

The Child Tax Credit: The Impact of the American Rescue Plan Act (ARPA; P.L. 117-2) Expansion on Income and Poverty

July 13, 2021

Congressional Research Service
<https://crsreports.congress.gov>

R46839



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Congress significantly expanded the child tax credit for one year as part of the American Rescue Plan Act (ARPA; P.L. 117-2). Specifically for 2021, the law raised the eligibility age of children to include 17-year-olds; increased the maximum per-child credit from \$2,000 to \$3,600 for young children (0 to 5 years old) and to \$3,000 for older children (6 to 17 years old); and made the credit fully refundable, meaning lower-income taxpayers, including those with no earnings, are eligible to receive the full credit amount. Under ARPA, the increased per-child amounts (an additional \$1,600 per young child and \$1,000 for older children) phase down to the pre-ARPA levels (\$2,000 per child) for most unmarried parents once their income is over \$112,500 and for most married parents when their income is over \$150,000 (these thresholds are sometimes referred to as the “ARPA thresholds”). Low-income families received little to no benefit from the child credit prior to ARPA and are expected to see large increases in income from the ARPA expansion. Some moderate- and higher-income families may also receive additional income from these changes. ARPA requires that the Treasury issue half of the expected 2021 child tax credit in periodic payments to families beginning July 2021. (The Internal Revenue Service [IRS] has stated it will begin issuing these payments on a monthly basis beginning July 15, 2021.)

In light of the scheduled expiration of the ARPA changes to the child credit, and potential debate as to whether and to what extent Congress should extend the ARPA changes, CRS estimated the impact of the ARPA-expanded child credit on family financial well-being. Given the substantial impact the ARPA expansion is expected to have on poor families in particular, CRS also analyzed the ARPA-expanded child credit’s impact on the prevalence of child poverty (i.e., the child poverty rate), as well as on the depth of poverty among families with children (i.e., the poverty gap). In this analysis, the ARPA changes to the child credit—and only the ARPA changes to the child credit—were modeled as if they had occurred in a pre-pandemic economy. These estimates may help policymakers answer the question, “what impact could the ARPA-expanded child tax credit have on families’ financial well-being and poverty if it were enacted as a standalone provision in a nonrecessionary economy?”

The ARPA-Expanded Child Credit is Estimated to Be a Near-Universal Benefit

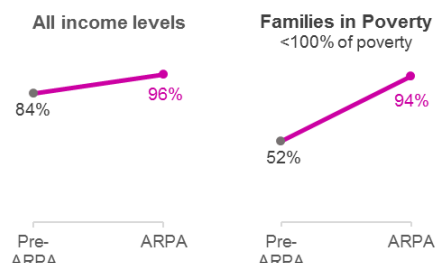
CRS estimates suggest that the ARPA expansion transforms the child credit into a near-universal benefit available to all but the highest-income families with children. Specifically, CRS estimates that before the ARPA expansion, 84% of families with children received the child credit, while after the ARPA expansion, an estimated 96% of families with children receive the credit. The greatest increase in credit receipt is estimated to occur among families with children in poverty, as illustrated in the adjacent figure, driven largely by the full refundability of the credit under ARPA.

The ARPA-Expanded Child Credit is Estimated to Increase Family Incomes, Especially the Incomes of Low-Income Families with Children

In addition to increasing the share of families receiving the child credit, CRS’s analysis also suggests that the ARPA changes substantially increased the *credit amount* for all but the highest-income families. As illustrated in the figure on the next page (in the leftmost graph), the average family was estimated to receive a \$2,597 child credit before the ARPA expansion and a \$5,086 child credit after the ARPA expansion, a near doubling of the average credit amount per family. Families in poverty, who tended to receive the smallest benefit from the child credit before ARPA, are estimated to receive some of the largest gains from the ARPA expansion, as illustrated in the same chart (second graph from the left). The full refundability of the credit and the larger per-child credit amount are the key factors in this increase. Higher up the income

Estimated Share of Families Receiving the Child Credit After the ARPA Expansion

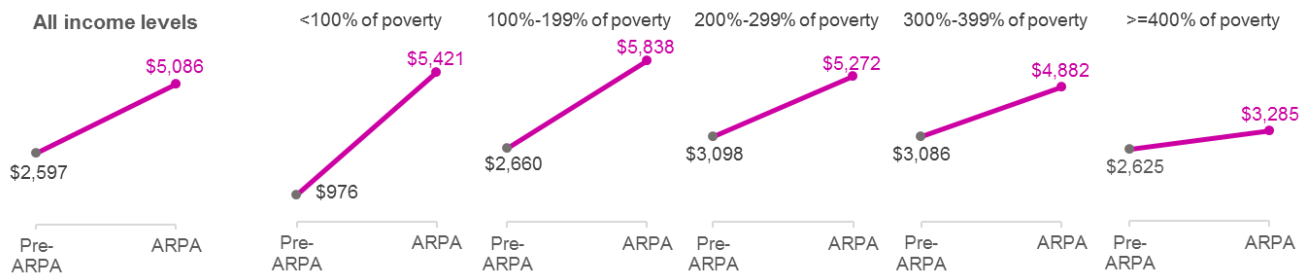
In a nonrecessionary economy, 84% of families with children were estimated to receive the child tax credit prior to ARPA. After the ARPA expansion of the child credit, 96% of families with children are estimated to receive the credit in a nonrecessionary economy. The largest increase in receipt is estimated to occur among poor families with children (i.e., those with family income less than 100% of poverty), from 52% to 94%.



distribution, families are also estimated to receive a larger benefit, although these increases are estimated to be more modest in comparison to the increases received by poor families. Some of the main factors driving this increase further up the income distribution are likely the increased per-child benefit and expansion of the eligibility age to include 17-year-olds.

Estimated Increase in Average Child Credit from the ARPA Expansion By Family Income Level

In a nonrecessionary economy, the average child credit among families with children was estimated to be **\$2,597** prior to ARPA. After the **ARPA expansion** of the child credit, the average benefit is estimated to **increase to \$5,086** in a nonrecessionary economy. **Poor families with children** (i.e., with family income less than 100% of poverty) are estimated to receive the largest increase in income (in dollar terms) from the **ARPA expansion**, with the **average credit of \$976** increasing to **\$5,421**.

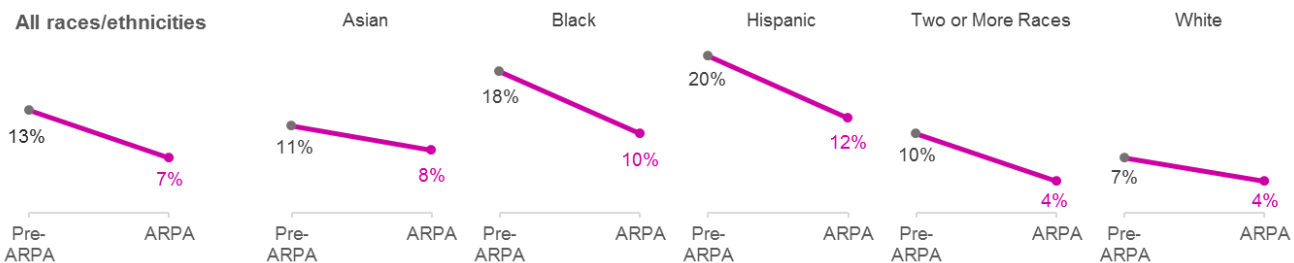


The ARPA-Expanded Child Credit is Estimated to Reduce Child Poverty by Almost Half and Reduce the Degree of Poverty Among Families with Children

The large increases in the credit among the lowest-income families from the ARPA expansion are estimated to significantly boost incomes and reduce the prevalence of child poverty, as illustrated below. The child poverty rate is estimated to fall by almost half (from 13% to 7%, as illustrated in the leftmost graph below) due to the ARPA expansion of the child credit, although racial disparities in child poverty rates would remain.

Estimated Change in Child Poverty Rate from the ARPA Expansion of the Child Credit By Race/Ethnicity

In a nonrecessionary economy, **13% of children** were estimated to be in poverty prior to ARPA. After the **ARPA expansion** of the child credit, **7% of children** are estimated to be poor in a nonrecessionary economy, a 6 percentage point (ppt) decline and a 46% decline. Comparable declines are estimated to occur among children of most races and ethnicities, except among **Asian** children, where child poverty is estimated to fall about 27% from 11% to **8%** (a 3 ppt decline).



The aggregate poverty gap among families with children—a measure of the degree of poverty—is also estimated to fall by 40% as a result of the ARPA expansion of the child credit, suggesting the ARPA expansion significantly increases income among the poorest families.

Data from the Joint Committee on Taxation (JCT) and the IRS suggest that the ARPA expansion may nearly double the total annual cost of the child tax credit. The ARPA expansion is also estimated to increase by more than threefold the amount of the credit directed at lower-income families. These estimates suggest that the ARPA expansion of the child credit will likely be, in budgetary terms, the largest cash assistance program for low-income families with children in 2021 (excluding benefits from direct payments). CRS estimates suggest that almost half of additional dollars from the ARPA expansion would go to those families with income between 100% and 199% of poverty and about 20% of additional credit dollars would go to families in poverty.

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Introduction

Congress expanded the child tax credit for one year—2021—as part of the American Rescue Plan Act (ARPA; P.L. 117-2).¹ The ARPA expansion of the child credit has often been discussed among its supporters as both a near-universal benefit to help families with the costs of raising children *and* a program to reduce child poverty.² Prior research has indicated that near-universal direct cash assistance to families with children can have significant impact on reducing child poverty and material hardship in the United States.³ To inform any potential debate about whether and to what extent Congress should extend the ARPA changes to the child credit, this report provides estimates of the potential impact of the ARPA child credit expansion on families' financial well-being prior to the Coronavirus Disease 2019 (COVID-19) pandemic. In other words, the analysis in this report may help policymakers answer the question “what impact could the ARPA-expanded child tax credit have on families' financial well-being and poverty if it were enacted as a standalone provision in a nonrecessionary economy?”

CRS estimates presented in this report suggest the following:

- The ARPA expansion of the child tax credit results in the credit becoming a near-universal benefit generally available to all but the highest-income families with children.
- The ARPA changes to the child credit provide the largest benefits to the lowest-income families, significantly reducing both the prevalence of child poverty (i.e., poverty rates) and the depth of poverty among families with children (i.e., the poverty gap).

This report is structured to first provide an overview of the ARPA changes to the child tax credit for 2021. Next, to analyze the impact of these changes on families' financial well-being, the report provides estimates of the share of families that receive the child credit both before and after the ARPA expansion, followed by estimates of the ARPA expansion's impact on average family income. The report then provides estimates of the ARPA expansion's impact on the prevalence of child poverty (i.e., child poverty rates) and the depth of poverty among families with children (i.e., the poverty gap). To contextualize these impacts, this report also discusses the potential increase in the budgetary cost of the ARPA-expanded child tax credit. **Appendix A** provides an overview of the methodology and data used in this report. **Appendix B** and **Appendix C** provide detailed data cited throughout this report.

¹ The terms “child tax credit” and “child credit” are used interchangeably throughout this report.

² For example, see Jason DeParle, “The Tax Break for Children, Except the Ones Who Need It Most,” *New York Times*, December 16, 2019; Dylan Matthews, “Mitt Romney and Michael Bennet just unveiled a basic income plan for kids,” *Vox*, December 16, 2019; and The White House, *FACT SHEET: Biden-Harris Administration Announces Child Tax Credit Awareness Day and Releases Guidance for Unprecedented American Rescue Plan Investments to Support Parents and Healthy Child Development*, June 11, 2021.

³ The National Academy of Sciences (NAS) included a “child allowance” as part of a package of policies to reduce child poverty over 10 years. The report included as one of its proposals a monthly benefit of \$250 per child (\$3,000 per child per year) as a replacement for the current child tax credit and personal exemption. The proposed child allowance would be phased out for families with income between 300% and 400% of poverty. According to estimates from the National Academy of Sciences report, “The more substantial child allowance option ... would generate a 5.3 percentage point reduction in poverty.” See Chapter 5: “Ten Policy and Program Approaches to Reducing Child Poverty,” in The National Academies of Science, Engineering, and Medicine, *A Roadmap to Reducing Child Poverty* (Washington, DC: The National Academies Press, 2019), p. 152, <https://www.nap.edu/catalog/25246/a-roadmap-to-reducing-child-poverty>.

Modeling the ARPA expansion of the Child Tax Credit

This report presents estimates of the impact of the ARPA expansion of the child credit using the TRIM3 microsimulation model. This model applies government program rules onto data from the Census Bureau's Current Population Survey Annual Social and Economic Supplement (ASEC), allowing CRS to simulate and estimate how changes in government programs, like the ARPA expansion of the child credit, may impact families. For more information on this model, see CRS Report R46824, *Need-Tested Benefits: Technical Companion to Selected CRS Reports on Need-Tested Benefits Receipt by Families and Individuals* and **Appendix A**.

Caveats with the estimates presented in this report include the following:

Static analysis: Estimates represent a *static analysis* of the ARPA expansion of the child credit and do not incorporate the impact this policy may have on labor force participation, hours worked, or number of children born, for example.

Only the ARPA changes to the child credit are modeled: Estimates reflect the impact of the ARPA expansion of the child credit *exclusively* on family financial well-being. Other changes made by ARPA to other programs (e.g., to nontax programs like Supplemental Nutrition Assistance Program [SNAP] or unemployment insurance or to tax benefits like the earned income tax credit [EITC] or the child and dependent care credit) were not modeled.

Nonrecessionary economy: Estimates reflect the impact of the ARPA expansion of the child credit averaged over 2015, 2016, and 2017. This provides a sense of what the impact of the ARPA expansion could be in a *nonrecessionary economy*.

Eligibility vs. Receipt: Estimates assume that all individuals eligible to receive the child credit do receive the child credit (and hence these terms are used interchangeably throughout the report). Specifically, the TRIM3 model used to simulate the ARPA expansion assumes all households file tax returns (and are in compliance with tax law). However, *in reality not all eligible families actually receive the credit, while some ineligible tax filers may receive the benefit*. As such, the estimates in this report may not reflect actual receipt of the child tax credit, including among many poor families who may have never filed a tax return before due to their low incomes.

Administrative changes not modeled: Estimates reflect annual changes in eligibility, income, and poverty and do not model the administration of the ARPA expansion (in particular, the provision requiring the Treasury to advance half of the benefit over the last six months of 2021).

