

Work Requirements for the CTC Would Increase Financial Hardship and Childhood Poverty, While Doing Nothing to Boost Employment

The American Rescue Plan (ARP) dramatically increased the value of the Child Tax Credit (CTC), from \$2,000 per child to up to \$3,600 per child under age 6 and \$3,000 per child aged 6-17. The ARP also expanded the CTC so that it is now fully refundable, and previously ineligible low-income families will receive the full credit. Half of the expanded CTC is being distributed in advance via monthly payments, helping families meet their financial needs in real time. The Treasury Department has delivered [\\$61 billion](#) to families across the country thus far.

The expanded CTC is expected to reduce childhood poverty by [over 40%](#). Early evidence shows that the advance CTC payments have [reduced food insufficiency](#) and financial hardship. Children succeed when they have adequate nutrition, stable housing and the things they need to learn at school. The expanded CTC provides a crucial lift to millions of working families to meet these needs.

There is no evidence that imposing so-called “work requirements” on CTC recipients would increase work. What the breadth of evidence does show is that imposing new restrictions would cut off vulnerable families, raise childhood poverty and increase racial disparities, hurting the children most in need of support.

“Work requirements” are a misnomer for a policy that imposes significant burdens on people and fails to increase employment

Evidence shows that work requirements restrict access to vital supports without meaningfully increasing work. Specifically, multiple studies on child credits show that the expanded CTC will have no significant impact on parental employment. A National Academy of Sciences panel projected that [99.5% of working parents](#) would continue to work with a child credit policy similar to the expanded CTC, and a study of Canada’s recent child benefit expansion found [no measurable influence on employment](#) for single mothers. In a letter to House and Senate leadership, over 450 economists concluded that “recent empirical studies suggest that the income provided through the [CTC] program is [unlikely to meaningfully reduce parental labor supply](#).” Adding further restrictions to the CTC in a misguided attempt to incentivize work is a harmful policy that will deprive millions of families of the credit.

New restrictions on the CTC under the guise of a work requirement would reverse the CTC’s reduction in childhood poverty

What makes the expanded CTC so impactful is that it provides broad support to millions of families. The expansion that was included in the ARP and that provides advance payments in the final six months of 2021 is expected to reduce childhood poverty by [over 40%](#), lifting nearly 4 million children out of poverty. [More than 80%](#) of this reduction in childhood poverty comes from the provision that makes the credit fully refundable to families with little or no income—a provision that

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extended the full credit to [27 million children](#). Adding work requirements to the CTC would deny the full credit to many of these families, causing financial hardship and childhood poverty to rise.

[New restrictions would deny the CTC to some of the most vulnerable families](#)

The majority of CTC recipients are working families. According to the latest data available, [82% of families](#) benefiting from full refundability worked either in the current year or in the prior or next year. Of the remaining families who were not in the work force, many are unable to work. In fact, in [more than 95%](#) of families who benefit from a fully refundable CTC, the parent or caretaker is working, between jobs, ill or disabled, elderly or has a child under age 2.

Work requirements would deny the credit to many who are the most likely to benefit from its expansion. Take grandparents as an example. Many grandparents are no longer in the labor force because they are retired, disabled or both, and they are often the [least financially prepared](#) to care for a child. Similarly, parents or caretakers who are ill or disabled and cannot work would also be denied the credit with the addition of work requirements. Work requirements would cruelly cut them off from the CTC at a time when they most need a lift.

[Work requirements would increase racial and geographic disparities](#)

Work requirements would disproportionately hurt Black and Hispanic Americans, exacerbating racial inequality. While four-fifths of white recipients of the CTC received the full credit before the ARP's CTC 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 and the credit was not fully refundable. Similarly, about half of children in rural communities were also excluded from the full credit due to their family's low income. These groups benefit from the expanded CTC's full refundability.

This differential reflects sharp disparities in the educational and employment opportunities available to Black, Hispanic and rural communities, driven in large part by systemic racism. These racial and geographic disparities lead to reduced employment opportunities for parents, which leads to greater poverty for children and subsequently reduced opportunities as they grow older—and thus the cycle continues. The expanded CTC boosts family income, which in turn will help children earn more as adults. Expanded CTC payments also go further in places with lower costs of living, such as in rural areas.

[The expanded CTC improves the lives of millions of children and promotes long-term prosperity](#)

Families need the expanded CTC because raising children imposes additional costs for families for everything from food and rent to child care and health care. The expanded CTC is designed to better support families, reduce the likelihood that children grow up in poverty and boost childhood health and well-being.

Over the long term, the expanded CTC will also benefit the entire economy. Improved financial conditions will enable the millions of children who are benefiting from the CTC to better succeed in school and their careers, which will boost labor force participation and overall economic productivity.