

Expanded Child Tax Credit Leads to Further Decline in Child Poverty in August 2021

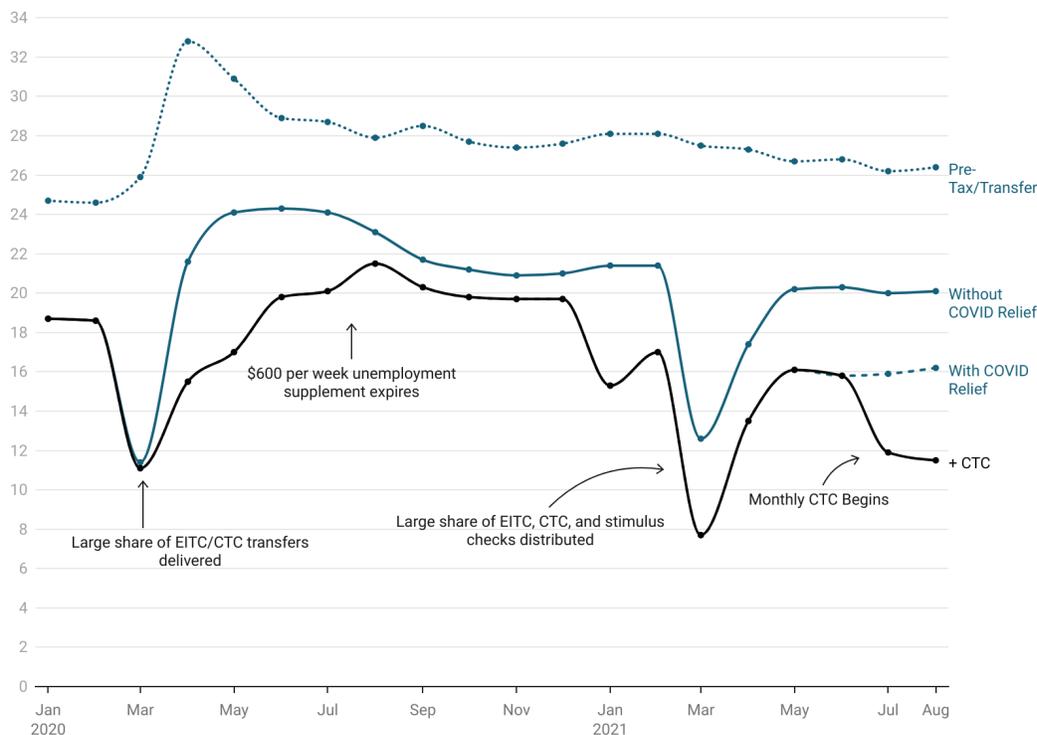
Monthly Child Tax Credit Lifts 3.5 Million Children Out of Poverty with Second Payment

Zachary Parolin^{ab} and Megan A. Curran^a

a. Center on Poverty and Social Policy, Columbia University and b. Bocconi University

The second payment of the expanded Child Tax Credit (CTC) lifted 3.5 million children out of poverty in August 2021, our estimates suggest. The child poverty rate declined from 11.9 percent in July 2021 (the month featuring the first CTC payment) to 11.5 percent in August 2021. Without the CTC, the monthly child poverty rate in August 2021 would have been 16.2 percent. The CTC thus contributed to a 4.7 percentage point (29 percent) reduction in child poverty compared to what the monthly poverty rate in August would have been in its absence.

Figure 1: Trends in Monthly Poverty Rates among Children (Jan. 2020–August 2021)



Access a version of this table and all related data at: povertycenter.columbia.edu/forecasting-monthly-poverty-data

We found [the first CTC payment kept 3 million children from poverty](#). The August numbers suggest an additional 500,000 children were lifted from poverty between July and August 2021 upon arrival of the second payment.¹ The [US Department of Treasury reports](#) the second CTC payment reached 60.9 million children, a 1.6 million increase from the 59.3 million children reached by the first payment in July. Our monthly poverty estimates account for this increased access, as well as the adjusted levels of monthly CTC benefits for the new recipient children who had missed the July payment.²

Table 1: Effect of Child Tax Credit on Monthly Poverty Rate in August 2021 by Race and Ethnicity

SPM POVERTY RATE (%)							
Children	Pre-COVID Relief	With COVID Relief/ No CTC	With COVID Relief +CTC	Percentage Pt. Change (CTC only)	Percent Change (CTC only)	Percentage Pt. Change (COVID Relief +CTC)	Percent Change (COVID Relief + CTC)
All	20.1%	16.2%	11.5%	-4.7%	-29.1%	-8.6%	-42.9%
White	13.4%	10.8%	7.3%	-3.5%	-32.2%	-6.1%	-45.3%
Black	30.4%	23.0%	16.8%	-6.2%	-26.7%	-13.6%	-44.6%
Latino	27.4%	22.7%	16.1%	-6.6%	-29.2%	-11.4%	-41.4%
Asian	17.4%	14.3%	11.0%	-3.3%	-23.3%	-6.4%	-37.0%