Supplemental Poverty Measure: Estimates are constructed using the supplemental poverty measure (SPM), a statistical measure widely used by researchers to estimate the impact of government policies that are not measured in the official poverty measure (OPM), such as tax credits. These estimates are not reflective of how this policy may affect poverty rates as measured by the OPM. For more information on the SPM, see CRS Report R45031, *The Supplemental Poverty Measure: Its Core Concepts, Development, and Use*.

The ARPA Expansion of the Child Tax Credit

ARPA made several temporary changes to the child tax credit in effect for 2021 only. Under current law, the credit is scheduled to revert to the parameters in place before ARPA beginning in 2022. (Some of these parameters were enacted as part of P.L. 115-97, commonly referred to as the Tax Cuts and Jobs Act or TCJA, and are scheduled to expire at the end of 2025.)⁴

The Child Credit Before ARPA

For 2021, prior to ARPA, the child tax credit allowed eligible taxpayers to reduce their federal income tax liability by up to \$2,000 per qualifying child. A qualifying child was generally any dependent child under 17 years old. The credit was reduced in value, or phased out, by \$50 for

⁴ For more information, see CRS Insight IN11656, *The Child Tax Credit: How Would the Biden Administration's Proposed American Families Plan Change the Child Tax Credit?*

every \$1,000 of income over \$200,000 for most unmarried taxpayers or \$400,000 for married couples who file joint tax returns (i.e., a 5% phaseout rate).

If a taxpayer owed *less in income taxes* than the maximum value of the child tax credit, the taxpayer could receive all or part of the difference as the refundable portion of the credit. The refundable portion of the child tax credit—the amount greater than income taxes owed—is often referred to as the additional child tax credit (ACTC) and is calculated using what is sometimes referred to as “the earned income formula.” Under the earned income formula, the ACTC gradually increased, or phased in, as earned income rose above a starting threshold of \$2,500. Hence, low-income taxpayers with income under \$2,500 were not eligible for the credit. The maximum amount of the ACTC was \$1,400 per qualifying child. CRS estimates that about one in every five taxpayers (19%) with a credit-eligible child had low incomes that resulted in them receiving less than the maximum credit (i.e., less than \$2,000 per child).⁵ After 2021, the ARPA expansion described in this report is scheduled to expire, and the credit is to revert to these “prior law” parameters until the end of 2025.

The ARPA Child Credit Expansion

The American Rescue Plan Act of 2021 (ARPA; P.L. 117-2) makes several temporary changes (for 2021 only) that expand the child tax credit, primarily for low-income taxpayers. These changes include the following:

- **Expanding eligibility to 17-year-olds:** The law increases the maximum age for an eligible child from 16 to 17 (there are no other changes to eligibility requirements).⁶
- **Making the credit fully refundable:** The law eliminates the ACTC phase-in based on earned income and eliminates the ACTC cap of \$1,400 per child. Hence, the child credit is “fully refundable,” and the full value is available to otherwise-eligible taxpayers with no earned income.⁷
- **Increasing the credit for low- and moderate-income taxpayers, with larger increases for younger children:** The law increases the maximum amount of the credit from \$2,000 per child to \$3,600 per child for a young child (0-5 years old) and \$3,000 per child for an older child (6-17 years old). Generally, this increase in the maximum child credit—of \$1,600 per young child and \$1,000 per older child—gradually phases out by \$50 for every \$1,000 of income over specified thresholds until the credit amount equals the current-law maximum of \$2,000 per child (i.e., a 5% phaseout rate).⁸ These thresholds (sometimes referred to as the “ARPA thresholds”) are

⁵ For more information, see CRS Insight IN11613, *The Child Tax Credit: Temporary Expansion for 2021 Under the American Rescue Plan Act of 2021 (ARPA; P.L. 117-2)*.

⁶ The age of the child for a given year’s child credit is based on their age on December 31 of that year. In other words, for the 2021 child credit, a child who is 17 years old on December 31, 2021, is considered 17 years old for the purposes of the credit.

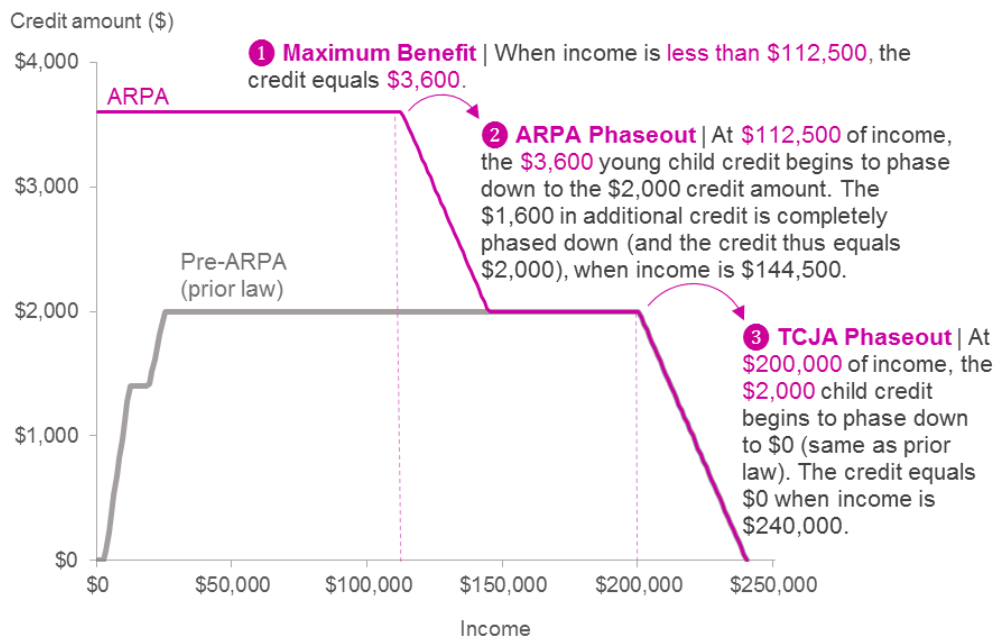
⁷ Full refundability is available to taxpayers whose principal place of abode for more than half of 2021 is the United States or who is a bona fide resident of Puerto Rico for all of 2021. In the case of joint return, only one spouse must meet this “principal place of abode” test to qualify. Given the limitations of the TRIM3 model, this provision is not modeled and so does not affect the estimates presented in this report.

⁸ Income for the child credit phaseout is defined as modified adjusted gross income (MAGI) and is equal to adjusted gross income (AGI) increased by foreign-earned income of U.S. citizens abroad, including income earned in Guam, American Samoa, the Northern Mariana Islands, and Puerto Rico. This definition was unchanged by ARPA. Hence, for most taxpayers—those without foreign- or territorial-source income—their child credit phases out by AGI.

- \$75,000 for single filers;
- \$112,500 for head of household filers, and
- \$150,000 for married joint filers.

The actual income level at which the credit phases down to \$2,000 per child depends on the number and age of qualifying children. For many families, the credit plateaus at its pre-ARPA level of \$2,000 per child over a range of income, before phasing out when income exceeds the current-law thresholds of \$200,000 or \$400,000 for married joint filers. These second thresholds are sometimes referred to as the “TCJA thresholds” because they were included in the law commonly referred to as the Tax Cuts and Jobs Act (TCJA; P.L. 115-97). For larger families, the credit may never plateau at the \$2,000 per child level over a range of income, but simply continue to gradually phase out.⁹ A stylized example of the child credit benefit amount by income, before and after ARPA, for an unmarried taxpayer with one young child is provided in **Figure 1**.

Figure 1. Child Credit Amount by Income in 2021 Before and After ARPA
Unmarried Taxpayer with One Young Child



Source: CRS calculations based on Internal Revenue Code §24 and P.L. 117-2.

⁹ The law states that up until a taxpayer’s income reaches \$75,000 if single, \$112,500 if head of household, and \$150,000 if married filing jointly, they will receive the maximum child tax credit amount. This amount is equal to \$3,600 multiplied by the number of qualifying children under six years old, plus \$3,000 multiplied by the number of qualifying children 6 to 17 years old. After this “first threshold,” (i.e., the “ARPA threshold”) the credit amount begins to phase down by \$50 for each \$1,000 over the threshold. The amount by which the credit phases down is limited to the lesser of (a) the “applicable credit increase amount” (the difference between the ARPA credit and the prior-law credit in 2021) or (b) 5% of the “applicable phaseout range” (the difference between the \$200,000 and \$400,000 phaseouts enacted under P.L. 115-97 and the \$75,000, \$112,500, and \$150,000 phaseouts in ARPA). Notably, 5% of the applicable phaseout range equals \$6,250 if single, \$4,375 if head of household, and \$12,500 if a married joint filer. After the total credit has been phased down by the lesser of (a) or (b), it then remains at its pre-ARPA level until it is phased out again under the pre-ARPA threshold of \$200,000 or \$400,000 if married filing jointly (also referred to as the “TCJA threshold”).

Notes: A stylized example assuming the taxpayer has one qualifying child and all income is earned income, with no other sources of income and no above-the-line deductions claimed. Unmarried taxpayers with child credit-qualifying children are assumed in this example to file as head of household. For more examples, see CRS Insight IN11613, *The Child Tax Credit: Temporary Expansion for 2021 Under the American Rescue Plan Act of 2021* (ARPA; P.L. 117-2).

As illustrated in **Figure 1**, an unmarried taxpayer with one young child and income under \$144,500 will receive a larger credit from the ARPA expansion, and will receive the full benefit (i.e., the additional \$1,600 per young child) when income is under \$112,500. Since a majority of taxpayers have low and moderate incomes—95% of head of household filers and 57% of married joint filers had income under \$100,000 in 2018 according to data from the Internal Revenue Service (IRS)—a large share of families with children across the income distribution are expected to benefit from the ARPA expansion of the child credit.¹⁰

Impact of ARPA Child Credit Expansion

CRS estimates that in a nonrecessionary economy, the ARPA expansion of the child credit will result in nearly all families with children, including the lowest-income families with children, receiving the child credit. While estimates suggest nearly universal benefit receipt as a result of the ARPA expansion, the estimates also indicate that the largest share of new recipients will be the poorest families. CRS's analysis indicates that the largest increases in income are estimated to occur among poor families with children, substantially reducing the prevalence of child poverty (i.e., child poverty rates) and the depth of poverty among families with children (i.e., the poverty gap).

Family as the Unit of Analysis

Although federal income tax provisions like the child tax credit affect *taxpayers* (sometimes referred to as “tax units”),¹¹ the impact of the ARPA child tax credit expansion is analyzed in terms of *families*. This analysis is done at the family level because families can share many resources (like an expanded child credit) and expenses.¹² (Poverty analysis is also generally conducted at the family level.) In some cases, like multigenerational families, a family may be composed of multiple taxpayers. In these cases, any increase in the child credit from the ARPA expansion is aggregated over all taxpayers in the family to determine the ARPA expansion's impact on the family's income. Generally, families discussed in this report are families with children (i.e., they include at least one child under the age of 18).

Family Income Level

Throughout this report, the impact of the child credit is broken down by family income level. In this report, *family income level* is calculated as the ratio of a family's disposable income to their poverty threshold.¹³ This categorization groups families of different sizes, compositions, and

¹⁰ Internal Revenue Service, *Individual Complete Report (Publication 1304), Table 1.2 (2018)*, <https://www.irs.gov/statistics/soi-tax-stats-individual-statistical-tables-by-filing-status>.

¹¹ A taxpayer or tax unit is generally composed of all individuals listed on a federal income tax return (IRS Form 1040) and includes an individual, their spouse (if married), and any dependents.

¹² In this report, a family is composed of people living together related by blood or marriage (the family), cohabiting partners, and foster children.

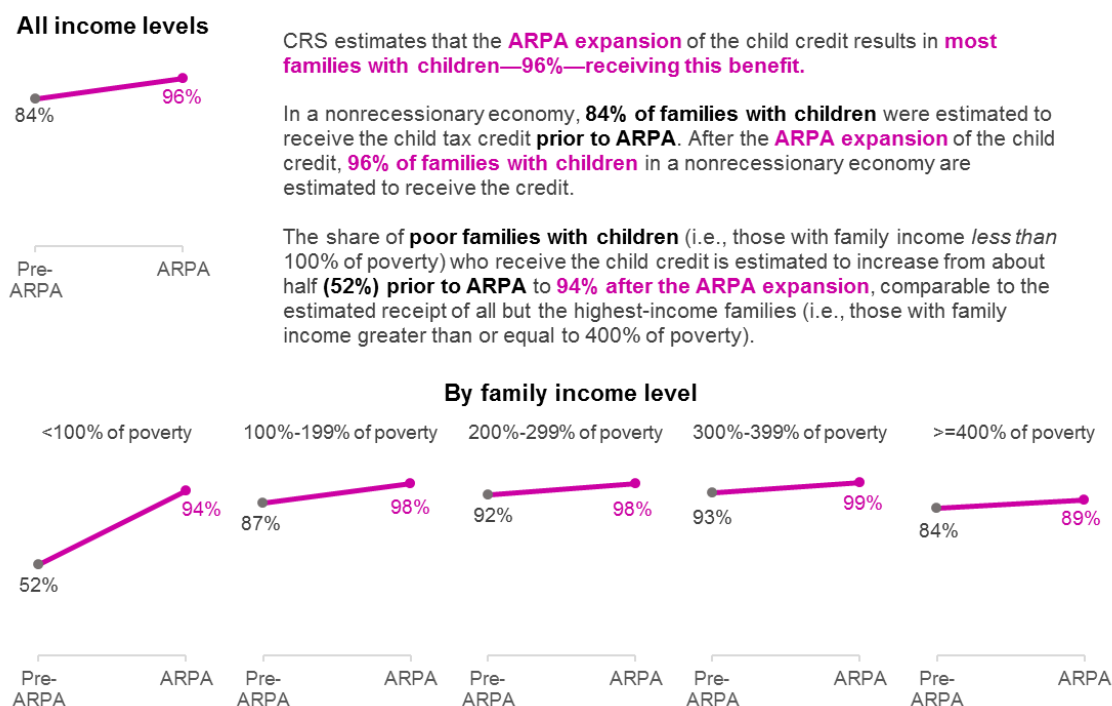
¹³ Disposable income is the sum of cash income and cash and noncash need-tested benefits (including refundable tax credits) minus work expenditures, medical expenditures, and taxes owed. This measure of income is used for grouping

income together by similar standards of living. Families are categorized by their family income level *before the ARPA expansion* to allow comparison of the same families before and after the ARPA expansion.¹⁴ Notably, this definition of income differs from the definition of income used to phase out the credit (which, for most taxpayers, is their AGI).¹⁵

Change in the Share of Families Receiving the Child Credit

CRS estimates that as a result of the ARPA expansion of the child credit, the share of families with children that receive the credit will increase from 84% to 96% (as illustrated in **Figure 2**). The largest increase in child credit receipt is estimated to occur among the lowest-income families. Prior to ARPA, about half (52%) of poor families with children were estimated to receive the child credit. After ARPA, the share of poor families receiving the credit is estimated to increase to 94%, a level comparable to benefit receipt among moderate-income families (as illustrated in **Figure 2**), albeit slightly lower than the overall percentage (96%).

