A Proposal for an Enhanced Partially Refundable Child Tax Credit

Wendy Edelberg and Melissa S. Kearney

MARCH 2023

ACKNOWLEDGMENTS

The authors would like to thank Jacob Bastian for generously providing estimates for the child poverty, parental employment, and revenue impacts relative to current law for the policy specifications proposed in this essay. The authors are extremely grateful to Noadia Steinmetz-Silber for research assistance. We also thank Lauren Bauer, Lindsey Bullinger, Sofoklis Goulas, Este Griffith, Bob Greenstein, Michael Strain, and Tara Watson for helpful comments.

MISSION STATEMENT

The Hamilton Project seeks to advance America's promise of opportunity, prosperity, and growth.

We believe that today's increasingly competitive global economy demands public policy ideas commensurate with the challenges of the 21st Century. The Project's economic strategy reflects a judgment that long-term prosperity is best achieved by fostering economic growth and broad participation in that growth, by enhancing individual economic security, and by embracing a role for effective government in making needed public investments.

Our strategy calls for combining public investment, a secure social safety net, and fiscal discipline. In that framework, the Project puts forward innovative proposals from leading economic thinkers—based on credible evidence and experience, not ideology or doctrine—to introduce new and effective policy options into the national debate.

The Project is named after Alexander Hamilton, the nation's first Treasury Secretary, who laid the foundation for the modern American economy. Hamilton stood for sound fiscal policy, believed that broad-based opportunity for advancement would drive American economic growth, and recognized that "prudent aids and encouragements on the part of government" are necessary to enhance and guide market forces. The guiding principles of the Project remain consistent with these views.

THE HAMILTON PROJECT

A Proposal for an Enhanced Partially Refundable Child Tax Credit

Wendy Edelberg

The Brookings Institution and The Hamilton Project

Melissa S. Kearney

University of Maryland and Aspen Economic Strategy Group

March 2023

Introduction

The economic case for expanded income assistance to low-income families with children in this country is exceptionally strong. We have ample evidence showing that increased income assistance to low-income families with children yields improvements in educational outcomes and earnings in adulthood.[1] This is in addition to evidence showing that expansions in programs that provide low-income children with other forms of support such as food benefits, public health insurance, and early childhood education lead to improvement in immediate childhood outcomes as well as outcomes as adults.[2]

Against this backdrop of evidence, our country recently experimented with providing more income assistance to families with children in the form of an expanded Child Tax Credit (CTC) that was in place for the 2021 tax year. The expanded CTC featured a full credit amount of $3,600 for children under age 6 and $3,000 for children ages 6 to 17, as compared to a full amount of $2,000 for all ages to age 16 in effect before the expansion. In addition, the 2021 CTC was fully refundable, meaning that even families with no earnings (and hence no income tax liability) were eligible to receive the full credit amount. That full refundability delivered the maximum credit to roughly 2 million children (ages 0 through 16) who would otherwise be ineligible for any credit on the basis of low or no parental earnings.[3]

Our nation's experiment with an expanded CTC in 2021 revealed the possibilities, promises, and political pitfalls of expanded income assistance to low-income families delivered in the form of a tax credit. The 2021 CTC expansion increased the economic security of millions of children. There was a large decrease in child poverty and food insecurity, with some estimates suggesting that child poverty was reduced by one third as a result of the expansion.[4] However, it was very costly, with the Joint Committee on Taxation estimating that the one-year expansion cost the federal government $109.5 billion, in addition to the extant cost of the existing credit (Joint Committee on Taxation, 2021). There have been many calls to build on the success of this policy experiment, but the failure of Congress to renew the 2021 expansions makes it clear that doing so requires political will and policy compromise.

