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Written Statement to the Senate Finance Committee's Subcommittee on Taxation and IRS Oversight

Hearing on "Assessing 25 Years of the Child Tax Credit (1997-2022)"

July 13, 2023

Chairman Bennet and Ranking Member Thune, on behalf of First Focus on Children, I am writing to provide further context and the perspective of how a Child Tax Credit incrementally improved over the course of 1997 to 2022 in a manner that ultimately led to a Child Tax Credit that benefited nearly every child in this country in a fashion that, if the 2021 expansion were extended, would positively impact every aspect of the lives of children, improve the well-being and future of children, and benefit our entire country by significantly reducing the costs that are incumbered by society as a result of policy choices that lead to crippling child poverty rates in the United States that are among the highest of all wealthy nations.

That version of the Child Tax Credit, which was adopted from Sen. Michael Bennet's and Rep. Rosa DeLauro's American Family Act and included as part of the American Rescue Plan Act (ARPA) that was signed into law on March 11, 2021, increased the Child Tax Credit to $3,600 for children under the age of 6 and to $3,000 for children over the age of 6, expanded the credit to 17-year-old who were previously denied the credit, and made the credit fully refundable to all children on a monthly basis. Unfortunately, APRA's provision was temporary and so expired at the close of 2021.

Prior to 2021 and now again under current policy due to the expiration of the improved Child Tax Credit, one-third of our nation's children are tragically "left behind" by the Child Tax Credit. The reason is that their parents make ***too little*** to qualify for the full credit.[1] This policy is an unfortunate choice, as it excludes the nation's poorest children from reaping the full benefit of the Child Tax Credit. With the exception of 2021, this policy contributes to child poverty rates in this nation that have been more than 50% higher than adult poverty.[2]

The consequence of this policy is that it compounds the negative impact that child poverty has on nearly every aspect of the lives of children, including their health, education, hunger, housing, and incidents of child abuse and neglect and engagement with the criminal justice system.[3] Furthermore, child poverty has life-long and intergenerational consequences. In fact, evidence

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[1] Collyer, Sophie, David Harris, and Christopher Wimer (2019, May 13), *Left Behind: The One-Third of Children in Families Who Earn Too Little to Get the Full Child Tax Credit*, Columbia University's Center on Poverty and Social Policy, Vol. 3, No. 6.
[2] Schrider, Emily A., Melissa Kollar, Frances Chen, and Jessica Semega (2021, Sep.), *Income and Poverty in the United States: 2020,* U.S. Census Bureau.
[3] See, for example, First Focus on Children (2023, Jun.), "Child Investment Research Hub."

shows that money matters and supports like the Child Tax Credit are effective in improving children's long-term success, which leads to better health outcomes, higher educational attainment, and increased earnings as adults.[4]

Moreover, the cost to society of child poverty in this nation is estimated by the National Academy of Sciences, Engineering, and Medicine (NASEM) to be as much as $1.1 trillion annually.[5]

So, whose children are we devaluing? According to a May 2021 study by the Center on Poverty and Social Policy at Columbia University, those "left behind" by the lack of refundability of the Child Tax Credit were disproportionately: (1) children under the age of 6 (40% receive only partial or no credit); (2) Black and Hispanic children; (3) children in single parent households ("70% of children in families headed by single parents who are female do not receive the full credit"); and, (4) children in rural communities.[6]

As a nation, we should not tolerate child poverty and the harm it inflicts on our nation's kids. For many children, its impact is akin to a form of violence[7] created by policy choices, but it does not have to be this way. Other nations, such as Canada and the UK, have successfully cut child poverty and we even nearly cut child poverty in half in 2021, despite a global COVID-19 pandemic and worldwide recession.[8]

Furthermore, as a nation, we also dramatically cut poverty for our nation's elderly when our nation decided to make it a priority. The contrast is acute. As NPR's Greg Rosalsky reports:

> *Our welfare system has long spent generously on the old, but it has consistently skimped on the young. While America spends about as much, or even more on the elderly than many other rich nations, it spends significantly less on kids. Among the almost 40 countries in the OECD, only Turkey spends less per child as a percentage of their GDP. It's a big*

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[4] National Commission on Children (1991), *Beyond Rhetoric: A New American Agenda for Children and Families*; Greg J. Duncan and Jeannie Brooks-Gunn (1997), *Consequences of Growing Up Poor*, Russell Sage Foundation; National Academy of Sciences, Engineering, and Medicine (2019), *A Roadmap to Reducing Child Poverty*, eds. Greg Duncan and Suzanne Le Menestrel; First Focus on Children (2023, Jun.), "Child Investment Research Hub."

