

An American Child Benefit for Working Families

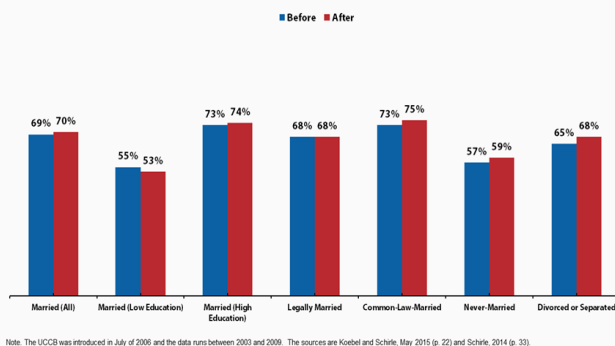
The best hope for our economy, for caregivers, and for children

Introduction: In 2021, Democrats aggressively altered the Child Tax Credit, long a bipartisan staple of Congress' commitment to easing the burden of raising a family, turning it into an unconditional child benefit. The six month experiment with monthly payments triggered divisive philosophical debates about whether and how much to help families regardless of income, immigration status, or willingness to work. However, the administration of the expensive program was undoubtedly a smashing success, improving labor participation, regional economies, and reducing economic hardship, while improving health and stability among families. While political disagreements nixed the continuation of the program, **there remains political movement on both sides of the aisle to improve or even replace the child tax credit.**

Economics: A stronger Child Tax Credit will encourage family formation and childbirth and remove barriers to work for American parents, expanding the labor force now and later, while boosting small and local businesses, disproportionately benefiting rural areas.

- [A July 2021 study](#) (before payments began) showed 94% of parents anticipated working the same or more amid the monthly CTC payments.
- An [October 2021 Columbia Study](#) found no statistically significant decrease in parents' participation in the labor force amid the 2021 monthly CTC payments.¹
- Passage of Canada's child allowance was followed by a [sizable increase in employment](#) for many mothers, particularly single and divorced women, while employment rates of educated married women increased a full percentage point.² Only among married mothers with low education did employment decline, reflecting their shift into home care:
- The Child Tax Credit showed a marked increase in parents [identifying as self-employed](#), suggesting a large jump in new business formation.³
- A stronger CTC for working parents will ease pressure on businesses to raise wages or benefits.
- Studies suggesting a decline in labor participation amid CTC payments have been [replicated without the same findings](#) (Jacob Bastian).⁴
- [A recent study published by the Brookings Institute](#) showed that CTC-eligible respondents in the low/moderate income (\$25K to \$49.9K) group were more than twice as likely to start learning new job-related skills as the non-eligible comparison group (20.4 percent vs. 9.2 percent).⁵

Employment Rates of Mothers Ages 25-49 with Youngest Child Aged 0-5 Before and After the Introduction of Canada's Universal Child Care Benefit (UCCB)



Family Support: The benefits of a more generous Child Tax Credit to family dynamics and family health were well documented amid the 2021 credit expansion and in numerous studies released afterward.

¹<https://www.povertycenter.columbia.edu/publication/2021/expanded-child-tax-credit-impact-on-employment>

²<https://econpapers.repec.org/paper/wlulcerpa/0094.htm>

³<https://humanityforward.com/wp-content/uploads/2021/11/Humanity-Forward-Report-One-Page-v4.pdf>

⁴<https://www.niskanencenter.org/will-the-child-tax-credits-effect-on-work-decrease-its-poverty-impact/>

⁵<https://www.brookings.edu/research/the-impacts-of-the-2021-expanded-child-tax-credit-on-family-employment-nutrition-and-financial-well-being/>

HUMANITY FORWARD

- The CTC requires no bureaucratic navigation and was managed highly efficiently by the IRS.
- Families reported more comfort and ease in arranging for childcare and daycare services.
- After distribution of the 2021 credit began, studies showed children had significantly improved diets, eating more natural food and increasing protein consumption.
- The monthly distribution of the credit coincided with a marked decrease in families using unsavory financial practices such as payday loans, or selling blood plasma.
- Financial reasons are consistently cited as the top reason expecting parents terminate their pregnancies, dividing the nation. A stronger CTC that supports pregnant mothers will help reduce abortion rates and grow families

Rebuilding America: A strong Child Tax Credit is key to raising strong, healthy, happy children, who will grow into a productive, focused, and patriotic workforce.

- There are 12 million fewer American children today than there would be if the 2008 US birthrate were sustained until now. The oldest would be entering the workforce.
- By putting support in the hands of people who will spend it, we can immediately boost local businesses and regional economies.
- An expanded CTC [disproportionately benefits](#) smaller towns and rural areas.⁶
 - Parents who receive the Child Tax Credit money, especially lower-income parents, are more likely to immediately spend that money locally.
- Children whose parents receive similar benefits grow up to be happier, healthier, better educated, more productive, better earners, and are less likely to commit crimes.

The Political Landscape: Democrats fumbled an easy win on this issue by clinging to unrealistic demands and publicly fighting amongst themselves over symbolic but relatively meaningless details. Nonetheless a growing number of Republicans support reform.

- Democrats are insisting on an unpopular universal child allowance disconnected from work.
- Progressive coalitions have unrealistic expectations of what leverage they have or what it can provide in terms of reviving the 2021 credit.
 - Many of their discussions are derailed by distracting messaging fights, like questioning the use of the phrase “working families.”
 - Many prominent coalition groups support giving full CTC benefits to undocumented families, a culture war flashpoint that gives Republicans an opening to claim the issue.
- Republicans have largely stuck to criticizing the Democratic restructuring of a historically bipartisan benefit.
 - Republican Senators [Marco Rubio](#) (FL) and [Mitt Romney](#) (UT) have each released their own CTC reform proposals and are privately recruiting support among colleagues.
- Republican ideology should support a strong CTC - and a base of intellectual support is growing.
 - A stronger CTC can help reduce racial income/wealth gaps without overtly separating people by race or dragging anyone down.
 - This recent [statement of principles](#) from the Ethics and Public Policy Center (led by HF Policy Council Member Patrick Brown) received significant support from the conservative policy community and emphasized the need to encourage work while giving families the flexibility and financial security they need.
 - The Republican Study Committee and the GOP Governance Group (formerly the Tuesday Group) have expressed support for these principles in recent publications and statements.

⁶<https://www.niskanencenter.org/report-measuring-the-child-tax-credits-economic-and-community-impact/>