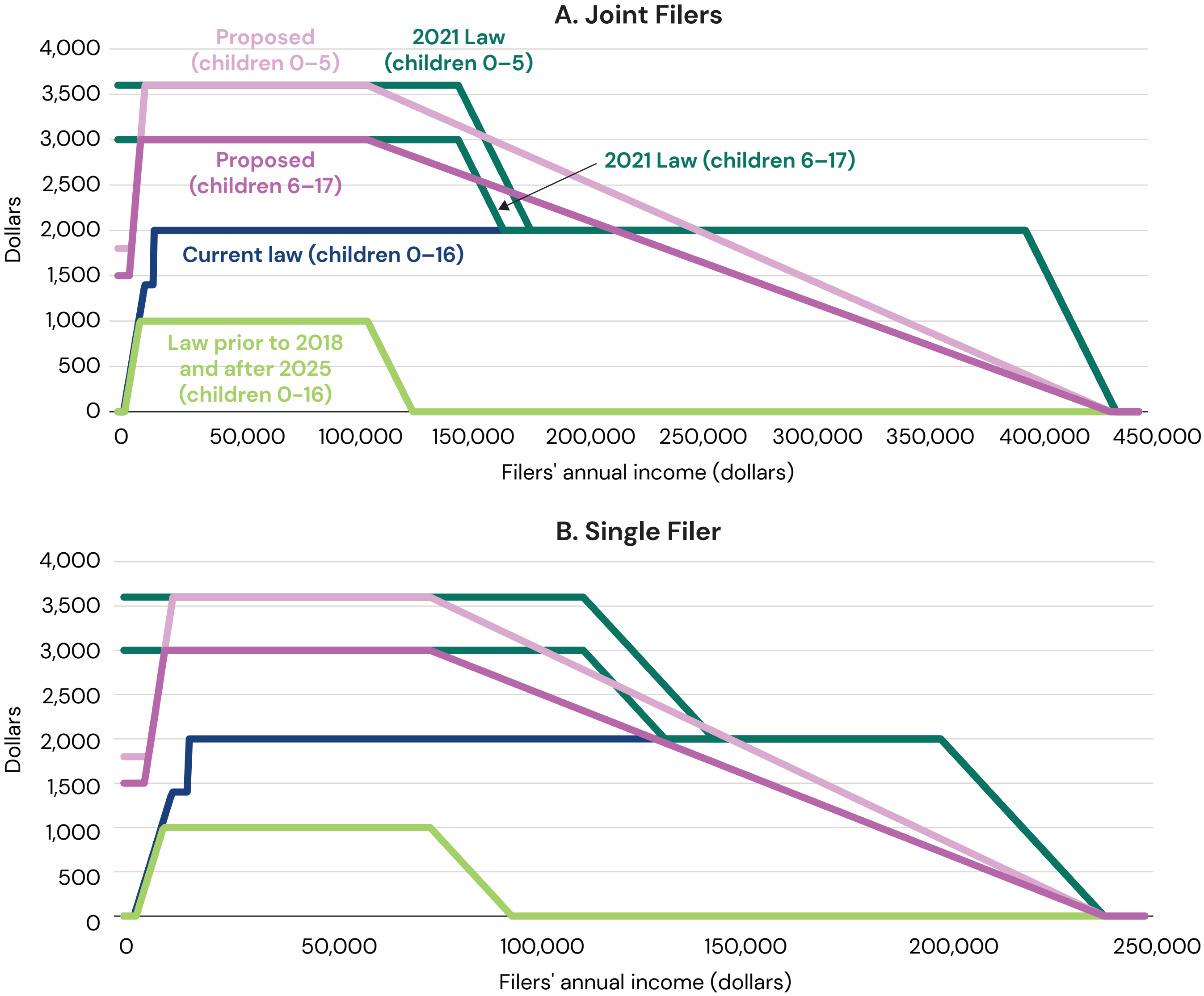
In this essay, we propose a compromise-enhanced CTC design that is distinct from both the 2021 expansion design and current law. In the absence of political constraints, we would propose a design that awards the full credit amount to those with no earnings to advance the goal of delivering income assistance to the most economically vulnerable families. However, the design we propose here, with a partial award to nonearners and a sharp phase-in, helps address the three main concerns that various policy makers and commentators have expressed about reintroducing the 2021 expansions. First, there is a concern about the labor supply reduction that would result from a fully refundable expanded tax credit—that is, one that would award $3,000 or $3,600 per child to parents with no earnings. Second, there is a concern that sending that much income to out-of-work parents could be counterproductive if out-of-work parents struggle with substance abuse and would not spend the additional cash in ways that are beneficial to children; this concern takes on heightened salience amidst the ongoing opioid crisis in the U.S.[5] Finally, some find the fiscal cost associated with the 2021 expanded design unjustifiably high.

Our design recommends a full credit amount of $3,000 for children between the ages of 6 and 17 and $3,600 for children under 6, consistent with the 2021 CTC expansion. Other features of our proposed design differ from both the 2021 expansion and current law. Under our proposed design, families with no earnings are eligible for *half* the full credit amount for each child and there is a steep *phase-in* of the full credit. Those specifications help address concerns about the negative effects on labor force participation of a fully refundable credit and indeed significantly *increase* the after-tax and transfer return to working additional hours for low-income parents. The partial award to non-earners also mitigates concerns about sending amounts as high as $3,600 per child in unrestricted cash to out-of-work parents who might not use such substantial financial resources in ways that benefit children but still delivers critical income assistance to children living in economically-disadvantaged households.[6] In addition, our design features a slow phase-out of the full credit beginning at $75,000 for single filers and $110,000 for married joint filers;[7] these are lower threshold amounts than the 2021 CTC and current law, and thus lower the fiscal costs.