Figure 2. Estimated Share of Families Receiving the Child Tax Credit Before and After the ARPA Expansion of the Child Credit, by Family Income Level



Source: CRS analysis of TRIM3-augmented CPS ASEC files representing data from 2015 to 2017.

Notes: See the notes for **Table B-3** and **Table C-I**. The slopes of the lines in the slope graphs reflect the absolute change before and after ARPA, in percentage point terms.

families and poverty measurement and differs from adjusted gross income (AGI), used by taxpayers to compute their child credit (and used in the TRIM3 model to compute the credit amount). For more on this topic, see “Family Income Level” in **Appendix A**.

¹⁴ In other words, while the pre-ARPA child credit is included in income, the increase from the ARPA expansion is not included in income for the purposes of categorizing families by family income level.

¹⁵ For more on this topic, see “Family Income Level” in **Appendix A**.

The near-universal receipt of the child credit after the ARPA expansion suggested by these estimates is largely influenced by expansion in credit receipt among poor families. And the substantial increase in estimated credit receipt among the poor families is likely driven primarily by the expansion of credit receipt among the poorest families.

Prior to ARPA, very poor families—those with earned income below the \$2,500 earnings threshold—were not eligible for the child credit. By making the credit fully refundable, ARPA effectively eliminated the \$2,500 threshold. Hence, these estimates suggest that full refundability is a key factor in expanding credit eligibility to the poorest families.¹⁶ Insofar as recipients with incomes under the \$2,500 earnings thresholds are part of families with incomes 100%-199% of poverty (e.g., multigenerational families), the elimination of the earnings threshold could contribute to the modest increase in receipt rates among these families. (The increased eligibility age to include 17-year-olds may also expand eligibility for some poor families.)¹⁷

One reason why poor families may still be less likely to receive this near-universal benefit than moderate-income families (94% compared to 98%-99%, as illustrated in **Figure 2**) is the ineligibility of certain noncitizen children, specifically noncitizen children without Social Security numbers (SSNs).¹⁸ Under current law, between 2018 and 2025, taxpayers can only receive the credit, including the ARPA-expanded credit, for a child with an SSN. All U.S. citizens, including children, generally receive SSNs. If noncitizen children without SSNs are disproportionately concentrated among poor families, a lower share of poor families would be expected to receive the child credit (both before and after the ARPA expansion) in comparison to moderate-income families.¹⁹

A large proportion of moderate-income and some higher-income families with children are estimated to receive the credit, both before and after ARPA.²⁰ However, the highest-income families (those with income 400% of poverty or more) are least likely to receive the child credit before and after ARPA because of the credit's second or "TCJA phaseout," which was retained by

¹⁶ As Elaine Maag, of the Tax Policy Center, noted in analyzing the Heroes Act (which was introduced in the 116th Congress [and did not become law] and was similar to the child credit expansion structured in ARPA), "If Congress makes the credit fully refundable but leaves the maximum credit at \$2,000 per child under 17 (as happens after this year under the HEROES Act, as written), it could reduce the annual cost of the CTC expansion to about \$24 billion. That's because most middle- and high-income families already receive the full \$2,000 CTC." Elaine Maag, *Expanding The Child Tax Credit: Full Refundability And Larger Credit*, Tax Policy Center, Tax Vox: Individual Taxes, May 26, 2020, <https://www.taxpolicycenter.org/taxvox/expanding-child-tax-credit-full-refundability-and-larger-credit>.

¹⁷ CRS estimates about 4% of poor families with children have children 17 years old or older.

¹⁸ For more information, see slides 28-31 of this presentation to the National Academies: Dolores Acevedo-Garcia, "Racism and Legality: Undoing the Exclusion of Children in Immigrant Families from the Social Safety Net," April 21, 2021, <https://www.nationalacademies.org/en/event/04-21-2021/docs/DBE05DC102C7AEFC1599E30F4052F4AD33B8097928E7>. Under statute, only SSNs that are associated with work authorization are acceptable. SSNs issued for nonwork purposes are not considered qualifying SSNs for the purposes of the child credit. For more information on taxes and noncitizens, see CRS Report R43840, *Federal Income Taxes and Noncitizens: Frequently Asked Questions*.

¹⁹ The TRIM3 model does not include information on the taxpayer identification number of family members, including children. Instead, the model includes an imputed variable on immigration status. One of the values of this variable is whether an individual is an "unauthorized immigrant." In comparison to the other values of this immigrant status variable, unauthorized immigrants would be less likely to have a social security number (SSN) than other types of immigrants. For more information, see CRS Report R43840, *Federal Income Taxes and Noncitizens: Frequently Asked Questions*.

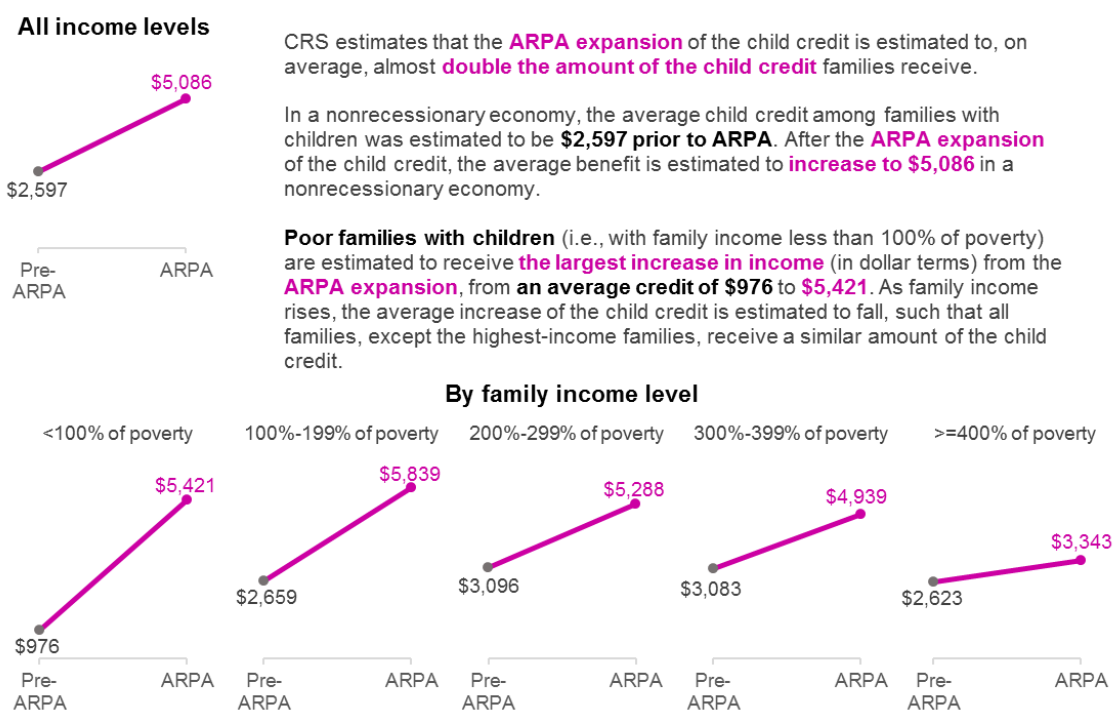
²⁰ Prior to the ARPA expansion of the child credit, the Tax Policy Center also estimated that poor families with children were less likely to receive the benefit and received a smaller benefit on average than moderate- and higher-income families with children. See Table 2 in CRS Report R46502, *The Child Tax Credit: Selected Legislative Proposals in the 116th Congress*.

the law. Among moderate- and higher-income families, the expansion of the eligibility age to include 17-year-olds may be a factor in the comparatively modest increases in credit receipt.²¹ Another factor that may drive the increase in credit receipt among some higher-income families is that some poor taxpayers who receive the increased child credit from the ARPA expansion may be part of higher-income families. For example, a low-income couple with a young child may live with higher-income relatives. If the couple were ineligible for the child credit before ARPA, and eligible for the full benefit after ARPA, the family's income would increase by \$3,600.

Change in Average Family Income

CRS estimates that the ARPA expansion of the child credit will almost double the average credit amount, from \$2,597 to \$5,086 (as illustrated in **Figure 3**). The largest increase is estimated to occur among the lowest-income families. Prior to ARPA, poor families with children were estimated to receive an average credit of \$976. After ARPA, these same families are estimated to receive an average credit of \$5,421, a credit amount comparable to that received by all but the highest-income families with children (as illustrated in **Figure 3**).

Figure 3. Estimated Child Credit Amount per Family Before and After the ARPA Expansion of the Child Credit, by Family Income Level



Source: CRS analysis of TRIM3-augmented CPS ASEC files representing data from 2015 to 2017.

²¹ In some cases, larger families with higher incomes may be new recipients of the credit due to the new phaseout formula. For example, consider an unmarried parent (who files as head of household) with three qualifying young children. Pre-ARPA, the parent's maximum child tax credit would have been \$6,000 (\$2,000 x 3). This \$6,000 credit would begin to phase out at \$200,000 of income and be entirely phased out at \$320,000 of income. In contrast, under ARPA, their \$10,800 credit would phase down to zero at \$328,500 of income. This implies that between \$320,000 and \$328,500 of income, they would receive a credit under ARPA that they were not eligible for prior to ARPA. However, as previously discussed, most head of household filers have income below \$100,000 and most married couples would not be subject to these different rules. For more details on the phaseout, see footnote 9.

Notes: See the notes for **Table B-4** and **Table C-3**. The slopes of the lines in the slope graphs reflect the absolute change before and after ARPA, in dollar terms.

Moderate-income and some higher-income families also tend to receive a larger credit after ARPA, although the estimated *increase* in the credit amount is smaller compared to poor families, as illustrated in **Figure 3**. For example, on average a family with income between 200% and 299% of poverty is estimated to see their child credit increase from an average of \$3,096 per family to \$5,288. Even the highest-income families, those with incomes 400% or more of poverty, are estimated to see their credit increase by about \$700 per family (from \$2,623 to \$3,343).

Because these estimated average credit amounts, before and after ARPA, are calculated per family, differences in family composition (i.e., the number of children and their ages) at different income levels could also affect the estimates in **Figure 3**. CRS's analysis, however, suggests these effects may not be large.²²

Poor families with children tended to receive little to no benefit from the child credit prior to ARPA, either because their low levels of income made them ineligible entirely (as previously discussed) or placed them in the credit's phase-in range (see **Figure 1**). ARPA substantially increased the benefit amount for poor families by eliminating the phase-in of the child credit (i.e., making the credit fully refundable), as well as creating a larger maximum benefit available to all low- and moderate-income families with qualifying children (\$3,600 for young children and \$3,000 for older children). For example, prior to ARPA, a single parent with \$10,000 of earned income and one young child could receive a \$1,125 child credit, as illustrated in **Figure 1**. After the ARPA credit expansion, they can receive a \$3,600 credit, a 220% increase. Generally, the *lower* the family's income, the *larger* the increase from the ARPA expansion. For example, if the same single parent with one young child had no earned income, their credit would increase from \$0 before ARPA to \$3,600 after the ARPA expansion, as shown in **Figure 1**.

As previously discussed, ARPA also increased the *share of poor families* receiving the credit (**Figure 2**). Hence, the larger credit for many poor families (primarily due to full refundability and a larger per-child credit amount) and the larger share of poor families eligible for the credit (primarily due to full refundability) are major factors driving a larger average credit among poor families.

Some moderate-income and higher-income families with children also receive a larger credit on average as a result of ARPA. CRS's analysis suggests that among moderate- and higher-income families, the increases in the credit tend to be smaller on average than for lower-income families. This may be because a significant share of these moderate- and higher-income families are subject to the ARPA phaseout, and thus receive a smaller increase in the credit or no increase at all. For example, as highlighted in **Figure 1**, some moderate- and higher-income families would receive the maximum credit under ARPA (e.g., \$3,600 if income was under \$112,500 in **Figure 1**). Higher up the income scale, families would receive a smaller maximum credit, as the ARPA expansion phases out (e.g., a \$2,725 credit for a family with \$130,000 of income in **Figure 1**). Higher-income families are also more likely to include some families subject to the TCJA phaseout (e.g., a \$1,500 credit for a family with \$210,000 of income in **Figure 1**), including those

²² Alongside changes in eligibility incurred by ARPA, differences in family composition by income level may affect the results displayed in this figure. However, CRS estimates that across income levels, families with children have similar numbers of children on average, although lower-income families may have slightly more young children. Families living at <100% of poverty have 1.9 children on average (0.6 young children), compared to 2.0 for families at 100%-199% (0.7 young children), 1.8 for families at 200%-299% (0.6 young children) and 1.8 for families at 300%-399% (0.5 young children), and 1.7 for families living at 400% of the poverty line or greater (0.5 young children).

who receive no credit (e.g., \$0 for a family with \$240,000 or more in income in **Figure 1**), further reducing the average credit per family across the highest-income families.²³

As with low-income families, expanded eligibility for 17-year-olds may increase the credit amount for some moderate- and higher-income families, and hence contribute to a larger average credit per family.²⁴ Some families higher up the income distribution (i.e., with family income greater than or equal to 200% of poverty) may also include low-income taxpayers eligible for the maximum credit amount under ARPA—for example, a low-income couple with a young child who live with higher-income parents or grandparents.

Change in Poverty

Comparing poverty rates before and after the ARPA expansion of the child credit provides one measure of this policy change's antipoverty impact. If the ARPA child credit expansion boosts a poor family's income sufficiently to push them above the poverty threshold (an amount of money below which a family is counted as poor), the family and all its members would be counted as nonpoor as a result of this policy.