NUMBER MOVED OUT OF POVERTY						
Children	Pre-COVID Relief	With COVID Relief/ No CTC	With COVID Relief +CTC	Number Moved Out of Poverty (CTC only)	Number Moved Out of Poverty (COVID Relief + CTC)	
All	14,835,000	11,945,000	8,464,000	3,481,000	6,371,000	
White	4,937,000	3,982,000	2,700,000	1,282,000	2,237,000	
Black	3,393,000	2,565,000	1,879,000	686,000	1,514,000	
Latino	5,175,000	4,281,000	3,032,000	1,249,000	2,143,000	
Asian	756,000	621,000	476,000	145,000	280,000	

Table 1 provides the effect of the August CTC payment on the monthly poverty rate and number of children living below the poverty line in August 2021 by children’s race and ethnicity. The results suggest that the Child Tax Credit was broadly effective at lifting White, Black, Latino, and Asian children alike out of poverty in August 2021.

This monthly update builds on our longer report on the poverty reduction effects of the new monthly CTC payments, released in July 2021 ([Parolin, Collyer, Curran, and Wimer 2021](#)), and our framework for measuring monthly poverty rates introduced last year ([Parolin, Curran, Matsudaira, Waldfoegel, and Wimer 2021](#)). Our monthly poverty estimates are regularly updated at povertycenter.columbia.edu/forecasting-monthly-poverty-data.

¹ [The IRS has made an online portal available](#) for those who have not filed recent federal taxes to register their qualifying children for the Child Tax Credit. The portal also enables families to claim Economic Impact Payments (EIPs, or stimulus checks) they may be eligible for but had not received. Portal data is not publicly available as of the time of our analysis. Therefore, we do not account for any new EIPs received. If families who recently registered for the monthly CTC also received a previously missed EIP, their monthly income in July or August 2021 could be higher and our poverty estimates are potentially understated.

² [According to the IRS](#), families who missed the July payment and began in August will have the remainder of their advance payments spread equally over a five-month period rather than a six-month period, making each monthly payment larger.

References

Internal Revenue Service (IRS). (2021). “A Step-by-Step Guide to Using the Non-filer Sign-up Tool for Child Tax Credit & Economic Impact Payments” Publication 5538 (6-2021).

<https://www.irs.gov/pub/irs-pdf/p5538.pdf>

Internal Revenue Service (IRS). (2021). “IRS: Families now receiving August Child Tax Credit payments; still time for low-income families to sign up” IR-2021-169 (August 13).

<https://www.irs.gov/newsroom/irs-families-now-receiving-august-child-tax-credit-payments-still-time-for-low-income-families-to-sign-up>

Parolin, Zachary, Sophie Collyer, Megan A. Curran, and Christopher Wimer. (2021). “Monthly Poverty Rates among Children after Expansion of the Child Tax Credit.” Poverty and Social Policy Brief. Center on Poverty and Social Policy, Columbia University. Vol. 5, no. 4.

<https://www.povertycenter.columbia.edu/news-internal/monthly-poverty-july-2021>

Parolin, Zachary, Megan A. Curran, Jordan Matsudaira, Jane Waldfogel and Christopher Wimer. (2020). “Monthly Poverty Rates in the United States during the COVID-19 Pandemic.” Poverty and Social Policy Discussion Paper. New York, NY: Center on Poverty and Social Policy.

<https://www.povertycenter.columbia.edu/news-internal/2020/covid-projecting-monthly-poverty>

US Department of Treasury. (2021). “Treasury and IRS Disburse Second Month of Advance Child Tax Credit Payments” Press Release (August 13).

<https://home.treasury.gov/news/press-releases/jy0322>

Suggested Citation

Parolin, Zachary and Megan A. Curran. 2021. “Expanded Child Tax Credit Leads to Further Declines in Child Poverty in August 2021.” Poverty and Social Policy Fact Sheet. Center on Poverty and Social Policy, Columbia University. Access at:

<https://www.povertycenter.columbia.edu/news-internal/monthly-poverty-august-2021>

Acknowledgments

This fact sheet is made possible with the support of the Bill & Melinda Gates Foundation, The JPB Foundation and the Annie E. Casey Foundation. The fact sheet was prepared by Zachary Parolin and Megan A. Curran with contributions from Sophie Collyer and Christopher Wimer.

The Center on Poverty and Social Policy at the Columbia School of Social Work produces cutting-edge research to advance our understanding of poverty and the role of social policy in reducing poverty and promoting opportunity, economic security, and individual and family-wellbeing. The center’s work focuses on poverty and social policy issues in New York City and the United States. For the center’s latest work and policy briefs, visit us at povertycenter.columbia.edu. Email us at cpsp@columbia.edu. Follow us @[cpsppoverty](https://twitter.com/cpsppoverty).