Proposal: An Enhanced CTC with Partial Refundability, a Steep Phase-In, and a Lower Phase-Out Income Threshold

With this reasoning, we propose a modified, enhanced CTC that maintains the full credit amounts of the 2021 expansions—again, $3,000 for children between the ages of 6 to 17 and $3,600 for children ages 5 and under—and partial refundability, such that tax filers with zero taxable earnings are eligible for half the full credit amounts across all children in the tax filing unit. We propose a phase-in rate of 30 percent such that for each additional $100 of taxable income, tax filers are refunded an additional $30 per child eligible for the tax credit. That phase-in is considerably faster than

FIGURE 1
Child Tax Credit Under Law and as Proposed, Tax Filing Unit with One Child



Note: Current law also includes a $500 nonrefundable credit available to children aged 17 and other ineligible dependents, not shown in the figures. There is no benefit for children aged 17 in law prior to 2018 and after 2025. Single filer refers to head of household.

THE HAMILTON PROJECT
BROOKINGS

the rate under current law. This increase in the phase-in rate would increase the rate of return to working at low levels of earnings and thereby increase the incentive to work.[8]

In addition, we propose phasing out the full credit amount at a lower level of income than under current law—thereby reducing the cost to the federal government. We maintain a positive credit amount for families with one child up to $240,000 of taxable income for single filers and $440,000 for joint filers, as under current law. What results is a very slow phase-out rate.

Figure 1 shows our enhanced CTC policy design; figure 1a provides the design for a single filer with one child and figure 1b for a single child whose parents file jointly. Our proposal is shown in purple along with current law (in effect from 2022 to 2025; blue), the 2021 CTC expansion under the American Rescue Plan (teal), and the set of provisions in effect prior to 2018 which will be reinstated after 2025 if there is no intervening action (green). These specifications are also detailed in Table A-1.

Note that under current law, the maximum credit amount is $2,000 for children 16 and under. Tax filers with zero taxable income are not eligible to receive any amount of the credit. Starting at taxable income of $2,500, a partially refundable credit phases in at 15 percent up to a maximum refundable credit of $1,400. Current law also includes a nonrefundable $500 credit for dependents who are not eligible for the CTC, including children aged 17 and adult dependents.[9] Without any action, after 2025, the CTC will revert to pre-2018 law, as specified in the 2017 tax act commonly referred to as the Tax Cuts and Jobs Act. The maximum credit will fall to $1,000 and the phase-in of the credit will begin at $3,000 in taxable income. Phase-out begins at a much lower income than current law, and there is no credit for other dependents including children aged 17.

Effects of an Enhanced Child Tax Credit with Partial Refundability and a Steep Phase-In

Bastian (2023) developed an approach to estimate the effects of a CTC similar to a permanent continuation of the 2021 expansion that offers guidance as to how our compromise CTC would affect parental labor supply and child poverty rates.[10] Using that approach with mid-range labor supply elasticities, Bastian estimates that our compromise design would increase the number of parents in the labor force by 80,000 relative to current law.[11] That occurs because the positive effects on labor supply from our phase-in design offset the estimated negative effects on labor supply from an increase in after-tax income. Before incorporating the positive effects on labor supply, Bastian estimates that our proposed CTC would reduce child poverty by 33 percent relative to current law. That increases to a 34 percent reduction aafter incorporating the mid-range labor supply effects.

Our compromise design for an enhanced CTC featuring partial refundability and a steep phase-in is expected to transfer less government income to children in families with zero earnings as compared to the 2021 CTC, thereby weakening the direct anti-poverty effects coming from transfers to non-earning families. However, our phase-in design would encourage parental labor supply and thereby lead to higher parental labor market earnings, as compared to a permanent continuation of the 2021 CTC. The net effect is that our compromise CTC design is estimated to reduce child poverty rates almost as much as a policy similar to a permanent continuation of the 2021 CTC. In particular, Bastian (2023) estimates that a permanent policy like the 2021 CTC would lead to a reduction in parental employment of roughly 540,000 using mid-range labor supply elasticities. Before the negative effects on labor supply, Bastian estimates that policy would reduce the rate of child poverty by 36 percent relative to current law. That falls to a 35 percent reduction after incorporating the mid-range labor supply effects.