In contrast to poverty rates, comparing the aggregate poverty gap before and after the ARPA expansion of the child credit is another metric that can be used to understand the antipoverty impact of this policy change. The poverty gap is the difference between the poverty threshold and a family's disposable income. (By definition, the poverty gap for a family with income above the poverty threshold is \$0.) Unlike the poverty rate, which is based on whether a family is *above* or *below* the poverty threshold, the poverty gap provides a way of examining *the degree* to which a family is below that threshold. The larger the poverty gap, the poorer the family.²⁵ For this analysis, poverty gaps are summed together across all poor families to determine the aggregate poverty gap both before and after the ARPA expansion of the child credit.

Change in Poverty Rates

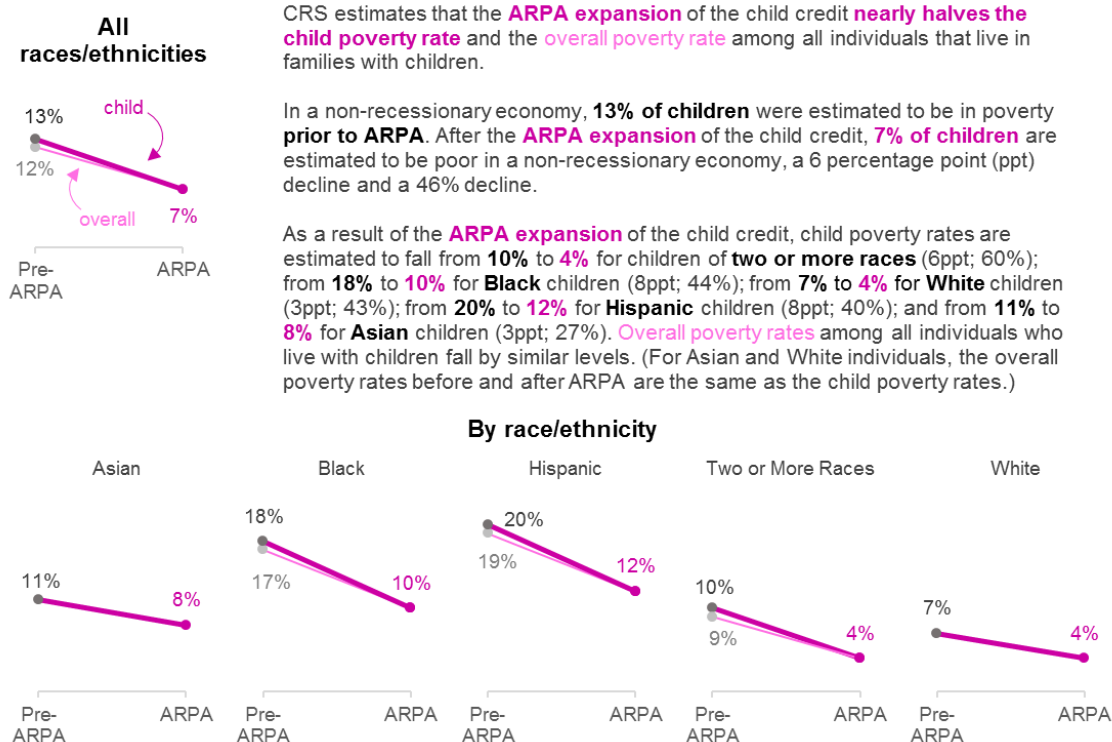
CRS estimates that the ARPA expansion of the child credit will nearly halve the child poverty rate (as illustrated in **Figure 4**). Similarly, CRS estimates that the ARPA child credit expansion will nearly halve the poverty rate of all individuals (adults and children) who live in families with children (as illustrated with the light pink line in **Figure 4**).

²³ Some larger families with higher incomes may in certain cases actually receive a larger credit due to the new phaseout formula, although existing data from the IRS suggest the number of families would be small. For example, consider an unmarried parent (who files as head of household) with three qualifying young children. Before ARPA, at \$200,000 of income, their credit would have been \$6,000. At the same level of income, under ARPA their credit would be \$6,425, \$425 more. IRS data indicate most head of household filers have income under \$100,000. Most married couples would not be subject to these different phaseout rules, unless they had many qualifying children—for example, 8 or more young children and 13 or more older children. For more details on the phaseout, see footnote 9.

²⁴ For example, using the TRIM3 microsimulation model, CRS estimates that in about 10% of families with children with income greater than or equal to 400% of poverty, all the children were 17 years old, while lower down the income spectrum, the share of families with only 17-year-old children was between approximately 3% and 5%. Some families higher up the income distribution (i.e., with family income greater than or equal to 200% of poverty) may also include low-income taxpayers eligible for the maximum credit amount under ARPA (i.e., low-income taxpayers who are part of higher-income multigenerational families).

²⁵ For example, assume there are two poor families who have the same poverty threshold of \$25,000. The first family has \$20,000 of disposable income; hence their poverty gap is \$5,000. The second family has \$10,000 of disposable income—they are poorer than the first family—and their poverty gap is \$15,000. Hence, the larger the poverty gap, the poorer the family.

Figure 4. Estimated Child and Overall Poverty Rates Before and After the ARPA Expansion of the Child Credit by Race/Ethnicity



Source: CRS analysis of TRIM3-augmented CPS ASEC files representing data from 2015 to 2017.

Notes: See notes for **Table B-6** and **Table C-4**. The slopes of the lines in the slope graphs reflect the absolute change before and after ARPA, in percentage point terms.

Prior to ARPA, child poverty rates in the United States were higher among Black and Hispanic children compared to the overall child poverty rate (18% and 20%, respectively, compared to 13% of children overall, as illustrated in **Figure 4**). As a result of the ARPA child credit expansion, the poverty rates of Black, White, and Hispanic children are estimated to fall in roughly similar proportion to each other and in relation to the rate among children of all races and ethnicities (44%, 43%, and 40%, respectively, compared to 46% overall).²⁶ Hence, while the ARPA child credit expansion significantly reduces child poverty rates, it does so roughly proportionally among White, Black, and Hispanic children, and so disparities in poverty rates remain after this policy change. In contrast, the ARPA expansion of the child credit has a comparatively modest effect on the poverty rates of Asian children (a 27% decline), which is estimated to increase the disparity in child poverty rates between Asian children and children overall.

Whether and to what degree the ARPA expansion reduces child poverty rates overall and among children of different races and ethnicities is a result of numerous factors, including the share of poor families eligible for the ARPA-expanded credit, the additional benefit from the ARPA

²⁶ The largest percentage change in poverty rates is estimated to occur among children of two or more races (a 60% reduction), higher than the average rate reduction for children of all races and ethnicities. This population tends to be relatively small (CRS estimates that there are fewer than 300,000 children of two or more races in poverty, see **Table B-5**) and has a pre-ARPA child credit expansion poverty rate less than the overall rate (10% compared to 13%). The relatively small pre-ARPA poverty rate means the percentage change in poverty rates will be larger, all else being equal.

expansion, the depth of poverty families are in before the ARPA expansion, and the child poverty rates before the ARPA expansion.

Previous analysis in this report suggests that almost all poor families with children receive the child credit after the ARPA expansion (94% in **Figure 2**) and that the ARPA expansion provides an average estimated increase in income of \$4,445 among poor families with children (**Figure 3**). Hence, these estimates suggest most poor families will see a substantial income boost from the ARPA expansion. (Some poor families may not receive the benefit even after the ARPA expansion due to restrictions on the eligibility of certain noncitizen children, specifically noncitizen children without SSNs.)²⁷

The closer a family is to the poverty threshold pre-ARPA, the more likely it is that the ARPA child credit expansion provides the family with sufficient resources to move them above the poverty threshold and out of poverty. In other words, the deeper a family with children is in poverty, all else being equal, the less likely the ARPA expansion will increase their family income enough so that the family (and all its members, including children) exits poverty.²⁸

The depth of poverty compared with the increase in income from the ARPA expansion may be one reason that, even after ARPA, child poverty rates remain high among children of some racial and ethnic groups. For example, prior CRS research suggests that poor Hispanic families and poor Asian families, tend to be deeper in poverty than poor families of other racial and ethnic groups.²⁹ Hispanic and Asian child poverty rates may thus be higher than the overall child poverty rate even after the ARPA child credit expansion because many poor Asian and Hispanic families may require a larger benefit in order to exit poverty. Previous research also indicates that poor Asian families may have fewer children compared to other poor families.³⁰ This would suggest that the ARPA expansion may result in a smaller increase in income per poor Asian family.³¹

High child poverty rates *before* the ARPA expansion can also be a factor in high child poverty rates *after* the expansion. For example, among poor Black families with children, CRS estimates suggest a majority receive an increase in the credit after the ARPA expansion (96% see **Table C-2**), the average increase in the credit received by poor Black families is large (\$4,775 see **Table**

²⁷ CRS estimates, using the TRIM3 microsimulation model, that among poor families with children, approximately 2.3% of these families have children who are unauthorized immigrants, and hence may be ineligible for the child credit before and after the ARPA expansion (ultimately, ineligibility of noncitizen children depends on the child's taxpayer ID, which is not modeled in TRIM3). Higher up the income distribution, less than 1% of families (depending on their family income level) have all unauthorized immigrant children. For more information, see footnote 19.

²⁸ This effect is to be expected, since a family with a poverty gap of \$100 (quite near to the threshold) requires much less to move above the poverty threshold than does a family with a poverty gap of \$10,000 (relatively far from the threshold).

²⁹ See CRS Report R46825, *Need-Tested Benefits: Impact of Assistance on Poverty Experienced by Low-Income Families and Individuals*. According to this analysis, "After receiving need-tested benefits [excluding the ARPA expanded credit], the typical family in most racial/ethnic groups would have required an amount closer to \$5,000 to exit poverty. The exceptions were Hispanic families, with a median poverty gap of \$6,169 (roughly \$517 per month), and Asian families, with a median poverty gap of \$9,911 (roughly \$820 per month)."

³⁰ For example, according to the U.S. Census Bureau, poor Asian families with children had on average 1.83 children per family, while all poor families with children had on average 2.28 children per family. U.S. Census Bureau, *POV33: Mean Number of Related Children per Primary Family by Family Structure, Age of Householder and Poverty Status: 2019*, <https://www.census.gov/data/tables/time-series/demo/income-poverty/cps-pov/pov-33.html>. Note that this definition of poverty is the official poverty measure (OPM).

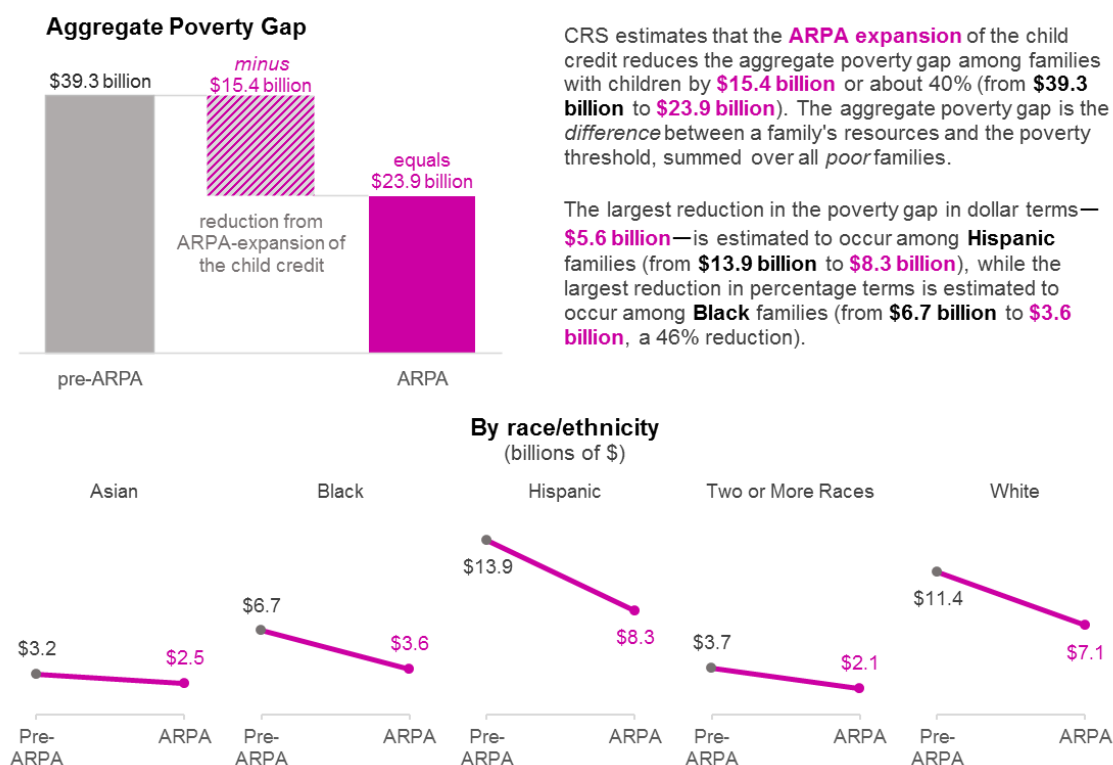
³¹ In the context of the poverty rate, the ratio of the number of children to family size may also be a factor. If a family is large, with many adults and few children, it may need substantial resources to exit poverty. However, this family will receive comparatively less than similarly sized families with similar needs that have more child credit-eligible children.

C-3), and the depth of poverty is comparable to the all races average.³² But because child poverty rates are much higher for Black children before ARPA, even a comparable reduction in the prevalence of poverty will still mean a larger share of Black children are in poverty compared to all children after the ARPA expansion.

Change in the Poverty Gap

CRS estimates that the ARPA expansion of the child credit will reduce the aggregate poverty gap among families with children by \$15.4 billion, or by about 40%, as illustrated in **Figure 5**. The largest proportional reduction in the poverty gap is estimated to occur among Hispanic families with children (46%) and families of two or more races (43%), with comparable although smaller reductions among Black families (40%) and White families (38%). In comparison, according to CRS's analysis, the ARPA expansion's estimated impact is comparatively smaller among Asian families with children (a 22% reduction from \$3.2 billion to \$2.5 billion).