[5] National Academy of Sciences, Engineering, and Medicine (2019), *A Roadmap to Reducing Child Poverty*, eds. Greg Duncan and Suzanne Le Menestrel.

[6] Collyer, Sophie, David Harris, and Christopher Wimer (2019, May 13), *Left Behind: The One-Third of Children in Families Who Earn Too Little to Get the Full Child Tax Credit*, Columbia University's Center on Poverty and Social Policy, Vol. 3, No. 6.

[7] Allen, Josephine A.V. (2001), *Poverty as a Form of Violence*, Journal of Human Behavior in the Social Environment, Vol. 4, No. 203, 45-59.

[8] Waldfogel, Jane (2010), *Britain's War on Poverty*, Russell Sage Foundation; Shadi Houshyar and Jane Waldfogel (2010, Dec.), *Tackling Child Poverty and Improving Child Well-Being: Lessons from Britain*, First Focus on Children; Joshua T. McCabe and Elizabeth Popp Berman (2016), *American Exceptionalism Revisited: Tax Relief, Poverty Reduction, and the Politics of Child Tax Credits*, Sociological Science, 540-567; Ron Haskins and Timothy Smeeding (2019, Mar. 8), "How to cut child poverty in half," The Hill; Sophie Collyer, Megan A. Curran, Irwin Garfinkel, David Harris, Mark Stabile, Jane Waldfogel, and Christopher Wimer (2020, Jul. 21), "What a Child Allowance Like Canada's Would Do for Child Poverty in America," Century Foundation.

reason why the United States has a much higher rate of child poverty than most other affluent countries — and even has a higher rate of child poverty than some not-so-affluent countries.[9]

More than 30 years ago, the bipartisan National Commission on Children was established in 1987 under President Ronald Reagan and tasked with the goals of improving the lives and well-being of our nation's children. As a major part of its final report sent to President George H.W. Bush in 1991, the bipartisan commission recommended the creation of a fully refundable Child Tax Credit that would go to ***all*** families with children and not be withheld in whole or in part from the poorest children.[10]

As the bipartisan commission explained in its report entitled *Beyond Rhetoric: A New American Agenda for Children and Families*:

The United States is the only Western industrialized nation that does not have a child allowance policy or some other universal, public benefit for families raising children…. Other nations that have adopted child allowances policies regard such subsidies as an investment in their children's health and development and in their nation's future strength and productivity.[11]

As a reminder, this recommendation was made in 1991. Since then, opponents of making the Child Tax Credit fully refundable have attempted to make "deservedness" arguments, as if children are somehow undeserving of equitable support due to their family's hardship, lower economic status, or zip code. Not only do such policies target certain children for harm, they also penalize parents who choose to do the hard work and "stay at home and care for their children."

Again, as the bipartisan commission explained:

*Because it would assist all families with children, the **refundable** child tax credit would not be a relief payment, nor would it categorize children according to their "welfare" or "nonwelfare" status. In addition, because it would not be lost when parents enter the work force, as welfare benefits are, the refundable child tax credit could provide a bridge for families striving to enter the economic mainstream. It would substantially benefit hard-pressed single and married parents raising children. It could also help middle-income, employed parents struggling to afford high-quality child care. Moreover, because it is neutral toward family structure and mothers' employment, it would not discourage the*