Regarding the concern about sending cash to parents with no earnings, we have reliable evidence from a variety of contexts that low-income children generally benefit from additional income coming into the family. That implies that at an aggregate level, even if there are some parents who might not spend the money in the ways that would most benefit their children all the time, policymakers can expect that, on average, parents will spend income from the CTC in ways that improve children's outcomes. In fact, a new research study finds that in the context of the Alaska Permanent Fund, unconditional income payments to families with qualifying children under the age of five lead to a reduction in child protective services (CPS) claims against parents and, specifically, to a reduction in claims of abuse and neglect and even a demonstrated reduction in child mortality before the age of four (Bullinger et al. 2023). These findings highlight the dramatic benefits that increased income can have on parenting and children's well-being in vulnerable families.

That said, we acknowledge concerns that some out-of-work parents might not spend cash payments in ways that benefit children, especially if substance abuse challenges are a primary reason for parents' lack of work. This concern is pronounced in light of the tragically high rates of opioid abuse in the US, including among parents of young children. In part for this reason, our proposed CTC design does not include full payment eligibility for children from tax filing units with no taxable earnings.

However, we think this challenge calls attention to the conspicuous lack of an institutional mechanism for reliably delivering material assistance to children in vulnerable family settings. Children whose parents are out of work should not be automatically ineligible for cash benefits because of a presumptive worry about how their parents would spend the money. We know of no evidence that parental work status is a good indication of whether parents can (or cannot) be relied upon to spend government transfer payments or tax credits in ways that will benefit their children. Furthermore, to the extent that families with non-working parents have the most material needs, children in these families are likely to benefit the *most* from additional household income. Ideally, our country would have a well-functioning child welfare system that could be relied upon to protect and help children living in family settings where there was a substantiated reason to believe a child's material needs were not being met, either directly because of poverty or because of negligent or harmful parents.

State and local CPS agencies are tasked with determining whether a child is living in a situation characterized by parental neglect or abuse. In practice, CPS is mainly focused on removing children from parents suspected of neglect or abuse. A reformed (and better funded) CPS system that was also focused on helping parents adequately provide for their children could involve a process for ensuring that CTC income payments for a CPS-engaged child were spent on child-focused expenses, say, healthy food or high-quality child-care or after school enrichment activities.[12] With a system like this in place, the CTC could be designed to be more inclusive of children with parents who are out of work and potentially even more generous for precisely such families.

Effects of a Lower Upper-Income Threshold for the Full Credit Amount and a Slow Phase-Out Rate

We propose phasing out the full credit amount at a lower level of income than under current law while maintaining a positive credit amount for families up to $240,000 for single filers and $440,000 for joint filers, as under current law. This is shown in the design in the figure above.

This proposed phase-out design addresses two concerns about an enhanced CTC while preserving the most critical aspects of the tax credit. First, lower phase-out thresholds would lead to substantially less revenue loss from the credit. Using the same approach as in Bastian (2023), Bastian estimates that our compromise CTC design would reduce federal tax revenue by $88 billion relative to the budgetary effect of the CTC under current law.[13] To be sure, that budgetary cost could be reduced by phasing out the credit more quickly. However, the slow phase-out of the tax credit (between $75,000 and $240,000 for single filers and between $110,000 and $440,000 for joint filers) helps to address a second concern; it means smaller labor supply disincentives as compared to a steeper phase-out. In addition, we surmise that an enhanced CTC would have broader public support if it maintained some positive credit for high-income families eligible under current law, though Greenstein (2022b) calls into question the notion that the political sustainability of a transfer program depends on its near universality.

At the same time, our proposal concentrates federal resources where the CTC is most likely to have significant benefits: low- and moderate-income families. The evidence that income payments to families with children lead to improved child outcomes and have large positive social returns generally comes from evidence about income transfers to low- and moderate-income families. There is ample empirical evidence showing that increasing the income and material resources of low-income families with children leads to better school performance, better child and maternal health outcomes, and better long run outcomes for children. However, we know of no compelling evidence that supplementing the income of higher-income families has a positive social return for children.

A Path Forward for the Child Tax Credit

The CTC should be considered a mechanism for delivering income assistance *to children* in low-income families, rather than tax relief for *parents*. Note that our country relies heavily on using the tax code to transfer income. Since the CTC and the Earned Income Tax Credit (EITC) are the closest the US has to a child allowance, neither tax credit can be conceptualized as being merely about delivering tax relief.[14] To our minds, this view of the CTC makes the justification obvious for a more generous credit and one that does not entirely exclude children of parents with no earnings.

