

Child Tax Credit



At a time critical for all later development, as many as 40% of babies and toddlers live in families without enough income to make ends meet.

Young children grow and learn in the context of their families. Yet 40 percent of babies live in families without enough income to make ends meet, with Black, Hispanic, and Native American babies disproportionately impacted (*The State of Babies Yearbook: 2021*). The early stress that results from poverty can be especially harmful, with long-lasting impacts over the course of a child's life.

The economic challenges families with young children face have only been exacerbated by the COVID-19 pandemic. Findings from the University of Oregon's Rapid Assessment of Pandemic Impact on Development in Early Childhood (RAPID-EC) Project show that, during the pandemic, over 35 percent of families with young children surveyed report difficulties paying for basic needs, and over 65 percent report financial problems. The well being of young children and families is in peril, with consequences for our country's future.

Family economic security is fundamental to creating an environment in which young children can thrive. Research indicates that adequate income in the early years can boost positive child development. But work alone is not enough to help all families reach economic security. The federal minimum wage yields only \$15,080 in annual income, not enough to lift even a 2-person family out of poverty.

The American Rescue Plan included an historic, one-year expansion of the Child Tax Credit (CTC), which is providing critical additional income to families and supporting their ability to afford things such as diapers to keep a baby dry and healthy, gas or bus fare to get to a job, and household supplies for daily life. Key changes included in the temporary expansion for 2021 include:

- Expanding the value of the credit from \$2,000 per child under age 17 to \$3,000 per child ages 6-17 and \$3,600 for children under 6;
- Making the CTC fully refundable and removing the minimum income requirement, allowing families with low income who do not owe federal income taxes to benefit from the full credit; and
- Allowing families to receive half of the value of the CTC in advance on a periodic basis in the second half of the year, not only as one lump sum when they file their taxes next year.

These changes to the Child Tax Credit have the potential for immediate and lifelong benefits for millions of infants and toddlers. Increased resources for families will lead to more stable housing, better access to nutritious food, easier access to high quality child care, and reduced family stress – all of which support children's healthy brain development. But they will only be in effect for one year without further Congressional action.

Make the expansion of the Child Tax Credit permanent, including the boost for families with young children, so that families can have financial security when so much is at stake for their baby's development.

For more information, visit <https://www.zerotothree.org/FederalAgenda2021> or contact Jim Bialick, Director of Government Relations, at jbialick@zerotothree.org.