[9] Rosalsky, Greg (2022, Feb. 22), "Why America Has Been So Stingy In Fighting Child Poverty," NPR; see also, Hilary W. Hoynes and Diane Whitmore Schanzenbach (2018, May), *Safety Net Investments in Children*, National Bureau of Economic Research, Working Paper 24594; Anna Aizer, Hilary W. Hoynes, and Adriana LLeraas-Muney (2022, Feb.), *Children and the US Social Safety Net: Balancing Disincentives for Adults and Benefits for Children*, National Bureau of Economic Research, Working Paper 29754.
[10] National Commission on Children (1991), *Beyond Rhetoric: A New American Agenda for Children and Families*.
[11] *Ibid.*

formation of two-parent families or of single-earner families in which one parent chooses to stay at home and care for the children.[12]

The first draft of legislation to create a Child Tax Credit by Republican leadership in Congress in 1995 would have, as Niskanen Center's Josh McCabe explains, made the Child Tax Credit refundable by "providing families relief from both income and payroll taxes."[13]

McCabe adds this would have "granted more relief to working-class families who tend to pay more in payroll taxes than income taxes," but unfortunately, "the credit was ultimately made nonrefundable to make more room for other tax cuts."[14]

Over the years, after passage of the initial Child Tax Credit by a Newt Gingrich-led Congress and signed into law by President Bill Clinton in 1997, incremental improvements have been made to the Child Tax Credit over time. For example, the Child Tax Credit was first made partially refundable by legislation signed into law by President George H.W. Bush in 2001. The Child Tax Credit was improved further and made more equitable (or less discriminatory toward children living in poverty) during the presidencies of Barack Obama (2009) and Donald Trump (2017).[15]

Moreover, as part of the 2017 tax bill, amendments by Sens. Marco Rubio and Sherrod Brown to further expand and improve the refundability of the Child Tax Credit were supported in some form by 68 senators, more than two-thirds of senators, but were not passed as votes in favor were unfortunately split between the two amendments.[16]

And yet, parallel efforts to cut child poverty were in the works due to a bipartisan amendment to the FY 2016 Labor-HHS Appropriations bill by Reps. Lucile Roybal-Allard and Barbara Lee with the support of Chairman Tom Cole asked NASEM to study ways to cut the crushing and unacceptable levels of child poverty, which hovered close to 20 percent, by half.[17]

In its final report in 2019, the non-partisan NASEM highlighted the enormous negative consequences of child poverty to both children and society. NASEM's final report, *A Roadmap to Reducing Child Poverty*, recommended improving the Child Tax Credit to increase its value and to make it fully refundable, as was initially recommended back in 1991.[18]

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[12] *Ibid.*

[13] McCabe, Josh (2023, Jun. 2), "Reclaiming the GOP legacy on the child tax credit," Washington Examiner.

[14] *Ibid.*

[15] Crandall-Hollick, Margot L. (2021, Dec. 23), *The Child Tax Credit: Legislative History*, Congressional Research Service, R45124.

[16] Gerson, Michael (2017, Dec. 4), "Republicans had a chance to reject their inner plutocrat. They blow it," Washington, Post; see U.S. Senate Roll Call Votes #295 and #296 in the 115th Congress.

[17] First Focus Campaign for Children (2015, Jun. 24), "House amendment would fund landmark child poverty study."

[18] National Academy of Sciences, Engineering, and Medicine (2019), *A Roadmap to Reducing Child Poverty*, eds. Greg Duncan and Suzanne Le Menestrel; Barbara Lee (2019, Feb. 28), "Reps. Roybal-Allard and Lee Celebrate Release of Landmark Child Poverty Study They Led the Effort to Fund."

Fortunately, a majority in the House and Senate voted to adopt these recommendations as part of ARPA. Therefore, the U.S. Census Bureau estimates that child poverty was cut by 46% in 2021, and the Child Tax Credit alone lifted nearly 3 million children out of poverty.[19]

The impact of the improved Child Tax Credit cannot be overstated. The number of children it lifted out of poverty is equivalent of filling Ball Arena, home to the NBA champion Denver Nuggets, to capacity nearly 152 times or Dykhouse Stadium, home to the FCS football champion South Dakota State Jackrabbits to capacity 150 times.