The compromise policy design that we put forward for an enhanced CTC would improve the economic well-being of millions of children in this country—more so than the CTC does under its current design—while addressing concerns that apply to a permanent adoption of the 2021 expansion CTC regarding negative labor supply effects, large payments to parents with no earnings, and a large fiscal cost. Relative to a permanent adoption of the 2021 CTC expansion, our proposal is likely to increase labor supply. However, relative to current law, our proposal's greater generosity and the inclusion of a partial credit to non-earning parents means it might lead to lower work effort.

This is a trade-off clearly worth taking. We take the position that our country should be willing to accept the trade-off of income assistance to vulnerable children—with the associated benefits of improved health and well-being—at the cost of a modest reduction in parental labor supply.

Indeed, all transfer programs that provide people with income regardless of work status or earnings and phase-out those benefits as income rises discourage labor supply to some extent. This is a fundamental tension in the design of redistributive programs that are not conditioned on work.

The US has many programs that provide income benefits to vulnerable groups of people despite the well understood and documented trade-off of lower labor supply. For instance, Unemployment Insurance is provided to people who are out of work through no fault of their own, despite the possibility of a reduced incentive to reenter into the workforce when they are receiving benefits (see, e.g., the review of theory and evidence on this issue in Schmeider and von Wachter 2016). Social Security Disability Insurance benefits are provided to people with a qualifying condition, even though many studies have documented that some applicants would work in the absence of benefits (e.g., Maestas, Mullen, and Strand 2013). In addition, Social Security retirement benefits are estimated to reduce labor supply among the elderly (e.g., Friedberg 2000, Boskin and Hurd 1984). Our country accepts those trade-offs in order to provide income assistance to vulnerable groups. (For details on the broad benefits delivered by various US social insurance and transfer programs see Barnes et al. 2021).

And yet, when it comes to providing income assistance to vulnerable children, the US has been less willing to provide a meaningful amount of income assistance out of a worry that some parents might reduce their work effort in response. That has resulted in a massive failure to prioritize children's economic well-being as well as the long-term benefits of alleviating child poverty.

Our view is that much like the US federal government provides social insurance and income assistance to vulnerable adults, it should provide robust and predictable income assistance to economically vulnerable children who, through no fault of their own, are living in a household with limited income or out of work parents. (For more on this argument, see Kearney 2021.) Withholding the credit amount completely for children whose parents have no qualifying earnings would mean prioritizing labor supply incentives over the urgent needs around child well-being. That choice is counter-productive, given the well-documented benefits—including greater educational attainment and earnings—that are associated with delivering additional income to children from low-income families.

A full consideration of the various ways federal tax and spending policy could and should provide material assistance to children from low-income families is beyond the scope of this paper. An enhanced CTC should be considered a complementary policy to federal programs that should be well-resourced to provide in-kind, non-financial support to children from low-income families, including healthcare, food security benefits, early childhood education, and low-income housing and rental support programs.

Endnotes

1. See, for instance, studies documenting such effects from expansions to the Earned Income Tax Credit and casino dividend payouts to tribal families, including Akee et al. (2010), Barr, Eggleston, and Smith (2022), Bastian and Michelmore (2018), and Dahl and Lochner (2011).
2. See, for instance, Bailey et al. (2020), Brown, Kowalski, and Lurie (2020), Hoynes et al. (2016), Miller and Wherry (2019), and Thompson (2018).
3. Tax Policy Center (2022).
4. See Greenstein (2022a) for a review of this evidence.
5. See, e.g., Hammond (2022).
6. We note below that ideally a well-functioning, well-resourced child welfare system could be relied upon to make sure that children in vulnerable family settings benefit from government benefits for which they might qualify.
7. Those thresholds and all dollar-level specifications would be indexed to inflation going forward.
8. The labor supply disincentives associated with transfer payments typically arise from two sources: an income payment has an "income effect," people use some of their higher income to "buy" time away from work and has a "substitution effect," the phasing out of that transfer income as one earns higher amounts of wages, which reduces the monetary return to additional work effort. In contrast, a benefit or credit that is phased-in as earnings increase, as in our proposed policy, encourages work.
9. For details, see Congressional Research Service (2021). Note that the $500 nonrefundable credit is not pictured in figure 1.
10. In Bastian's mid-range elasticity specification, he assumes substitution effect elasticities of 0.4 for unmarried mothers, 0.2 for other mothers, and 0.05 for fathers. The income effect elasticity is -0.08 for everyone. He assumes each working parent either continues to work at their current level of annual earnings or stops working and earns $0 pre-tax and transfers. He focuses on extensive-margin work decisions since the empirical literature has generally found no evidence of intensive margin responses to programs like the CTC that affect low-income families. Bastian (2022) notes that his baseline labor supply estimates are similar to estimates by Brill, Pomerleau, and Seiter (2021) and Goldin et al. (2021), but are smaller than estimates by Corinth et al. (2021).
11. Those estimates were provided to the authors by Jacob Bastian.
12. Along these lines, with a better-functioning and integrated child welfare system and social insurance system, the full CTC could be extended to very low-income families with little capacity to participate in the labor force. For example, low-income families in which the caretakers are elderly or disabled could be eligible for the full credit if those families could be identified for the Internal Revenue Service by the Social Security Administration.
13. That estimate was provided to the authors by Jacob Bastian.
14. It would be reasonable to consider simplifying the programs so that the EITC becomes a wage subsidy conditional on positive earnings, but not the number of children, and the CTC becomes a child subsidy conditional on the number of children, but not on positive earnings. For the sake of keeping this essay focused, we do not additionally consider that proposal here.

