

Update: Six Months of Advance CTC Payments Dramatically Reduced Childhood Poverty and Improved Family Finances

The expansion of the CTC, included in President Biden’s American Rescue Plan, was one of the largest-ever single-year tax cuts for families with children. It dramatically increased the value of the CTC from \$2,000 per child to up to \$3,600 per child under age 6 and \$3,000 per child between age 6 and 17, putting money in the pockets of low- and middle-income families to pay for household expenses like food, rent, utilities and child care.

As part of the expansion, half of the CTC was distributed in advance via monthly payments, helping families meet their financial needs in real time. Qualifying families received monthly checks from July through December 2021 and will receive the remainder of the credit when they file their 2021 taxes. Because the CTC was made fully refundable, previously ineligible low-income families could receive the full credit.

More than 61 million children from over [36 million families](#) received a total of nearly \$93 billion in advance Child Tax Credit payments in 2021.¹ The average advance CTC payment per household was \$444 in December 2021.

Advance CTC payments led to a historic reduction in childhood poverty, even amid the pandemic and resulting economic crisis

Advance CTC payments reduced childhood poverty by [about 30%](#), keeping 3.7 million children out of poverty in December 2021. Advance CTC payments reached more children across the six months since their rollout with 2 million more children receiving the payments in December 2021 than in July 2021. The CTC’s increased coverage also increased its anti-poverty effects over time. [More than 80%](#) of the CTC’s poverty reduction came from making the credit fully refundable for families with little or no income. This was the largest reduction in childhood poverty in the last 50 years.

Advance CTC payments helped families meet their household needs in real time

Families used the advance CTC payments to meet the basic needs of their households on a weekly and monthly basis. Families with incomes [below \\$35,000](#) were particularly likely to spend their monthly payments on the most basic necessities.

Most recipients spent their payments on more than one thing. Food was consistently the top category for CTC spending, while many also used the payments for [school expenses](#) prior to the start of the 2021-22 school year. According to Census Bureau data for the Household Pulse Survey conducted between December 29 and January 10, 66% of families spent their CTC payment on food, 38% spent it on internet and other utilities, 35% spent it on mortgage/rent,

¹ Numbers are estimates based on December payment data from the Treasury Department.

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34% spent it on clothing and 14% spent it on child care. Another survey showed that many households planned to save the CTC for [emergency expenses](#) (75%), in addition to using it for essential items (58%) and routine expenses (67%).

Parents used advance CTC payments to help afford child care

A consistent percentage of CTC recipients reported spending their CTC payments on child care. [Families with young children](#) were even more likely to spend their CTC payments on child care. For families with children under age 5, one in five families used the CTC to help pay for child care in late July and one in four did so in August and September.

Early advance CTC payments led to sizable declines in financial hardship and food insufficiency

Following the first round of CTC payments in July, there were [sizable declines](#) in financial hardship and food insufficiency for families with children. The share of households with children who reported they sometimes or often did not have enough to eat (food insufficiency) dropped 24%. This followed a [steep rise in food hardship](#) at the beginning of the pandemic, particularly for households with children. Similarly, the share of households with children reporting that it was somewhat or very difficult to pay for their usual household expenses in the previous week (financial hardship) dropped 8%. In subsequent months, the advance CTC payments continued to boost family finances and food access. One study showed that advance CTC payments were associated with a [26% reduction](#) in household food insufficiency.

The expanded CTC advanced racial and geographic equity

Advance CTC payments reached more Black and Hispanic Americans, as well as rural Americans, than the pre-Rescue Plan version did. While 80% of white children were already receiving the full credit pre-expansion, about [half of Black and Hispanic children](#) received only a partial credit or no credit at all because their family's income was too low to qualify. Similarly, about half of children in rural communities were also excluded from the full credit prior to the CTC's expansion due to their family's low income. In total, [27 million more children](#)—including about half of Black and Hispanic children and half of children in rural communities—who previously received only a partial credit or none at all, could receive the full credit. These groups benefitted from the expanded CTC's full refundability and increased amount.

The expanded CTC yielded a high return on investment

The CTC is estimated to provide [\\$8 in social and economic benefits](#) for every \$1 of investment. The Joint Economic Committee previously estimated the impact of the expanded CTC on local economies and showed that each \$1 in CTC payments would generate [additional spending](#), as recipients used the money to buy goods and services that in turn generated income for other people and businesses. This increased economic activity was a boon to local businesses, creating jobs in communities across the country. Another analysis estimated that the CTC expansion would boost consumer spending by [\\$27 billion](#), generate \$1.9 billion in revenues from state and local sales taxes and support over 500,000 full-time jobs.

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Higher family income leads to higher future earnings and other benefits for children

The CTC is an investment in our children's current well-being and [future mobility](#) and success, which also leads to economy-wide returns. Over the long term, research has found that an extra \$3,000 in a family's annual income when a child is younger than age 5 leads to [19% higher future earnings](#). Other research on investments in early childhood finds that increasing family incomes has tangible outcomes for children, including [higher test scores](#), [higher graduation rates](#) for high school and college, [improved health outcomes](#), [lower rates of incarceration](#) and [reduced need](#) for future income support. One survey showed that 42% of CTC recipients planned to use part of the payments to start or grow a [college fund](#) for their child. Overall, a growing body of academic research finds that public investments in children yield [significant long-term returns](#) with economy-wide benefits, as healthier, more educated kids grow up to be more productive workers with higher earnings. This, in turn, also generates higher future revenues. We are all better off when kids are better off.