Across our great nation, families with children benefitted greatly from the improved Child Tax Credit.[20] The American people recognized the benefits. In a May 2022 poll by Lake Research Partners, American voters surveyed favored an extension of the Child Tax Credit by a wide 72-21% margin.[21]

Furthermore, by an overwhelming 83-13% margin, the American people expressed concern (60% very concerned) about the negative consequences to children of having poverty rates 59% higher than adult poverty. By an 86-12% margin, respondents also were concerned that "child poverty costs our society up to $1.1 trillion a year."[22]

Although the House of Representatives responded to the concerns of voters by including an extension of the improved Child Tax Credit as part of the Build Back Better Act (BBBA) on August 12, 2022, the Senate allowed it to expire. This has been devastating to millions of families and children across the country, as it resulted in a tax increase to families of anywhere between $1,000 to $3,600 per child. The consequence was that more than 3 million children were pushed back into poverty because, once again, their parents made ***too little*** to qualify for the full Child Tax Credit.[23]

Importantly, there are a range of proposals to expand the Child Tax Credit from both Democrats and Republicans in this Congress and the previous one. For example, Sen. Sherrod Brown introduced S. 1992, the Working Families Tax Relief Act of 2023, during Children's Week this

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[19] Bruns, Kalee, Liana Fox, and Danielle Wilson (2022, Sep. 13), "Expansions to Child Tax Credit Contributed to 46% Decline in Child Poverty Since 2020," U.S. Census Bureau.
[20] Hamilton, Leah, Stephen Roll, Mathieu Despard, Elaine Maag, Yung Chun, Laura Brugger, Michal Grinstein-Weiss (2022, Apr.), *The impact of the 2021 expanded child tax credit on family employment, nutrition, and financial well-being: Findings from the Social Policy Institute's Child Tax Credit Panel (Wave 2)*, Working Paper #173.
[21] First Focus on Children (2022, Jun. 30), "Fact Sheet: Voters Strongly Support Making Investments in Our Children and Grandchildren" (citing poll by Lake Research Partners).
[22] *Ibid.*
[23] Curran, Megan A. (2022, Nov. 15), *Research Roundup of the Expanded Child Tax Credit: One Year On*, Columbia University's Center on Poverty and Social Policy, Vol. 6, No. 9; Elise Gould (2022, Sep. 22), "Child Tax Credit expansions were instrumental in reducing poverty rates to historic lows in 2021," Economic Policy Institute; Chris Stein (2022, Dec. 8), "'Huge flip of circumstances': end of US child tax credit pushing kids into poverty," The Guardian.

June.[24] His bill would improve and extend the Child Tax Credit and has 41 Senate cosponsors. Furthermore, Rep. Rosa DeLauro introduced H.R. 3899, the American Family Act, which has 209 cosponsors.

We would urge the Senate Finance Committee to take up and pass this legislation as soon as possible. The bicameral bills would help the families of more than 60 million children in this nation and would lift more than 3 million children out of poverty by restoring the Child Tax Credit to 2021 levels and making it fully refundable.[25]

Furthermore, as Irwin Garfinkel and his colleagues at Columbia University find, "Our estimates indicate that making the $2,000 Child Tax Credit fully refundable and increasing benefits to $3,000/$3,600 [as the Brown and DeLauro bills do] would cost $97 billion per year and generate social benefits of $929 billion per year."[26]

Other bills to expand the Child Tax Credit have been proposed or introduced by:

- Sen. Mitt Romney (see the Family Security Act)[27];
- Sen. Marco Rubio (S. 74, Providing for Life Act of 2023)[28];
- Sen. Chuck Grassley (S. 4589, the Family and Community Inflation Relief Act of 2022)[29];
- Sen. Josh Hawley (S. 1426, the Parent Tax Credit, which was introduced in 2021); and ,
- Sen. Steve Daines (S. 2092, the Child Tax Credit for Pregnant Moms Act of 2023)[30].

With respect to the bills by Sens. Rubio, Romney, and Daines, they would all seek to expand the Child Tax Credit in various ways to pregnant women.