TABLE A-1.

Child Tax Credit Under Law and as Proposed, Tax Filing Unit with One Child

Law	Credit with no income	Income at phase-in start	Credit phase-in rate	Maximum credit	Income phase-out range	Credit phase-out rate
				A. Single Filer		
2021 Law						
Ages 0-5	$3,600	–	–	$3,600	$112,500-$144,500 $200,000-$240,000	5%
Ages 6-17	$3,000	–	–	$3,000	$112,500-$132,500 $200,000-$240,000	5%
Current law						
Ages 0-16	$0	$2,500	15% until $1,400 credit	$2,000	$112,500-$132,500 $200,000-$240,000	5%
Law prior to 2018 and after 2025						
Ages 0-16	$0	$3,000	15%	$1,000	$75,000–$95,000	5%
Proposed						
Ages 0-5	$1,800	–	30%	$3,600	$75,000–$240,000	2%
Ages 6-17	$1,500	–	30%	$3,000	$75,000–$240,000	2%
				B. Joint Filers		
2021 Law						
Ages 0-5	$3,600	–	–	$3,600	$150,000-$182,000 $400,000-$440,000	5%
Ages 6-17	$3,000	–	–	$3,000	$150,000-$170,000 $400,000-$440,000	5%
Current law						
Ages 0-16	$0	$2,500	15% until $1.400 credit	$2,000	$400,000–$440,000	5%
Law prior to 2018 and after 2025						
Ages 0-16	$0	$3,000	15%	$1,000	$110,000–$130,000	5%
Proposed						
Ages 0-5	$1,800	–	30%	$3,600	$110,000–$440,000	1%
Ages 6-17	$1,500	–	30%	$3,000	$110,000–$440,000	1%

Note: Current law also includes a $500 nonrefundable credit available to children aged 17 and other ineligible dependents, not shown in the table. There is no benefit for children aged 17 in law prior to 2018 and after 2025. Single filer refers to head of household.

THE HAMILTON PROJECT

BROOKINGS

References

Akee, Randall K. Q., William E. Copeland, Gordon Keeler, Adrian Angold, and Jane E. Costello, "Parents' Incomes and Children's Outcomes: A Quasi-Experiment Using Transfer Payments from Casino Profits" *American Economic Journal: Applied Economics*. Jan 2010, Vol. 2, No. 1: Pages 86–115.

Bailey, Martha J., Hilary W. Hoynes, Maya Rossin-Slater, and Reed Walker. 2020. "Is the social safety net a long-term investment? Large-scale evidence from the food stamps program," National Bureau of Economic Research working paper 26942.

Barnes, Mitchell, Lauren Bauer, Wendy Edelberg, Sara Estep, Robert Greenstein, and Moriah Macklin. 2021. "The Social Insurance System in the U.S.: Policies to Protect Workers and Families." The Hamilton Project, Brookings Institution, Washington DC.

Barr, Andrew, Jonathan Eggleston, and Alexander A Smith, "Investing in Infants: the Lasting Effects of Cash Transfers to New Families," *The Quarterly Journal of Economics*, Volume 137, Issue 4, November 2022: pp. 2539–2583.

Bastian, Jacob and Katherine Michelmore. 2018. "The Long-Term Impact of the Earned Income Tax Credit on Children's Education and Employment Outcomes" *Journal of Labor Economics* 36(4): pp. 1127–1163.