Figure 5. Estimated Aggregate Poverty Gap Before and After the ARPA Expansion of the Child Credit by Race/Ethnicity



Source: CRS analysis of TRIM3-augmented CPS ASEC files representing data from 2015 to 2017.

Notes: See notes for **Table B-7** and **Table C-5**. The slopes of the lines in the slope graphs reflect the absolute change before and after ARPA, in dollar terms.

³² See Table 6 in CRS Report R46825, *Need-Tested Benefits: Impact of Assistance on Poverty Experienced by Low-Income Families and Individuals*, in which the typical poor black family had a poverty gap of \$5,116, compared to \$5,644 for all families. These estimates are of the baseline poverty gap after need-tested benefits, excluding the additional benefit from the ARPA-expanded child credit.

As with the ARPA expansion's impact on poverty rates, numerous factors, often in combination, may affect its impact on the aggregate poverty gap. Such factors include the number of families in poverty, the depth of poverty, and the amount of the additional benefit from the ARPA expansion.³³ Differences in these factors may explain some of the differences in the declines in the poverty gap among families of different races and ethnicities. For example, one factor behind the high *aggregate* poverty gap among White and Hispanic families even after the ARPA expansion may be the large number of poor White and Hispanic families before the ARPA expansion (see **Table B-1**). Even small poverty gaps per family summed over many families can lead to a large aggregate poverty gap.

The depth of poverty among poor families before they receive the ARPA-expanded credit in comparison to the amount of an increased child credit they receive may also affect the decline in the aggregate poverty gap after the ARPA expansion. For example, as previously discussed, prior CRS research indicates that the typical poor Asian family is significantly poorer than poor families of other races (the typical Hispanic family is also poorer than poor families overall, albeit less so than poor Asian families according to this analysis). Asian families in poverty also tend to receive a smaller credit (perhaps because of fewer or older children or perhaps due to the presence of noncitizen children without SSNs).³⁴ Combined, this may explain why the ARPA expansion is likely to more modestly reduce the aggregate poverty gap among Asian families compared to all families.

Impact on Budgetary Cost

Available data suggest that the ARPA expansion of the child credit will dramatically increase the budgetary cost of this tax benefit. Prior to the ARPA expansion, the total cost of the child credit was \$117.7 billion, according to the IRS's most recent data from 2018 tax returns.³⁵ Of that amount, \$81.5 billion (70%) offset income taxes owed (the nonrefundable portion), while \$36.2 billion (30%) was received as the refundable portion of the credit (and hence exceeded income taxes owed).

The Joint Committee on Taxation (JCT) estimates that the total cost of the one-year ARPA expansion is \$105.1 billion, of which \$84.4 billion is attributed to the refundable portion of the credit.³⁶ This suggests that the total annual cost of the child credit after the ARPA expansion

³³ Limitations on child credit eligibility for noncitizen children may also reduce the impact the ARPA expansion has on reducing the poverty gap, by lowering the average credit amount, all else being equal.

³⁴ Poor families with more children and more young children are likely to receive a bigger benefit in dollar terms than those with fewer (and older) children, all else being equal.

³⁵ Internal Revenue Service, *Individual Complete Report (Publication 1304), Table 3.3*, Statistics of Income, 2018, <https://www.irs.gov/statistics/soi-tax-stats-individual-statistical-tables-by-size-of-adjusted-gross-income>.

³⁶ The Joint Committee on Taxation estimates that the total cost of the one-year ARPA expansion of the child credit is \$109.5 billion between FY2021 and FY2031, of which \$88.8 billion is attributed to the refundable portion of the credit. These estimates, however, also include the cost of the permanent extension of the child credit to residents of the territories. Unlike residents of Puerto Rico, who are to apply directly for the child credit with the IRS, other territorial residents are to apply for and receive the child credit from their territorial tax authority. The Treasury is to provide these territorial governments with funds to cover these payments. This permanent extension to the territories is effective beginning in 2021 and so applies to the ARPA-expanded child credit. The budgetary cost of this permanent extension is \$4.4 billion between FY2023 and FY2031, all of which is attributable to the refundable portion of the child credit. This amount is subtracted from the total cost to isolate the budgetary costs of the one-year expansion. See Joint Committee on Taxation, *Estimated Revenue Effects Of H.R. 1319, The "American Rescue Plan Act Of 2021," Scheduled For Consideration By The House Of Representatives On February 26, 2021*, February 12, 2021, JCX-12-21, <https://www.jct.gov/publications/2021/jcx-12-21>.

would increase by almost 90%, potentially to over \$200 billion. These estimates also suggest that over \$120 billion (60% of the total child credit dollars) could be attributable to the refundable portion of the child credit after the ARPA expansion, a 233% increase in total dollars received as the refundable portion of the credit. By way of comparison, the EITC prior to ARPA was estimated to be about \$65 billion in 2018 (changes to the EITC for 2021 will increase its size by about \$16 billion).³⁷

As previously discussed, low-income families generally have little to no income tax liability, and receive most if not all of their child credit as the refundable portion. Low-income families include both those in poverty and those with income between 100% and 199% of poverty. CRS estimates of the ARPA child credit expansion's impact suggest that about two-thirds of the increase in aggregate credit dollars will go to low-income families (those with income up to 199% of poverty), with about a third of the increase being received by families with income 200% of poverty or more.³⁸ These estimates suggest that if the ARPA child credit expansion were extended, it would likely be, in budgetary terms, the largest cash assistance program for low-income families with children.

Conclusion

The analysis presented in this report suggests the ARPA-expanded child credit is likely to significantly increase incomes of low-income families with children and substantially reduce both the prevalence of child poverty and the depth of poverty among families with children. Research suggests that a child benefit similar to the ARPA-expanded credit could have significant long-term benefits for children's health, education, and future earnings.³⁹

These effects could be diminished by other factors that are beyond the scope of this report. For example, some evidence suggests that the ARPA-expanded child credit, which working and nonworking parents alike can receive, may discourage low-income parents from working. Existing research suggests this impact may be small, but reductions in earned income could reduce the benefit's anti-poverty impact.⁴⁰ Some policymakers may be concerned with the

³⁷ See Joint Committee on Taxation, Estimated Revenue Effects Of H.R. 1319, The "American Rescue Plan Act Of 2021," Scheduled For Consideration By The House Of Representatives On February 26, 2021, February 12, 2021, JCX-12-21, <https://www.jct.gov/publications/2021/jcx-12-21>; and CRS Insight IN11610, *The "Childless" EITC: Temporary Expansion for 2021 Under the American Rescue Plan Act of 2021 (ARPA; P.L. 117-2)*.

³⁸ CRS estimates that there are 38,779,000 families with children receiving an average credit increase of \$2,489. This would result in an estimated increase in aggregate child credit dollars of about \$96.5 billion (38,779,000 x \$2,487) from the ARPA expansion. Of that, poor families with children would receive an estimated total of \$20.9 billion in increased credit dollars (4,706,000 families x \$4,445 average increase per family) and near-poor families would receive an estimated total of \$42.7 billion in increased credit dollars (13,429,000 families x \$3,180 average increase per family). Hence, CRS estimates that poor families receive in total 22% of additional credit dollars from the ARPA expansion, while near-poor families receive about 44% of additional dollars. See **Table B-1** and **Table C-3**.

³⁹ Irwin Garfinkel, Laurel Sariscany, and Elizabeth Ananat, et al., *The Costs and Benefits of a Child Allowance*, Center on Poverty and Social Policy at Columbia University, Poverty and Social Policy Discussion Paper, February 23, 2021, <https://www.povertycenter.columbia.edu/news-internal/2021/child-allowance/cost-benefit-analysis>.

⁴⁰ The National Academy of Sciences (NAS) modeled a similar benefit as the ARPA-expanded child credit (child allowance #2) and estimated that this proposal would result in an aggregate reduction in hours of employment of 277.4 million hours (Table CA-2) over 6.079 million workers who were estimated to reduce their work hours and 149,000 who were estimated to stop working entirely (Table CA-3). The NAS study estimates that among low-income individuals (below 200% of poverty), 4.552 million will have decreased earnings as a result of the child allowance #2 proposal modeled. (Worksheet "CA Main Sheet" in Appendix E). Hence, if all of the decrease in earnings occurred among the low-income population, the average per worker per week reduction would be 1.17 hours (277,400,000 divided by 4,552,000, then divided by 52 weeks). Overall, the NAS study finds that this decrease in employment will

administration of the ARPA-expanded child credit. Families with children who have never been required to file a federal income tax return due to their low incomes would need to file a return to receive the credit. Failure to do so would mean that these families would not receive the child credit, which could lessen its antipoverty effectiveness. More broadly, the administration of this expanded credit generally requires that half of the credit be issued monthly during the last six months of 2021. To determine how much to advance, the IRS will be relying on older data—from 2020 or 2019—to estimate eligibility and then issue advance payments. If this information is out of date and not corrected, a taxpayer could receive a benefit they are ineligible for, and in some cases, have to pay it back. This could discourage take-up of the advance payment or result in IRS compliance measures, like audits, that may discourage participation.

Even with these limitations, CRS analysis suggests that the ARPA expansion of the child credit will transform the credit into a near universally available benefit that provides significant financial assistance to many low-income families with children. Many of the poorest families—who received little to no benefit from the credit prior to ARPA—will receive the *largest increases* from this legislative change, resulting in a substantial reduction in child poverty. For families with the highest levels of financial hardship—those deepest in poverty—the ARPA-expanded credit may reduce the depth of their poverty, but be insufficient on its own to lift them out of poverty.

lessen the child poverty rate reduction by 0.1 percentage points (Table CA-3). See The National Academies of Science, Engineering, and Medicine, *A Roadmap to Reducing Child Poverty* (Washington, DC: The National Academies Press, 2019), <https://www.nap.edu/catalog/25246/a-roadmap-to-reducing-child-poverty>. Appendix E, <https://www.nap.edu/catalog/25246/a-roadmap-to-reducing-child-poverty#stats>.

Appendix A. Methodology and Data

CRS used Version 3 of the Transfer Income Model (TRIM) to calculate the estimates presented in this report. This model applies government program rules onto data from the Census Bureau's Current Population Survey Annual Social and Economic Supplement (ASEC), allowing CRS to simulate how changes in government programs may impact the population. For this report, CRS simulated ARPA's child credit changes in TRIM's Federal Income Tax module, and then examined how these changes affected families using definitions of income and poverty associated with the Supplemental Poverty Measure (SPM). For more information on the standards CRS adheres to in conducting TRIM analysis, the ASEC, and the SPM poverty measure, please see CRS Report R46824, *Need-Tested Benefits: Technical Companion to Selected CRS Reports on Need-Tested Benefits Receipt by Families and Individuals*.

Several other methods and caveats specific to this report are discussed further below.

Analytical Methodology

Some racial and ethnic groups are smaller in population size (and ASEC sample size) than others. Because CRS divided each racial and ethnic group into several income levels for this report, the sample size for some estimates was too small to draw reliable conclusions about using only one year of data. To reduce error introduced by small sample sizes, CRS chose to average three years of data (the 2016-2018 ASEC surveys, which report income and other data from 2015-2017) to produce these estimates.⁴¹ CRS also conducted standard error analysis⁴² on these three-year averages to ensure that the estimates were sufficiently precise. Although averages tend to skew towards extreme values (unlike some other measurements of central tendencies, such as medians), CRS chose to calculate averages in order to conduct standard error analysis consistent with Census Bureau guidance.⁴³

Racial and Ethnic Category Methodology

CRS uses responses recorded on the ASEC survey to define racial and ethnic groups. The ASEC asks respondents to self-identify as American Indian or Alaska Native, Asian, Black or African American, Native Hawaiian or Other Pacific Islander, or White.⁴⁴ Additionally, respondents may

⁴¹ The Census Bureau recommends using 3-year average estimates for small subgroups. See United States Census Bureau, "Source of the Data and Accuracy of the Estimates for the 2018 Annual Social and Economic Supplement Microdata File," 2020, Standard Errors of Data for Combined Years, G-25, Footnote 5. For more information see <https://www2.census.gov/programs-surveys/cps/techdocs/cpsmar18.pdf>.

⁴² All of these estimates are derived from a sample, which is an incomplete measurement of the U.S. population. CRS uses standard errors to characterize just how incomplete these estimates could be. Standard errors are a measure of the extent to which an estimate can be expected to deviate from a true value for the full population. That is, standard errors attempt to estimate how much these specific survey-based calculations might differ from the reality faced by the full population of Americans. However, standard errors derived from one single sample, as in the case of the ASEC in one given year, do not necessarily reflect the true standard error. Therefore, CRS uses replicate weights, which "allow a single sample to simulate multiple samples, thus generating more informed standard error estimates" to estimate standard errors. Replicate weights are the approach the Census Bureau encourages researchers to use when attempting to estimate standard errors. For more information, see <https://cps.ipums.org/cps/repwt.shtml>.

⁴³ United States Census Bureau. "Source of the Data and Accuracy of the Estimates for the 2018 Annual Social and Economic Supplement Microdata File," 2020, Standard Errors of Data for Combined Years, G-25. For more information see <https://www2.census.gov/programs-surveys/cps/techdocs/cpsmar18.pdf>.

⁴⁴ The Census Bureau is required to categorize race in this way to comply with guidance from 1997 issued by OMB. These definitions "reflect a social definition of race recognized in this country and [are] not an attempt to define race

identify as more than one race or as some other race. Hispanic ethnicity is addressed separately in another question. Therefore, persons of any racial identity can also identify as being Hispanic.⁴⁵

CRS combines these two survey questions to categorize *individuals* according to both their race and Hispanic ethnicity. CRS categorizes Hispanic individuals as being Hispanic, regardless of their racial identity. All non-Hispanic individuals are then categorized according to their respective racial identities. Using this definition, CRS further defines the race or ethnicity of a *family* by the racial and ethnic composition of the family members. If one member reports a racial or ethnic identity that differs from their other family members, the family is categorized as having two or more races. For example, if one member of the family identifies as Hispanic and Black, and the other two members identify as non-Hispanic Black, the family would be considered of two or more races. If all members of the family share the same racial or ethnic identity, they are categorized as that identity.

By using compositional measures to define families' racial and ethnic group, CRS can evaluate families of multiple racial and ethnic identities. For example, a family comprised entirely of Black individuals, none of whom identify as Hispanic, would be considered Black. A family comprised of both non-Hispanic Black individuals and Hispanic Black individuals would be considered two or more races. A family comprised entirely of Hispanic Black individuals would be considered Hispanic. This method of defining an individual's racial and ethnic group preferences Hispanic ethnicity over racial identity, which may not reflect how a respondent views their own racial and ethnic identity.