Maternal and child health issues have always been a priority of mine. For example, I worked for Sen. Jeff Bingaman when he introduced the bipartisan Start Healthy, Stay Healthy Act with Sens. Richard Lugar, John McCain, Jon Corzine, and Blanche Lincoln.[31] That legislation, which added

[24] Lesley, Bruce (2023, Jun. 13), "The Child Tax Credit: Boosting the Lives and Well-Being of Our Children," First Focus on Children via Medium.
[25] See, for example, John Carr and Kim Daniels (2022, Dec. 13), "What can bring together pro-life Republicans and progressive Democrats? Expanding the child tax credit," America: The Jesuit Review.
[26] Garfinkel, Irwin, Laurel Sariscsany, Elizabeth Ananat, Sophie Collyer , Robert P. Hartley, Buyi Wang, and Christopher Wimer (2022), *The Benefits and Costs of a Child Allowance*, Journal of Benefit-Cost Analysis, Vol. 13, No. 3, 335-262.
[27] Orr, Robert (2022, Jul. 26), "Comparing Rubio and Romney's child benefit proposals," Niskanen Center; Bruce Lesley (2022, Aug. 17), "The Child Tax Credit Must Not Treat Children as an Afterthought," First Focus on Children via Medium; see also, Naaz Modan (2022, Jul. 8), "Republican proposal reignites child tax credit expansion plans," K-12 Dive.
[28] *Ibid.*
[29] McCabe, Joshua (2022, Jul. 25), "Indexing the Child Tax Credit is long overdue," Niskanen Center.
[30] Lesley, Bruce (2023, Jun. 30), "Who's Child Matters?," First Focus on Children via Medium.
[31] Bingaman, Jeff and Jon S. Corzine (2002, Feb. 7), "Health of the Mother," New York Times; Kaiser Family Foundation (2001, Jun. 11), "Bipartisan Bill Introduced in Senate Would Extend CHIP, Medicaid Coverage, Particularly for Pregnant Women, Infants."

pregnant women coverage as an option to the Children's Health Insurance Program (CHIP), was enacted into law in 2009.

Furthermore, in my current capacity at First Focus Campaign for Children, we have long been supportive of Medicaid, CHIP, WIC, the Maternal Child Health Block Grant, Healthy Start, etc.

With respect to Sen. Daines's Child Tax Credit bill, he argues, "Whether it's prenatal care or stocking up on baby supplies, parents know better than anyone that providing for their child begins the minute they learn they're expecting a baby."[32]

A few Republican senators have expressed support for that legislation. In a press release in favor of the bill, Sen. James Lankford said, "Federal benefits available to moms should be available to all moms. I'm glad to join Senator Daines and our colleagues to ensure the federal government treats all moms the same, no matter how small or young her baby is."[33]

However, despite well-intentioned rhetoric, the legislation by Sen. Daines does not support "all moms the same, no matter how small or young her baby is" precisely because the underlying Child Tax Credit discriminates against low-income children and families.

Under Sen. Daines's bill, a pregnant woman with income of $400,000 a year would receive the full credit, but millions of low-income pregnant women and their babies would not. The inequities under the Daines, Rubio, and Romney proposals would be profound, as pregnant women often experiences financial hardship due to both the costs of having a baby and the complications that can arise, such as losing income because of physician-advised best rest, or leaving employment or going unpaid during pregnancy, labor or deliver of a child.

Young women are particularly vulnerable and are more likely in a moment of their life-course in which they have fewer resources (e.g., in school, changing jobs, have lower income jobs, etc.), and thus, have greater hardship than wealthier families. Both the women and their babies would be left behind under these bills. In fact, although several of these bills attempting to add pregnant women to the Child Tax Credit try to address some of these problems by using a prior tax year for eligibility, they may compound problems for some families, particularly younger families who are in school, change jobs, or experience income interruptions.

As Robert Orr explains, some of these bills would "do little for a 19-year-old woman with an unplanned pregnancy and limited work experience." As he adds, "Removing the child benefit's income phase-in entirely for infants and young children would be immensely helpful for families

[32] Daines, Steve (2023, Jun. 21), "Daines, Miller-Meeks Lead Colleagues in Effort to Provide Tax Relief for Pregnant Moms."
[33] Daines, Steve (2023, Jan. 2022), "Daines, Senate Colleagues Fight for Pregnant Moms to Receive Tax Relief."

navigating the income disruptions and associated stresses common to the period surrounding the birth of a child."[34]

Denying these mothers and their babies the Child Tax Credit compounds their financial burdens and clearly does not treat "all moms the same" nor their babies. In fact, it disfavors and penalizes those moms and babies. I would hope we could all agree that Congress should always refrain from adopting policies that disproportionately harm babies, particularly those most in need.

