The recent provision of Child Tax Credit (CTC) payments to millions of U.S. households is projected to have an enormous impact on child poverty. However, these payments remain temporary and need to be assessed within a broader framework of overall economic security in our nation.

An Assured Income framework

The 1934 Committee on Economic Security referred to “assured income” as follows:

“The one almost all-embracing measure of security is an assured income. A program of economic security, as we vision it, must have as its primary aim the assurance of an adequate income to each human being in childhood, youth, middle age, or old age—in sickness or in health. It must provide safeguards against all the hazards leading to destitution and dependency. A piecemeal approach is dictated by practical considerations, but the broad objectives should never be forgotten. Whatever measures are deemed immediately expedient should be so designed that they can be embodied in the complete program which we must have ere long.”

In 2019, the National Academy of Social Insurance issued a concept paper, Assured Income. The concept paper identified providing monthly cash payments of $100 or $200 to 74 million children up to age 17 as one form of assured income based on age.

How the 2021 Child Tax Credit works

The Child Tax Credit (CTC) provides $3,000 per year per child to families with children aged 6 through 17 years old, and $3,600 per year per child to families with children aged 0 through 5 years old. The credit is fully refundable, meaning that families with no adjusted gross incomes still receive the full benefit. For this reason, it is being referred to by some as a “child allowance”. The credit begins to phase out at household earnings of $112,500 for single-filers and $150,000 for married filers. This temporary benefit will end in 2022 and revert to its prior form barring further legislative action.

Prior to the enactment of the American Rescue Plan of 2021, the CTC functioned as a partly refundable tax credit of up to $2,000 per child under age 17, offsetting taxes owed. Taxpayers who qualified for the credit beyond what they owed in taxes would receive part of the credit as a refund; workers needed to earn at least $2,500 before becoming eligible for a refund. The refundable portion was equal to 15 percent of earnings in excess of $2,500 or $1,400 per child, whichever was less. It did not vary with the age of one’s children, but rather with a household’s number of children. Households with children ages 17 and 18, older dependents, and full-time college students ages 19-24 were (and still are) eligible to receive a $500 non-refundable credit.

This fact sheet was authored by William Arnone, Chief Executive Officer of the National Academy of Social Insurance, and Griffin Murphy, Policy Analyst for Income Security.
Future policy options

As Congress and the Biden-Harris Administration assess the effectiveness of the temporary CTC, there are permanent changes to specific aspects of the credit that policymakers might consider. Among these are:

1. **Increase the value of the CTC per child beyond 2021.** This policy would raise the maximum benefits offered by the CTC beyond 2021. Under this policy the credit will continue to phase-out at high incomes. Current law for 2022 and onward decreases the credit by five percent of adjusted gross income exceeding $200,000 for single filers, and $400,000 for joint filers. *This was enacted temporarily under the American Rescue Plan (ARP) by increasing the per-child benefit from $2,000 to $3,000.* For reference, the Canada Child Benefit will pay out a maximum 5,765 Canadian dollars ($4,600) over the next year ($383 per month) for children aged 6 through 17, and 6,833 Canadian dollars ($5,437) over the next year ($453 per month) for children aged 0 through 5.

2. **Provide a larger credit to families with very young children beyond 2021.** The earliest years of life are critical for development, and the highest rates of child poverty occur during these years. An age-varying policy option provides a larger credit for young children to protect very young children from poverty and enables families to invest in children during the critical early years of life. *This was enacted temporarily under ARP, in which households with children through age 5 are eligible for an extra $600 per child per year compared to children ages 6 through 17.*

3. **Remove the minimum earning threshold and make the credit fully refundable beyond 2021.** As of 2018, 27 million low-income children were not eligible for the full CTC because of its phase-in design. This option would ensure that the CTC is fully available to the children and families who need it most, while simplifying its structure and making it easier for families to understand. *This was enacted temporarily under the ARP, as households with as little as no income are eligible to receive the full benefit.*

4. **Pay out the CTC monthly beyond 2021.** Typically, tax credits are delivered once a year and, since income and tax liability often vary from year to year, individuals may be wary of taking an advance on their tax returns. A fully refundable credit would not vary if income (at low- and middle-incomes) dropped and would thus limit the unpredictability of a tax benefit. This policy would help families better meet the costs of raising children year-round, since child-related expenses (such as diapers, cribs, and clothing) do not wait for tax time. *This was enacted temporarily under the ARP, with a portion of the credit to be paid out by the IRS on the fifteenth of each month beginning with July 15th, 2021.*

5. **Ensure that the refundable credit is not counted as income for transfer program eligibility for means-tested programs.** This would avoid unintended consequences in which increasing the CTC, or changing how it pays, might reduce eligibility for other benefits. *Under current law, tax credits do not count as income in means-tested programs. This option ensures that this continues to be the case, even if the credit is paid out monthly to certain households.*
The forthcoming final report from the Academy’s Study Panel on Economic Security assesses other options to address child poverty. (Preview the Study Panel’s work in a March 2021 white paper, Assured Income for the 21st Century.) This is part of the Academy’s multi-year Campaign for Pathways to Economic Security, which examines ways to strengthen the nation’s social insurance infrastructure within an Assured Income framework.

**Additional resources**

- See “Building Back Better” for Older and Disabled Americans Requires Bringing Supplemental Security Income (SSI) into the 21st Century (Vallas, 2021) for information on potential changes to the SSI program. SSI provides a critical support to very low-income families who have a child with significant disability.
- See Designing Universal Family Care: State-Based Social Insurance Programs for Early Child Care and Education, Paid Family and Medical Leave, and Long-Term Services and Supports (Veghte et al. 2019) for policy options to improve child care. A better system of childcare and education may lessen the need for large CTC payments.

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