Exclusion of Small Population Groups from this Analysis

Despite improving overall sample sizes by averaging three years of data, this report does not present results for persons who identify as non-Hispanic American Indian or Alaska Native, or as non-Hispanic Native Hawaiian or Other Pacific Islander, due to their relatively small sample sizes and relatively high standard errors. However, these persons were counted toward the aggregate totals for all analyses present in the report. Additionally, if such individuals lived in a family with two or more racial or ethnic identities present, they were included in that family.

The Family as the Unit of Analysis

Although the ARPA expansion of the child credit affects taxpayers, the impact of these provisions is analyzed in terms of families. A *taxpayer* is generally composed of all individuals listed on a federal income tax return (IRS Form 1040) and includes an individual, their spouse (if married), and any dependents. In contrast, poverty analysis is done at the family level because families can share many resources and expenses. Hence, in this report analyses of the impact of the ARPA-expanded child credit are generally done at the *family level*. In this report, a family is composed of people living together related by blood or marriage (the family), cohabiting partners, and foster children. In some cases, like multigenerational families, a family can be composed of multiple taxpayers. In these cases, tax liabilities and/or benefits for all taxpayers are aggregated to determine the impact of the income tax on the family's resources. If a family is determined to be poor, all members of that family are counted as poor.

biologically, anthropologically, or genetically.” For more information see <https://www.census.gov/topics/population/race/about.html>.

⁴⁵ The Census Bureau is required to categorize ethnicity in this way to comply with guidance from 1997 issued by OMB. For more information see <https://www.census.gov/topics/population/hispanic-origin/about.html>.

Family Income Level

This report uses disposable income to categorize the population across separate income levels and compare higher-income families to families living in poverty. Disposable income is defined as the *resources* available to families under the research Supplemental Poverty Measure (SPM).⁴⁶ These resources are calculated as money income (i.e., earned income plus interest and dividends plus cash social insurance benefits [e.g., Social Security, unemployment insurance]); minus taxes, minus work expenditures (e.g., child care), and minus medical expenditures; plus the value of tax credits (including the child credit and the earned income credit [EITC]) and the value of in-kind benefits (such as food and housing subsidies).

Families with the same disposable income may have differing poverty status (under the SPM, there are thousands of different poverty thresholds which depend on a family's composition, geographic location, and housing tenure).⁴⁷ To account for this and compare families living in poverty to families with higher income levels, CRS computes the ratio of each family's SPM resources to their respective SPM poverty threshold. From this ratio, CRS created five separate family income levels, delineating those with disposable income 0%-99% of their poverty threshold (i.e., families living in poverty) from families with ratios of 100%-199%, 200%-299%, 300%-399%, or 400% or higher.

Child credit amounts are estimated per taxpayer, and then included in family resources.⁴⁸ For example, assume a family includes two taxpayers (e.g., a single parent with her child lives with her sibling and their family). For each taxpayer, TRIM3 estimates their child credit amount (using AGI, if the family is subject to either the ARPA or TCJA phaseout). According to TRIM3 estimates, one taxpayer receives a \$500 increase in their child credit from ARPA and the other taxpayer receives a \$100 increase in their child credit from the ARPA expansion. The family's resources will thus increase by \$600. Because eligibility for the child credit does not affect eligibility for other need-tested programs,⁴⁹ or tax liabilities (since tax credits are not taxable income), the change in a family's resources before and after ARPA will be due entirely to the ARPA changes to the child credit.

Limitations

There are several limitations that should be considered when interpreting the results presented in this report. First, because of the data lags in the TRIM3 model and the use of three-year averages in this analysis, the underlying data used in this report (which reflect a nonrecessionary economic period) are not analogous to economic conditions in 2021, nor will they be for the eventual postrecessionary economy.

⁴⁶ For more information, see CRS Report R45031, *The Supplemental Poverty Measure: Its Core Concepts, Development, and Use*.

⁴⁷ For more information, see CRS Report R46824, *Need-Tested Benefits: Technical Companion to Selected CRS Reports on Need-Tested Benefits Receipt by Families and Individuals*.

⁴⁸ The federal income tax code, TRIM3, and CRS use another measure of income—adjusted gross income (AGI)—to calculate child credit amounts at the taxpayer level. This income concept, used for credit administration purposes, differs from the disposable income measure CRS uses in this report to group families for the purpose of distributional analyses. For example, AGI does not generally include the value of need-tested benefits, like housing assistance and other in-kind benefits, nor does it include the value of tax credits like the EITC and the child credit. In addition, for certain-low-income taxpayers, AGI does not include the value of Social Security benefits. AGI also does not net out the value of taxes paid or net out work expenditures and out of pocket medical expenditures.

⁴⁹ See Internal Revenue Code §6409.

Second, the results do not account for the fact that some eligible families may not file an income tax return, which is necessary to receive the child tax credit. Instead, the model used by CRS in this analysis assumes that 100% of eligible families will receive the full value of the credit for which they are eligible.⁵⁰ This limitation may be particularly important for the ARPA child tax credit expansion, which made families with very low or no earned income eligible for the child tax credit. These families are generally not required to file an income tax return, and as a result may not know that they are required to file a return in 2021 to claim the ARPA-expanded child tax credit.

Third, the results do not include estimates of eligibility in U.S. territories. The model used by CRS in this analysis does not include information on residents of U.S. territories. As a result, CRS is not able to estimate eligibility for the child tax credit in the territories.

Fourth, the results do not attempt to estimate the impact of the requirement in ARPA that the Treasury issue half of the expected 2021 child tax credit in periodic payments to families beginning in July 2021. Although the use of periodic payments may change the *timing* of when families receive benefits from the child tax credit, this change will not affect the *annual amount* of the credit for which families are eligible.

Fifth, the categorization of racial and ethnic groups may not reflect the way that persons reporting their race and ethnicity self-identify. A Pew study from 2014 found that 67% of persons who identified as Hispanic viewed being Hispanic as part or all of their racial background.⁵¹ The authors noted that this has two implications: (1) that race among Hispanic persons does not fit neatly into the Census Bureau's current racial categorization standard and (2) that many Hispanic individuals actually view themselves as mixed race, and making this distinction would increase the proportion of mixed race persons in the United States by 2 percentage points. However, the complexities of Hispanic identity (or other racial identities) are difficult to understand using the ASEC, due to sample size and survey issues. The method employed in this report attempts to capture those persons who identify as *racially* Hispanic, and therefore likely incorrectly categorizes some persons whose Hispanic *ethnicity* does not play a role in their racial identity.

Finally, estimates prepared using survey data (which include these results) tend to underestimate the value of refundable tax credits such as the child tax credit. Research suggests that one cause of this underestimation may be that families with children where multiple adults file an income tax return have an incentive to strategically choose which adult will claim the children on their return.⁵² By doing so, families may maximize the amount of the child tax credit they receive in a way that is not fully captured by the model used by CRS in this analysis.

⁵⁰ For more information see The Urban Institute, "TRIM3: Federal Tax Module Version History," <https://boreas.urban.org/documentation/federtax/main.php>.

⁵¹ Kim Parker, Juliana Menasce Horowitz, and Rich Morin, et al., *Multiracial in America: Chapter 7: The Many Dimensions of Hispanic Racial Identity*, Pew Research Center, June 11, 2015, <https://www.pewresearch.org/social-trends/2015/06/11/chapter-7-the-many-dimensions-of-hispanic-racial-identity/#asking-hispanics-about-racial-identities-beyond-census-classifications>.

⁵² For further discussion of this effect, see David Splinter, Jeff Larrimore, and Jacob Mortenson, *Whose Child Is This? Shifting Of Dependents Among EITC Claimants Within The Same Household*, National Tax Journal 2017, 70:4, pp. 737-758, <https://doi.org/10.17310/ntj.2017.4.02>.

See also Maggie R. Jones and Amy B. O'Hara, *Do Doubled-Up Families Minimize Household-Level Tax Burden?* National Tax Journal 2016, 69:3, pp. 613-640, <http://dx.doi.org/10.17310/ntj.2016.3.05>.

Appendix B. Pre-ARPA Baseline Estimates

Number and Average Income of Families with Children

Table B-1 presents estimates of the number of individuals in families with children, by family income levels and race and ethnicity. For example, these data indicate there are 264,000 Asian families with children who are living in poverty. These estimates present baseline population counts, *before* the ARPA child credit expansion.

Table B-1. Baseline Estimated Number of Families with Children by Family Income Level & Race/Ethnicity

	RACE/ETHNICITY OF FAMILY					
FAMILY INCOME LEVEL	Asian	Black	Hispanic	Two or More Races	White	All Races/Ethnicities
Ratio of Family Income to Poverty Threshold	Number of families with children, in thousands					
<100%	264	889	1,599	494	1,405	4,706
100%-199%	575	2,303	3,533	1,794	5,087	13,429
200%-299%	451	832	1,155	1,247	4,510	8,235
300%-399%	311	382	384	753	3,343	5,205
>=400%	534	377	399	975	4,889	7,204
All Income Levels	2,135	4,784	7,070	5,263	19,233	38,779

Sources: CRS analysis of TRIM3-augmented CPS ASEC files representing data from 2015 to 2017.

Notes: This table presents estimates of the number of families with at least one child under 18. CRS estimates are averaged over three years of data (2015, 2016, and 2017). Estimates are grouped by family income level and race/ethnicity of the family. These estimates cannot be used to construct poverty rates shown later in this report.

Families are defined as anyone living in the same resource unit, per the Supplemental Poverty Measure (SPM).

Family Income Level is calculated as the ratio of a family's disposable income, including government taxes and transfers, to their respective SPM poverty thresholds. This allows for families of similar standards of living across the United States to be grouped together. Families are categorized by their family income level *before* the ARPA expansion (i.e., the pre-ARPA child credit is included in income, but the increase from the ARPA expansion is not included in income for the purposes of categorizing families by family income level). This categorization allows for a comparison of the same families before and after the ARPA expansion of the child tax credit.

Race or ethnicity of a family is defined by the racial composition of the family members. See **Appendix A** for more details on this method. CRS does not report aggregated sums for families identifying entirely as American Indian, Alaska Native, or Native Hawaiian or Other Pacific Islander due to inadequate sample sizes that would lead to unreliable estimates. For example, according to CRS estimates, there are 294,000 families of all income levels that may identify as either American Indian, Alaska Native, or Native Hawaiian or Other Pacific Islander. Families of these racial identities are not included in this table, but they are included in "All Races and Ethnicities." Hence, because of this (and rounding), cells do not sum to the total.

Table B-2 presents estimates of average family income among families with children, by family income levels and race and ethnicity. For example, these data indicate that among all Asian families with children who are living in poverty, the average family income is \$17,427, as defined by their SPM family income. This table presents baseline income *before* the ARPA child credit expansion.

Grouping families by their ratio of family income to SPM poverty threshold (i.e., “family income level”) allows families of similar standards of living across the United States to be grouped together. Families are each characterized by their family income in relation to their appropriate SPM poverty threshold. A family’s SPM threshold depends on numerous factors, including where they live (i.e., the geographic variability of housing costs), whether a family rents or owns, and the family’s size.⁵³ So, for example, the SPM threshold for a family in an urban area with high housing costs would generally be higher than the SPM threshold for a family living in a rural area with lower housing costs, all else being equal. This could result in a poor family in an urban area with high housing costs having a higher family income than a poor family in a rural area with lower housing costs. Insofar as there are significant differences in poverty thresholds by race or ethnicity—a topic beyond the scope of this report—there hence may be deviations in average family income by race and ethnicity for a given income category.

Families are categorized by their family income level *before* the ARPA expansion (i.e., the pre-ARPA child credit is included in income, but the increase from the ARPA expansion is not included in income for the purposes of categorizing families by family income level). This categorization allows for a comparison of the same families before and after the ARPA expansion of the child tax credit.⁵⁴

Table B-2. Baseline Estimated Average Family Income for Families with Children by Family Income Level & Race/Ethnicity

	RACE/ETHNICITY OF FAMILY					
FAMILY INCOME LEVEL	Asian	Black	Hispanic	Two or More Races	White	All Races/Ethnicities
Ratio of Family Income to Poverty Threshold	Average family income (\$) among families with children					
<100%	\$17,427	\$16,642	\$20,319	\$18,197	\$13,959	\$17,282
100%-199%	\$48,112	\$36,377	\$42,080	\$40,997	\$38,046	\$39,674
200%-299%	\$78,314	\$63,930	\$71,203	\$70,286	\$64,325	\$66,919
300%-399%	\$106,776	\$90,321	\$96,086	\$96,412	\$89,944	\$92,377
>=400%	\$212,191	\$186,101	\$231,115	\$196,605	\$190,310	\$194,838

⁵³ For more information, see “Definition of Need in SPM Poverty Thresholds” in CRS Report R45031, *The Supplemental Poverty Measure: Its Core Concepts, Development, and Use*, by Joseph Dalaker.

⁵⁴ Note that the average income estimates in **Table B-2** do not contextualize these income levels with the varying needs of families by geography, housing tenure, and family size. For example, despite exhibiting the lowest incomes in this table, White families generally have comparable need to other racial and ethnic groups, as defined by the average pre-ARPA poverty gap. In other words, on average, White families are similarly as close to their respective poverty threshold as families of other races and ethnicities. A further analysis of SPM poverty thresholds by race/ethnicity is beyond the scope of this report.

	RACE/ETHNICITY OF FAMILY					
FAMILY INCOME LEVEL	Asian	Black	Hispanic	Two or More Races	White	All Races/ Ethnicities
Ratio of Family Income to Poverty Threshold	Average family income (\$) among families with children					
All Income Levels	\$100,182	\$53,613	\$55,541	\$82,603	\$90,257	\$78,687

Sources: CRS analysis of TRIM3-augmented CPS ASEC files representing data from 2015 to 2017.

Notes: This table presents estimates of family income among families with at least one child under 18. CRS estimates are averaged over three years of data (2015, 2016, and 2017). Estimates are grouped by family income level and race and ethnicity of the family. A companion table, **Table C-3**, illustrates the estimated change in family income as a result of the ARPA expansion of the child tax credit.