Bastian, Jacob. 2022. "How Would a Permanent 2021 Child Tax Credit Expansion Affect Poverty and Employment?" https://drive.google.com/file/d/1H5iNZZO_YFRIDz-3Tip4C-BpnD85bUjH/view, accessed February 1, 2023.

Bastian, Jacob. 2023. "Proposing a Cost-Effective Child Tax Credit that Will Reduce Poverty and Have Bipartisan Appeal." R Street, Washington DC.

Brill, Alex, Kyle Pomerleau, and Grant M. Seiter. 2021. "Estimating the Labor Supply Response to a Permanent Child Tax Credit Expansion." American Enterprise Institute, Washington DC.

Brown, David, Amanda Kowalski, and Ithai Lurie, "Long-Term Impacts of Childhood Medicaid Expansions on Outcomes in Adulthood," *The Review of Economic Studies*, Volume 87, Issue 2, March 2020, Pages 792–821.

Buckles, Kasey, William N. Evans, and Ethan M.J. Lieber, 2022. "The Drug Crisis and the Living Arrangements of Children," *Journal of Health Economics*, forthcoming.

Bullinger, Lindsey Rose, Annalisa Packham, and Kerri Raissian. "The Effect of Universal and Unconditional Cash Transfers on Child Abuse and Neglect," Working Paper. December 2022.

Congressional Research Service, 2021. "The Child Tax Credit: How It Works and Who Receives It," updated January 12, 2021, accessed February 1, 2023: https://crsreports.congress.gov/product/pdf/R/R46900.

Corinth, Kevin, Bruce D. Meyer, Matthew Stadnicki, and Derek Wu. "The anti-poverty, targeting, and labor supply effects of the proposed child tax credit expansion." National Bureau of Economic Research working paper 29366.

Dahl, Gordon B. and Lance Lochner. 2011. The Impact of Family Income on Child Achievement: Evidence from the Earned Income Tax Credit. American Economic Review 2012, 102(5): 1927–1956.

Friedberg, Leora. 2000. "The Labor Supply Effects of the Social Security Earnings Test." Review of Economics and Statistics 82(1): 48–63.Greenstein, Robert. 2022a. "Next Steps on the Child Tax Credit." The Hamilton Project, Brookings Institution, Washington DC.

Greenstein, Robert. 2022b. "Targeting vs. Universalism, and Other Factors That Affect Social Programs' Political Strength and Durability." The Hamilton Project, Brookings Institution, Washington DC.

Hammond, Samuel. 2022. "Meeting Manchin in the Middle." Niskanen Center, Washington DC.

Hoynes, Hilary, Diane Whitmore Schanzenbach and Douglas Almond. 2016. "Long-Run Impacts of Childhood Access to the Safety Net." *American Economic Review*, 106(4): 903–34.

Joint Committee on Taxation. 2021. "Estimated Revenue Effects of H.R. 1319, The "American Rescue Plan Act of 2021," As Amended By The Senate, Scheduled For Consideration By The House Of Representatives."

Kearney, Melissa. 2021. "Six Reasons Why an Expanded Child Tax Credit or Child Allowance Should be Part of the US Safety Net." Brookings Institution, Washington DC.

Maestas, N., Mullen, K. J. and Strand, A. 2013. "Does Disability Insurance Receipt Discourage Work? Using Examiner Assignment to Estimate Causal Effects of SSDI Receipt," *American Economics Review* 103(5): 1797–1829.

Miller, Sarah and Laura R. Wherry. 2019. "The Long-Term Effects of Early Life Medicaid Coverage," *Journal of Human Resources* vol. 54(3): 785–824.

Schmieder, Johannes F., and Till von Wachter. 2016. "The Effects of Unemployment Insurance Benefits: New Evidence and Interpretation." *Annual Review of Economics* 8: 547–81

Thompson, Owen. 2018. "Head Start's Long-Run Impact: Evidence from the Program's Introduction." *Journal of Human Resources* 53(4), 1100–1139.