Parents continued to work while receiving advance CTC payments

Research has shown that cash transfer programs including the CTC have minimal effects on unemployment. One analysis found [no difference in employment trends](#) between parents and non-parents, who would not be eligible for the CTC, before and after advance CTC payments were distributed in the first three months. The analysis also examined the employment dynamics of CTC recipients and those who were eligible for the CTC but did not receive it and found that CTC recipients tended to be employed at higher rates than non-recipients. Another study found "very small, inconsistently signed, and [statistically insignificant impacts](#) of the CTC both on employment in the prior week and on active participation in the labor force among adults living in households with children," leading the researchers to conclude that their analyses "do not support claims that the CTC has negative employment effects that offset its documented reductions in poverty and hardship."

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Advance Child Tax Credit Payments Disbursed in December 2021, by State					
State	Total Number of Payments (Thousands)	Number of Qualifying Children (Thousands)	Total Payment Amount (Thousands of \$)	Average Payment Amount (\$)	Cumulative Total Payment Amount July-Dec, 2021 (Thousands of \$)
All Returns, Total	36,077	61,224	\$16,023,937	\$444	\$92,765,847
Alabama	562	934	\$247,654	\$441	\$1,437,617
Alaska	83	154	\$40,466	\$488	\$235,694
Arizona	795	1,388	\$367,188	\$462	\$2,127,614
Arkansas	350	602	\$160,295	\$458	\$925,296
California	4,265	7,077	\$1,843,989	\$432	\$10,591,748
Colorado	601	1,030	\$267,234	\$445	\$1,534,273
Connecticut	361	583	\$148,679	\$412	\$857,768
Delaware	107	177	\$46,704	\$436	\$268,713
District of Columbia	60	93	\$24,358	\$406	\$139,046
Florida	2,292	3,660	\$982,971	\$429	\$5,654,470
Georgia	1,271	2,118	\$561,009	\$441	\$3,232,439
Hawaii	150	256	\$67,390	\$449	\$392,955
Idaho	209	403	\$104,925	\$502	\$610,192
Illinois	1,363	2,306	\$596,871	\$438	\$3,462,363
Indiana	760	1,333	\$348,313	\$458	\$2,038,790
Iowa	343	623	\$161,497	\$471	\$948,495
Kansas	322	585	\$152,956	\$475	\$888,019
Kentucky	505	861	\$227,103	\$450	\$1,326,112
Louisiana	540	884	\$236,102	\$437	\$1,383,940
Maine	131	216	\$56,600	\$432	\$329,208
Maryland	684	1,125	\$291,296	\$426	\$1,670,608
Massachusetts	667	1,075	\$270,130	\$405	\$1,558,884
Michigan	1,022	1,778	\$464,683	\$455	\$2,723,816
Minnesota	604	1,098	\$279,720	\$463	\$1,640,515
Mississippi	366	595	\$160,661	\$439	\$933,443
Missouri	663	1,162	\$305,108	\$460	\$1,778,181
Montana	110	199	\$52,143	\$474	\$303,152
Nebraska	223	412	\$106,739	\$479	\$625,816
Nevada	353	594	\$158,587	\$449	\$915,321
New Hampshire	133	217	\$55,123	\$414	\$320,664
New Jersey	986	1,621	\$411,878	\$418	\$2,367,171
New Mexico	233	396	\$105,659	\$453	\$612,473
New York	2,010	3,309	\$868,937	\$432	\$5,007,849
North Carolina	1,188	1,968	\$518,064	\$436	\$2,991,607
North Dakota	83	153	\$39,652	\$478	\$232,621
Ohio	1,252	2,161	\$565,922	\$452	\$3,319,807
Oklahoma	460	816	\$217,895	\$474	\$1,251,496
Oregon	419	719	\$187,160	\$447	\$1,083,554
Pennsylvania	1,306	2,214	\$574,904	\$440	\$3,358,347
Rhode Island	109	174	\$45,366	\$416	\$264,182
South Carolina	580	969	\$255,885	\$441	\$1,482,661
South Dakota	97	183	\$47,906	\$494	\$281,001
Tennessee	766	1,298	\$341,844	\$446	\$1,983,871
Texas	3,607	6,273	\$1,655,223	\$459	\$9,526,767
Utah	391	802	\$207,099	\$530	\$1,206,495
Vermont	61	99	\$25,937	\$425	\$150,194
Virginia	941	1,580	\$404,862	\$430	\$2,342,709
Washington	796	1,380	\$353,147	\$444	\$2,049,248
West Virginia	181	305	\$80,711	\$446	\$470,709
Wisconsin	602	1,062	\$275,219	\$457	\$1,611,116
Wyoming	63	115	\$30,228	\$480	\$175,761
Other areas	48	91	\$23,948	\$499	\$141,052

Source: U.S. Department of the Treasury