</sup>

## ***Income Phase-outs***



The same full credit is available to children in low- and middle-income families. Weigh tradeoffs when considering if and when to phase out the credit for higher earning families.

## ***Inclusivity***



Children are included, regardless of immigration status, in credit eligibility.

Figure from pg. 11 of Collyer et al (2022) [State Child Tax Credits and Child Poverty: A 50-State Analysis](#).  
Institute on Taxation and Economic Policy and Columbia University Center on Poverty and Social Policy.



# “ A Win for Society+

At the worst, a child allowance is a pretty good investment. At the best, it's an extraordinary investment.

- Professor Irwin Garfinkel,  
Columbia University  
Center on Poverty and Social Policy Co-Founder

*Access full benefit-cost analysis [here](#):  
Garfinkel et al (2022) The Benefits and Costs of a Child Allowance.  
*Journal of Benefit-Cost Analysis*. 13(3), 335-362.*

COST

BENEFITS

10X

Rate of  
Return

# Thank you

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