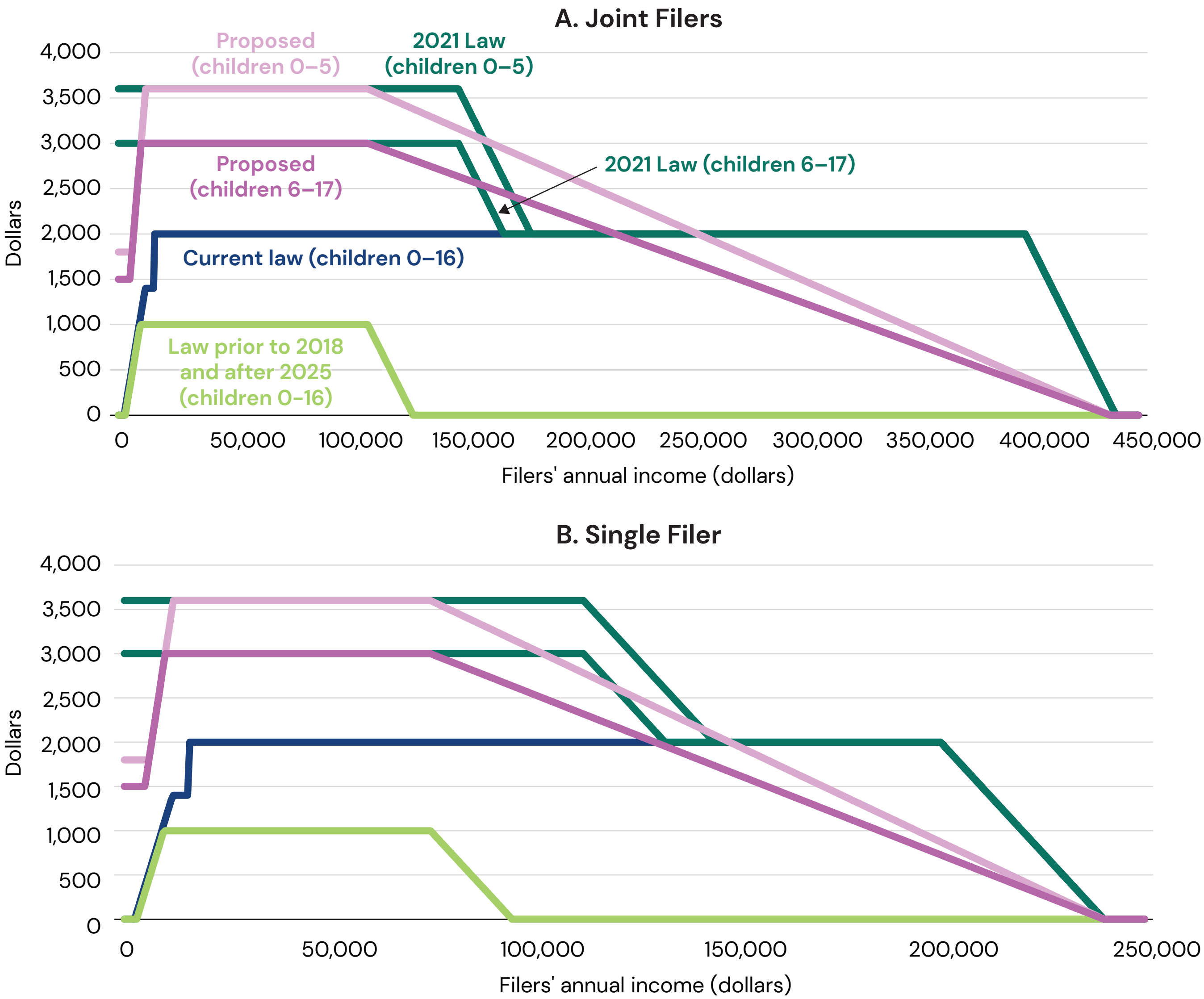
Tax Policy Center. 2022. "T22-0123- Distribution of Tax Units and Qualifying Children by Amount of Child Tax Credit (CTC), 2022." The Urban Institute and Brookings Institution, Washington DC.

THE HAMILTON PROJECT

ADVISORY COUNCIL

Expanding the Child Tax Credit would meaningfully reduce child poverty and improve the long-term outcomes of children. At the same time, policymakers have posed concerns that these additional resources would be negatively offset: by reduced labor supply, because struggling parents will not spend the additional cash in ways that are beneficial to children, and due to the net fiscal cost. The authors analyze the tradeoffs of an enhanced CTC to address all three of these concerns. They propose a novel and efficient CTC design that increases the value of the CTC and provides benefits to families with no income to support millions of American children.

Child Tax Credit Under Law and as Proposed, Tax Filing Unit with One Child



Note: Current law also includes a $500 nonrefundable credit available to children aged 17 and other ineligible dependents, not shown in the figures. There is no benefit for children aged 17 in law prior to 2018 and after 2025. Single filer refers to head of household.

THE HAMILTON PROJECT
BROOKINGS

www.hamiltonproject.org
1775 Massachusetts Ave., NW
Washington, DC 20036
(202) 797-6484

Printed on recycled paper