Furthermore, to provide the full Child Tax Credit to a pregnant woman whose income is $400,000 a year while denying one-third of our nation's children the same benefit is simply wrong. Therefore, if you truly want to help families overcome financial hurdles and the health care costs of having a child, the only fair solution is to make the Child Tax Credit fully refundable, as was recommended in 1991 by the bipartisan National Commission on Children.

Today, our nation's children stand at a crossroads.[35]

In recent years, every aspect of their lives was negatively impacted by the twin disasters of the COVID-19 pandemic and the worldwide economic recession. We are witnessing a tragic and troubling increase in child mortality in this country that is associated with rising gun violence and suicide rates.[36] Families are struggling with rising inflationary food, energy, and housing costs.[37] Unplanned births are on the rise, and they will be, as Melissa Jeltsen writes, "concentrated in some of the worst states for infant and maternal health."[38]

Congress should be doing many things to address the myriad of problems facing our nation's children.[39] With respect to the Child Tax Credit, it is well past time to put aside ideological differences, notions of "deservedness" related to adults that impose harm to millions of children, and the decades of failure to fully address the needs and concerns of children and families in this country.[40]

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[34] Orr, Robert (2022, Jul. 26), "Comparing Rubio and Romney's child benefit proposals," Niskanen Center. See also, Josef Zweimüller, Andreas Steinhauer, Camille Ladais, Johanna Posch, and Henrik Kleven (2019, May 14), "Child penalties across countries: Evidence and explanations," Centre for Economic Policy Research/VoxEU.
[35] Lesley, Bruce (2022), "Making Children a National Priority: Overcoming the Marginalization and Invisibility of Children," in *Our Children Can't Wait: The Urgency of Reinventing Education Policy in America*, ed. Joseph P. Bishop, Teachers College Press.
[36] Woolf, Steven H., Elizabeth R. Wolf, and Frederick P. Rivara (2023, Mar. 13), *The New Crisis of Increasing All-Cause Mortality in US Children and Adolescents*, Journal of the American Medical Association, Vol. 329, No. 12, 975-976; Adrianna Rodriguez (2023, Mar. 17), "After years of medical progress, American children are now less likely to reach adulthood," USA TODAY.
[37] Sawhill, Isabel V., Morgan Welch, and Chris Miller (2022, Aug. 30), "It's getting more expensive to raise children. And government isn't doing too much to help," Brookings.
[38] Jeltsen, Melissa (2022, Dec. 16), "We Are Not Prepared for the Coming Surge of Babies," The Atlantic.
[39] First Focus Campaign for Children (2023), *A Children's Agenda for the 118th Congress.*
[40] Hoynes, Hilary W. and Diane Whitmore Schanzenbach (2018, May), *Safety Net Investments in Children*, National Bureau of Economic Research, Working Paper 24594; Committee for a Responsible Federal Budget (2018, Aug. 16), *Budgeting for the Next Generation: Does the Budget Prioritize Children?*; First Focus on Children (2020), *Children's*

Child poverty is a policy choice. We know how to significantly reduce it. Furthermore, the American people – across partisan, racial, gender, regional, and generational lines – all agree by overwhelming margins that Congress should extend and improve the Child Tax Credit. This is in the best interest of children and our nation's future.

As to the question, "Who's child matters?" The short answer is that they all do, and another generation of children can no longer wait for us to understand that fundamental point.

Budget 2020; Heather Hahn, Cary Lou, Julia B. Isaacs, Eleanor Lauderback, Hannah Daly, and C. Eugene Steuerle, *Kids' Share 2020*, Urban Institute; Anna Aizer, Hilary W. Hoynes, and Adriana LLeraas-Muney (2022, Feb.), *Children and the US Social Safety Net: Balancing Disincentives for Adults and Benefits for Children*, National Bureau of Economic Research, Working Paper 29754.