Families are defined as anyone living in the same resource unit, per the Supplemental Poverty Measure (SPM).

Family Income Level is calculated as the ratio of a family's disposable income, including government taxes and transfers, to their respective SPM poverty thresholds.

Race or ethnicity of a family is defined by the racial composition of the family members. See **Appendix A** for more details on this method. CRS does not report aggregated sums for families identifying entirely as American Indian, Alaska Native, or Native Hawaiian or Other Pacific Islander due to inadequate sample sizes that would lead to unreliable estimates. Families of these racial identities are not included in this table, but they are included in "All Races and Ethnicities." Hence, because of this (and rounding), cells do not sum to the total.

Families with Children Receiving Pre-ARPA Child Credit

Table B-3 presents estimates of the percentage of families with children, of a given income level and race and ethnicity, who received the pre-ARPA child tax credit. For example, these data indicate an estimated 57% of all Asian families with children in poverty (family income level <100% of poverty) received the pre-ARPA child tax credit. **Table C-1** displays the average post-ARPA credit across the same income levels and race and ethnicity categories.

Table B-3. Estimated Share of Families Receiving the Pre-ARPA Child Credit by Family Income Level & Race/Ethnicity

	RACE/ETHNICITY OF FAMILY					
FAMILY INCOME LEVEL	Asian	Black	Hispanic	Two or More Races	White	All Races/ Ethnicities
Ratio of Family Income to Poverty Threshold	% of all families with children in each income level and of each racial/ethnic group who are simulated as receiving the credit					
<100%	57%	41%	65%	51%	46%	52%
100%-199%	86%	84%	89%	87%	87%	87%
200%-299%	85%	92%	91%	94%	93%	92%
300%-399%	90%	93%	91%	94%	93%	93%
>=400%	80%	82%	80%	84%	84%	84%
All Income Levels	81%	78%	83%	86%	86%	84%

Sources: CRS analysis of TRIM3-augmented CPS ASEC files representing data from 2015 to 2017.

Notes: This table presents estimates of the percentage of families with at least one child under 18, who were receiving the child tax credit *before* ARPA. CRS estimates are averaged over three years of data (2015, 2016, and 2017). Estimates are grouped by family income level and race and ethnicity of the family. A companion table, **Table C-1**, illustrates the estimated share of families that receive the child credit *after* the ARPA expansion of the child tax credit (including families that receive the same credit and a larger credit). Another companion table, **Table C-2**, illustrates the share of families that receive a *larger* credit after the ARPA expansion of the child tax credit.

Families are defined as anyone living in the same resource unit, per the Supplemental Poverty Measure (SPM).

Family Income Level is calculated as the ratio of a family's disposable income, including government taxes and transfers, to their respective SPM poverty thresholds. This allows for families of similar standards of living across the United States to be grouped together. Families are categorized by their family income level *before* the ARPA expansion (i.e., the pre-ARPA child credit is included in income, but the increase from the ARPA expansion is not included in income for the purposes of categorizing families by family income level). This categorization allows for a comparison of the same families before and after the ARPA expansion of the child tax credit.

Race or ethnicity of a family is defined by the racial composition of the family members. See **Appendix A** for more details on this method. CRS does not report aggregated sums for families identifying entirely as American Indian, Alaska Native, or Native Hawaiian or Other Pacific Islander due to inadequate sample sizes that would lead to unreliable estimates. Families of these racial identities are not included in this table, but they are included in "All Races and Ethnicities." Hence, because of this (and rounding), cells do not sum to the total.

Table B-4 presents estimates of the average pre-ARPA child tax credit received by families with children, by income level and race and ethnicity. For example, these data indicate Asian families with children in poverty received a pre-ARPA child tax credit of \$1,167 on average. **Table C-3** displays the average post-ARPA credit across the same income levels, and race and ethnicity categories.

Table B-4. Estimated Average Pre-ARPA Child Credit by Family Income Level & Race/Ethnicity

	RACE/ETHNICITY OF FAMILY					
FAMILY INCOME LEVEL	Asian	Black	Hispanic	Two or More Races	White	All Races/Ethnicities
Ratio of Family Income to Poverty Threshold	Average credit (\$) among families with children					
<100%	\$1,167	\$620	\$1,307	\$917	\$828	\$976
100%-199%	\$2,652	\$2,316	\$2,781	\$2,703	\$2,721	\$2,659
200%-299%	\$2,660	\$2,878	\$3,017	\$3,238	\$3,164	\$3,096
300%-399%	\$2,810	\$2,828	\$2,975	\$3,102	\$3,147	\$3,083
>=400%	\$2,387	\$2,391	\$2,482	\$2,603	\$2,680	\$2,623
All Income Levels	\$2,425	\$2,144	\$2,479	\$2,699	\$2,750	\$2,597

Sources: CRS analysis of TRIM3-augmented CPS ASEC files representing income from 2015 to 2017.

Notes: This table presents estimates of the average child tax credit for families with at least one child under 18, *before* ARPA. CRS estimates are averaged over three years of data (2015, 2016, and 2017). Estimates are grouped by family income level and race and ethnicity of the family. A companion table, **Table C-3**, illustrates the estimated change in family income as a result of the ARPA expansion of the child tax credit. In other words, this companion table illustrates the increase in the child credit as a result of the ARPA expansion.

Families are defined as anyone living in the same resource unit, per the Supplemental Poverty Measure (SPM).

Family Income Level is calculated as the ratio of a family's disposable income, including government taxes and

transfers, to their respective SPM poverty thresholds. This allows for families of similar standards of living across the United States to be grouped together. Families are categorized by their family income level *before* the ARPA expansion (i.e., the pre-ARPA child credit is included in income, but the increase from the ARPA expansion is not included in income for the purposes of categorizing families by family income level). This categorization allows for a comparison of the same families before and after the ARPA expansion of the child tax credit.

Race or ethnicity of a family is defined by the racial composition of the family members. See **Appendix A** for more details on this method. CRS does not report aggregated sums for families identifying entirely as American Indian, Alaska Native, or Native Hawaiian or Other Pacific Islander due to inadequate sample sizes that would lead to unreliable estimates. Families of these racial identities are not included in this table, but they are included in “All Races and Ethnicities.” Hence, because of this (and rounding), cells do not sum to the total.

Poverty

Table B-5 presents estimates of the number of individuals living in poverty in families with children, by work status and individual race and ethnicity. Additionally, the table displays the number of children living in poverty separately. For example, these data indicate there are 1.06 million Asian individuals (adults and children alike) living in families with children who are living in poverty. Of these individuals, 428,000 are children. Additionally, roughly 77% of these individuals (816,000 of 1.06 million) live in families with workers. These estimates present baseline poverty counts, *before* the ARPA child credit expansion.

Table B-5. Estimated Number of Individuals in Poverty by Presence/Absence of Workers in Family & Race/Ethnicity

	RACE/ETHNICITY OF INDIVIDUAL					
	Asian	Black	Hispanic	Two or More Races	White	All Races/Ethnicities
	<i>Number of individuals living in poverty, in thousands</i>					
All Individuals (Adults & Children) Living in Families with Children ...	1,060	3,471	7,438	391	5,613	18,246
... & Workers	816	2,068	6,109	269	3,754	13,179
... & No Workers	244	1,404	1,329	122	1,859	5,067
All Children	428	1,857	3,795	285	2,771	9,267

Sources: CRS analysis of TRIM3-augmented CPS ASEC files representing income from 2015 to 2017.

Notes: This table presents estimates of the average number of people living in families and in poverty, with at least one child under 18, *before* ARPA. CRS estimates are averaged over three years of data (2015, 2016, and 2017). Estimates are grouped by family work status, and presented separately for children.

Families are defined as anyone living in the same resource unit, per the Supplemental Poverty Measure (SPM).

Families with workers are defined as families with at least one worker ages 18 or older who worked at least one week during the year. **Race or ethnicity of an individual** is defined by the racial identity of the individual. See **Appendix A** for more details on this method. CRS does not report aggregated sums for individuals identifying entirely as American Indian, Alaska Native, or Native Hawaiian or Other Pacific Islander due to inadequate sample sizes that would lead to unreliable estimates. Individuals of these racial identities are not included in this table, but they are included in “All Races and Ethnicities.” Hence, because of this (and rounding), cells do not sum to the total.

Table B-6 presents estimates of the percentage of individuals living in poverty in families with children, by work status and individual race and ethnicity. Additionally, the table displays the percentage of children living in poverty separately. For example, these data indicate 11% of Asian

individuals (adults and children alike) living in families with children are in poverty. The percentage of Asian children living in poverty is also 11%. These estimates present baseline poverty rates, *before* the ARPA child credit expansion. **Table C-4** illustrates the poverty rate *after* the ARPA child credit expansion, across the same family categories and race and ethnicity categories.

Table B-6. Estimated Poverty Rate Including the pre-ARPA Child Credit by Presence/Absence of Workers in Family & Race/Ethnicity

	RACE/ETHNICITY OF INDIVIDUAL					
	Asian	Black	Hispanic	Two or More Races	White	All Races/Ethnicities
	Percentage of individuals living in poverty, in thousands					
All Individuals (Adults & Children) Living in Families with Children ...	11%	17%	19%	9%	7%	12%
... & Workers	9%	11%	17%	7%	5%	9%
... & No Workers	76%	63%	72%	54%	58%	64%
All Children	11%	18%	20%	10%	7%	13%

Sources: CRS analysis of TRIM3-augmented CPSAEC files representing data from 2015 to 2017.

Notes: This table presents estimates of the average poverty rate of people living in families with at least one child under 18, *before* ARPA. CRS estimates are averaged over three years of data (2015, 2016, and 2017). Estimates are grouped by family work status, and presented separately for children. A companion table, **Table C-4**, illustrates the poverty rate after the ARPA expansion of the child tax credit. In other words, this companion table illustrates the impact of the ARPA expansion's child credit provisions on poverty rates.

Families are defined as anyone living in the same resource unit, per the Supplemental Poverty Measure (SPM).

Families with workers are defined as families with at least one worker aged 18 or older who worked at least one week during the year. **Race or ethnicity of an individual** is defined by the racial identity of the individual. See **Appendix A** for more details on this method. CRS does not report an aggregated sums for individuals identifying entirely as American Indian, Alaska Native, or Native Hawaiian or Other Pacific Islander due to inadequate sample sizes that would lead to unreliable estimates. Individuals of these racial identities are not included in this table, but they are included in "All Races and Ethnicities." Hence, because of this (and rounding), cells do not sum to the total.

Table B-7 presents estimates of the poverty gap among families living in poverty with children, by work status and individual race and ethnicity. For example, these data indicate Asian families living in poverty with children would require \$3.2 billion on aggregate to exit poverty. These estimates present baseline poverty gaps, *before* the ARPA child credit expansion. **Table C-5** illustrates the poverty gap *after* the ARPA child credit expansion, across the same family categories and race and ethnicity categories.

Table B-7. Estimated Poverty Gap with the Pre-ARPA Child Credit by Presence/Absence of Workers in Poor Family & Race/Ethnicity of Poor Family

FAMILY TYPE	Race/Ethnicity of Family					
	Asian	Black	Hispanic	Two or More Races	White	All Races/Ethnicities
	Aggregate poverty gap, in billions of dollars					
Families living in poverty with children ...	\$3.2	\$6.7	\$13.9	\$3.7	\$11.4	\$39.3
... & Workers	\$1.9	\$3.4	\$10.2	\$2.3	\$6.5	\$24.2
... & No Workers	\$1.3	\$3.4	\$3.7	\$1.4	\$4.9	\$14.6

Sources: CRS analysis of TRIM3-augmented CPS ASEC files representing data from 2015 to 2017.

Notes: This table presents estimates of the average poverty gap of families with at least one child under 18, before ARPA. CRS estimates there are 4.7 million poor families with children, with 3.2 million with workers, and 1.5 million with no workers. CRS estimates are averaged over three years of data (2015, 2016, and 2017). Estimates are grouped by family work status. A companion table, **Table C-5**, illustrates the poverty gap after the ARPA expansion of the child tax credit. In other words, this companion table illustrates the impact of the ARPA expansion's child credit provisions on poverty gaps.

Families are defined as anyone living in the same resource unit, per the Supplemental Poverty Measure (SPM).

Families with workers are defined as families with at least one worker aged 18 or older who worked at least one week during the year. **Race or ethnicity of a family** is defined by the racial composition of the family members. See **Appendix A** for more details on this method. CRS does not report an aggregated sums for families identifying entirely as American Indian, Alaska Native, or Native Hawaiian or Other Pacific Islander due to inadequate sample sizes that would lead to unreliable estimates. Families of these racial identities are not included in this table, but they are included in "All Races and Ethnicities." Hence, because of this (and rounding), cells do not sum to the total.

Appendix C. Post-ARPA Expanded Child Credit Estimates

Table C-1 presents estimates of the percentage of families with children, of a given income level and race and ethnicity, who received the post-ARPA child tax credit. For example, these data indicate an estimated 84% of all Asian families with children in poverty (family income level <100% of poverty) received the post-ARPA child tax credit. **Table B-3** displays average pre-ARPA credit receipt across the same income levels and race and ethnicity categories.

Table C-1. Estimated Share of Families Receiving the Child Tax Credit after ARPA by Family Income Level & Race/Ethnicity

	RACE/ETHNICITY OF FAMILY					
FAMILY INCOME LEVEL	Asian	Black	Hispanic	Two or More Races	White	All Races/Ethnicities
Ratio of Family Income to Poverty Threshold	% of all families with children in each income level and of each racial/ethnic group who are simulated as receiving the credit					
<100%	84%	96%	94%	96%	93%	94%
100%-199%	96%	99%	98%	99%	98%	98%
200%-299%	89%	99%	97%	99%	99%	98%
300%-399%	93%	99%	97%	99%	99%	99%
>=400%	83%	90%	84%	89%	90%	89%
All Income Levels	89%	98%	96%	97%	96%	96%

Sources: CRS analysis of TRIM3-augmented CPS ASEC files representing data from 2015 to 2017.

Notes: This table presents estimates of the percentage of families with at least one child under 18 who were receiving the child tax credit *after* ARPA. This includes families receiving a larger credit and families receiving the same amount of the credit. CRS estimates are averaged over three years of data (2015, 2016, and 2017). Estimates are grouped by family income level and race and ethnicity of the family. A companion table, **Table B-3**, illustrates the estimated share of families that receive the child credit *before* the ARPA expansion of the child tax credit (including families that receive the same credit and a larger credit). Another companion table, **Table C-2**, illustrates the share of families that receive a *larger credit* after the ARPA expansion of the child tax credit.

Families are defined as anyone living in the same resource unit, per the Supplemental Poverty Measure (SPM).

Family Income Level is calculated as the ratio of a family's disposable income, including government tax and transfers, to their respective SPM poverty thresholds. This allows for families of similar standards of living across the United States to be grouped together. Families are categorized by their family income level *before* the ARPA expansion (i.e., the pre-ARPA child credit is included in income, but the increase from the ARPA expansion is not included in income for the purposes of categorizing families by family income level). This categorization allows for a comparison of the same families before and after the ARPA expansion of the child tax credit.

Race or ethnicity of a family is defined by the racial composition of the family members. See **Appendix A** for more details on this method. CRS does not report aggregated sums for families identifying entirely as American Indian, Alaska Native, or Native Hawaiian or Other Pacific Islander due to inadequate sample sizes that would lead to unreliable estimates. Families of these racial identities are not included in this table, but they are included in "All Races and Ethnicities." Hence, because of this (and rounding), cells do not sum to the total.

Families with Children Receiving a Larger Child Credit Under ARPA

Table C-2 presents estimates of the percentage of families with children, of a given income level and race and ethnicity, who received a larger child tax credit due to ARPA. For example, these data indicate an estimated 84% of all Asian families with children in poverty (family income level <100% of poverty) received a larger child tax credit due to ARPA, defined as an increase of \$10 or more. **Table B-3** displays the average pre-ARPA credit receipt across the same income levels and race and ethnicity categories.

Table C-2. Estimated Share of Families Receiving a Larger Child Tax Credit Due to the ARPA Child Credit Expansion by Family Income Level & Race/Ethnicity

	RACE/ETHNICITY OF FAMILY					
FAMILY INCOME LEVEL	Asian	Black	Hispanic	Two or More Races	White	All Races/Ethnicities
Ratio of Family Income to Poverty Threshold	% of all families with children in each income level and of each racial/ethnic group who are simulated as receiving a larger credit					
<100%	84%	96%	94%	96%	92%	94%
100%-199%	96%	99%	98%	99%	98%	98%
200%-299%	88%	98%	97%	99%	99%	98%
300%-399%	79%	96%	93%	94%	96%	95%
>=400%	26%	58%	51%	47%	49%	47%
All Income Levels	73%	95%	94%	88%	85%	88%

Sources: CRS analysis of TRIM3-augmented CPS ASEC files representing data from 2015 to 2017.

Notes: This table presents estimates of the percentage of families with at least one child under 18 who were receiving a larger child tax credit *after* ARPA (i.e., a credit that is \$10 or more greater than the pre-ARPA credit). CRS estimates are averaged over three years of data (2015, 2016, and 2017). CRS estimates are averaged over three years of data (2015, 2016, and 2017). Estimates are grouped by family income level and race and ethnicity of the family. A companion table, **Table B-3**, illustrates the estimated share of families that receive the child credit *before* the ARPA expansion of the child tax credit (including families that receive the same credit and a larger credit). Another companion table, **Table C-1**, illustrates the share of families that receive the child credit after the ARPA expansion of the child tax credit (i.e., they receive the same credit or a larger credit).

Families are defined as anyone living in the same resource unit, per the Supplemental Poverty Measure (SPM).

Family Income Level is calculated as the ratio of a family's disposable income, including government tax and transfers, to their respective SPM poverty thresholds. This allows for families of similar standards of living across the United States to be grouped together. Families are categorized by their family income level *before* the ARPA expansion (i.e., the pre-ARPA child credit is included in income, but the increase from the ARPA expansion is not included in income for the purposes of categorizing families by family income level). This categorization allows for a comparison of the same families before and after the ARPA expansion of the child tax credit.

Race or ethnicity of a family is defined by the racial composition of the family members. See **Appendix A** for more details on this method. CRS does not report an aggregated sums for families identifying entirely as American Indian, Alaska Native, or Native Hawaiian or Other Pacific Islander due to inadequate sample sizes that would lead to unreliable estimates. Families of these racial identities are not included in this table, but they are included in "All Races and Ethnicities." Hence, because of this (and rounding), cells do not sum to the total.

Income

Table C-3 presents estimates of the average percentage and dollar increase in income due to ARPA among families with children, categorized by a given *pre*-ARPA income level and race and ethnicity. For example, Asian families with children in *pre*-ARPA poverty (family income level <100%) received an average increase of \$3,155, with an average percentage increase of 81%.

The percentage increase in income in **Table C-3** may not equal the average increase divided by the *pre*-ARPA income as reported in **Table B-2**. For example, the percentage increase in income for poor Asian families in **Table C-3** is 81%, which does not equal the average dollar increase (\$3,155) divided by the *pre*-ARPA income of Asian families living in poverty as reported in **Table B-2** (\$17,427). The reason for this disparity between average percentage increase and average dollar increase is that percentage change, in this case, is more susceptible to skew. Prior to ARPA, the lowest-income families did not qualify for the child credit, or qualified for a reduced credit, *because* of their low incomes. ARPA does not restrict families with low or no earnings from receiving a full credit. For such families, the ARPA credit will represent a larger increase than for families already receiving the full ACTC. Because of their low initial incomes, the percentage increase reported could be relatively large, significantly skewing the average.⁵⁵

Table C-3. Estimated Average Change in Family Income from ARPA Child Credit Expansion by Family Income Level & Race/Ethnicity

	RACE/ETHNICITY OF FAMILY					
FAMILY INCOME LEVEL	Asian	Black	Hispanic	Two or More Races	White	All Races/Ethnicities
Ratio of Family Income to Poverty Threshold	Average \$ change in income; average % change income among families with children					
<100%	\$3,155; 81%	\$4,775; 71%	\$4,506; 39%	\$4,840; 44%	\$4,261; 78%	\$4,445; 59%
100%-199%	\$2,499; 6%	\$3,458; 10%	\$3,209; 8%	\$3,443; 9%	\$2,990; 8%	\$3,180; 9%
200%-299%	\$1,721; 2%	\$2,115; 3%	\$2,161; 3%	\$2,360; 3%	\$2,213; 4%	\$2,192; 3%
300%-399%	\$1,227; 1%	\$1,787; 2%	\$1,843; 2%	\$1,839; 2%	\$1,928; 2%	\$1,856; 2%

⁵⁵ For example, consider a low-income family living in poverty with \$8,000 in *pre*-ARPA income, most of which originates from the value of government benefits. They have one child who qualifies for the credit, but the family does not qualify for the *pre*-ARPA credit (i.e., their *pre*-ARPA child credit was zero) because their earned income is less than the minimum requirement of \$2,500. After ARPA, they now qualify for the full ARPA credit, resulting in a \$3,000 increase in their income. That \$3,000 increase represents an increase of 37.5% (\$3,000/\$8,000). Now, consider a family with \$2,000 in *pre*-ARPA income in the same situation. This family *also* receives an increase of \$3,000, but the percentage increase is now 150%. On average, these two families would have income of \$5,000 (\$2,000 plus \$8,000 divided by 2) and the average increase of the child credit (\$3,000) would thus equal a 60% increase in the credit for families in this income group, but averaging the percentage change in income (150% plus 37.5% divided by 2) would equal 93.75%. The lower a family's initial income, the greater this effect is (skewing the average percentage increase further) despite receiving the same dollar increase as higher-income families. CRS estimates that among all families in poverty before the ARPA expansion of the child credit, 5.2% exhibited percentage increases of greater than 100%.

	RACE/ETHNICITY OF FAMILY					
FAMILY INCOME LEVEL	Asian	Black	Hispanic	Two or More Races	White	All Races/Ethnicities
Ratio of Family Income to Poverty Threshold	Average \$ change in income; average % change income among families with children					
>=400%	\$309; <1%	\$947; 1%	\$859; 1%	\$727; 1%	\$734; 1%	\$720; 1%
All Income Levels	\$1,684; 13%	\$3,139; 19%	\$3,124; 14%	\$2,585; 8%	\$2,141; 9%	\$2,489; 11%

Sources: CRS analysis of TRIM3-augmented CPS ASEC files representing income from 2015 to 2017.

Notes: This table presents estimates of the average increase in family income from ARPA expansion of the child credit among families with at least one child under 18. Percentage change is not calculated for families with \$0 in pre-ARPA resources. CRS estimates are averaged over three years of data (2015, 2016, and 2017). Estimates are grouped by family income level and race and ethnicity of the family. A companion table, **Table B-2**, illustrates estimated average family income. Another companion table, **Table B-4**, illustrates the estimated average pre-ARPA child credit.

Families are defined as anyone living in the same resource unit, per the Supplemental Poverty Measure (SPM).

Family Income Level is calculated as the ratio of a family's disposable income, including government taxes and transfers, to their respective SPM poverty thresholds. This allows for families of similar standards of living across the United States to be grouped together. Families are categorized by their family income level *before* the ARPA expansion (i.e., the pre-ARPA child credit is included in income, but the increase from the ARPA expansion is not included in income for the purposes of categorizing families by family income level). This categorization allows for a comparison of the same families before and after the ARPA expansion of the child tax credit.

Race or ethnicity of a family is defined by the racial composition of the family members. See **Appendix A** for more details on this method. CRS does not report an aggregated sums for families identifying entirely as American Indian, Alaska Native, or Native Hawaiian or Other Pacific Islander due to inadequate sample sizes that would lead to unreliable estimates. Families of these racial identities are not included in this table, but they are included in "All Races and Ethnicities." Hence, because of this (and rounding), cells do not sum to the total.

Poverty

Table C-4 presents estimates of the percentage of individuals living in poverty in families with children *after* the ARPA child credit expansion, by work status and individual race and ethnicity. Additionally, the table displays the percentage of children living in poverty separately.⁵⁶ For example, these data indicate 8% of Asian individuals (adults and children alike) living in families with children are living in poverty. The percentage of Asian children living in poverty is also 8%. **Table B-6** illustrates the poverty rate *before* the ARPA child credit expansion, across the same family categories and race and ethnicity categories.

⁵⁶ The share of *all individuals* who are poor (children and adults) and the share of *children* who are poor may differ, if the ratio of children to adults is not one-to-one. For example, consider a universe where there are 2 families. Family A has 2 adults and 2 children and is not poor. Family B has 2 adults and 4 children and is poor. The ratio of children to adults in this universe is 1.5 to 1. Of the 10 individuals (children and adults), 6 are poor (60% poverty rate). However, among children, the child poverty rate is 67%, since 4 of the 6 children are poor.

Table C-4. Estimated Poverty Rate After ARPA Child Credit Expansion by Presence/Absence of Workers in Family & Race/Ethnicity

	RACE/ETHNICITY OF INDIVIDUAL					
	Asian	Black	Hispanic	Two or More Races	White	All Races/ Ethnicities
All Individuals (Adults & Children) Living in Families with Children ...	8%	10%	12%	4%	4%	7%
... & Workers	6%	6%	11%	3%	3%	5%
... & No Workers	64%	37%	51%	26%	35%	42%
All Children	8%	10%	12%	4%	4%	7%

Sources: CRS analysis of TRIM3-augmented CPS ASEC files representing income from 2015 to 2017.

Notes: This table presents estimates of the average poverty rate of people living in families with at least one child under 18, before ARPA. Estimates are grouped by family work status, and presented separately for children. A companion table, **Table B-6**, illustrates the estimated poverty rate before the ARPA expansion of the child tax credit.

Families are defined as anyone living in the same resource unit, per the Supplemental Poverty Measure (SPM).

Families with workers are defined as families with at least one worker aged 18 or older who worked at least one week during the year. **Race or ethnicity of an individual** is defined by the racial identity of the individual. See

Appendix A for more details on this method. CRS does not report an aggregated sums for individuals identifying entirely as American Indian, Alaska Native, or Native Hawaiian or Other Pacific Islander due to inadequate sample sizes that would lead to unreliable estimates. Individuals of these racial identities are not included in this table, but they are included in "All Races and Ethnicities." Hence, because of this (and rounding), cells do not sum to the total.

Table C-5 presents estimates of the poverty gap among families living in poverty with children after the ARPA child credit expansion, by work status and individual race and ethnicity. For example, these data indicate that after ARPA, Asian families living in poverty with children would require \$2.5 billion on aggregate to exit poverty. **Table B-7** illustrates the poverty gap before the ARPA child credit expansion, across the same family categories and race and ethnicity categories.

Table C-5. Estimated Poverty Gap After ARPA Child Credit Expansion by Presence/Absence of Workers in Family & Race/Ethnicity

FAMILY TYPE	RACE/ETHNICITY OF FAMILY					
	Asian	Black	Hispanic	Two or More Races	White	All Races/ Ethnicities
	Billions of Dollars					
Poor Families with Children ...	\$2.5	\$3.6	\$8.3	\$2.1	\$7.1	\$23.9
... & Workers	\$1.4	\$1.8	\$6.1	\$1.3	\$4.1	\$14.8
... & No Workers	\$1.1	\$1.8	\$2.3	\$0.8	\$3.0	\$9.1

Sources: CRS analysis of TRIM3-augmented CPS ASEC files representing income from 2015 to 2017.

Notes: This table presents estimates of the average poverty gap of families with at least one child under 18, after ARPA. CRS estimates there are 3.2 million poor families with children, with 2.1 million with workers and 1.1 million with no workers. Estimates are grouped by family work status. A companion table, **Table B-7**, illustrates the estimated poverty gap before the ARPA child credit expansion

Families are defined as anyone living in the same resource unit, per the Supplemental Poverty Measure (SPM).

Families with workers are defined as families with at least one worker aged 18 or older who worked at least one week during the year. **Race or ethnicity of a family** is defined by the racial composition of the family members. See **Appendix A** for more details on this method. CRS does not report an aggregated sums for families identifying entirely as American Indian, Alaska Native, or Native Hawaiian or Other Pacific Islander due to inadequate sample sizes that would lead to unreliable estimates. Families of these racial identities are not included in this table, but they are included in “All Races and Ethnicities.” Hence, because of this (and rounding), cells do not sum to the total.

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Acknowledgments

Patrick Landers and Gene Falk provided invaluable feedback and editorial comments on this report.

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