

Left Behind: The One-Third of Children in Families Who Earn Too Little to Get the Full Child Tax Credit

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Despite significant progress in the fight against child poverty, over 15 percent of children in the United States remain poor. A recent bipartisan report of the National Academy of Sciences put forward evidence-based strategies to cut child poverty in half. The report highlights a universal child allowance as an efficient way to reduce child poverty. Such an allowance could take the form of an expanded Child Tax Credit. The current federal Child Tax Credit provides up to \$2,000 per child per year to qualifying children, but low-income families lose out because they do not have enough earnings to qualify for the full benefit. The American Family Act (AFA), introduced by Senators Michael Bennet and Sherrod Brown and Representatives Rosa DeLauro and Suzan DelBene, would expand eligibility for the Child Tax Credit to all children in families who currently earn too little to get the full credit and increase the value of the credit. Even though the AFA enjoys wide support among Democrats in Congress, there are still proposals that consider continuing to condition CTC eligibility to earnings.

This brief documents who is currently “left behind” in terms of realizing the full benefits of the federal Child Tax Credit because of the CTC’s earnings requirement. While two percent of children are in families who earn too much to get the full CTC, the focus of this brief is on the “left behind,” those children in families who earn too little to get the full CTC. The results are important for policy makers considering the implications of a policy design that links eligibility and credit values to earnings.¹ We focus on inequities in CTC receipt by race/ethnicity, family structure, children’s age, and geography.

Who is Left Behind?

Here are some basic facts about children and families: (1) children in groups that face discrimination and structural disadvantage often have higher rates of poverty,² (2) single-parent households face time and financial constraints that are less prevalent in two-parent households,³ (3) the early years of a child’s life are crucial to healthy development,⁴ and (4) children in rural areas have access to fewer services than those in metropolitan areas.⁵ So it would seem logical that the largest federal

¹ While the focus of this brief is on those left behind from the Child Tax Credit, the similar trapezoid-like structure of the EITC and other tax credits - with eligibility phase-ins that leave the poorest children without full benefits - suggests that they are likely to have a considerable number of left behind children as well.

² Fox, L. (2018). [The Supplemental Poverty Measure: 2017](#). Census Bureau; Wilson, V., & Schieder, J. (2018). [The rise in child poverty reveals racial inequality, more than failed War on Poverty](#). Economic Policy Institute.

³ Nieuwenhuis, R., & Maldonado, L. C. (2018). *The triple bind of single-parent families*. Policy Press.

⁴ Waldfogel, J. (2009). *What children need*. Harvard University Press.

⁵ DeVoe, J. E., Krois, L., & Stenger, R. (2009). [Do children in rural areas still have different access to health care? Results from a statewide survey of Oregon's food stamp population](#). *The Journal of Rural Health*, 25(1), 1-7.



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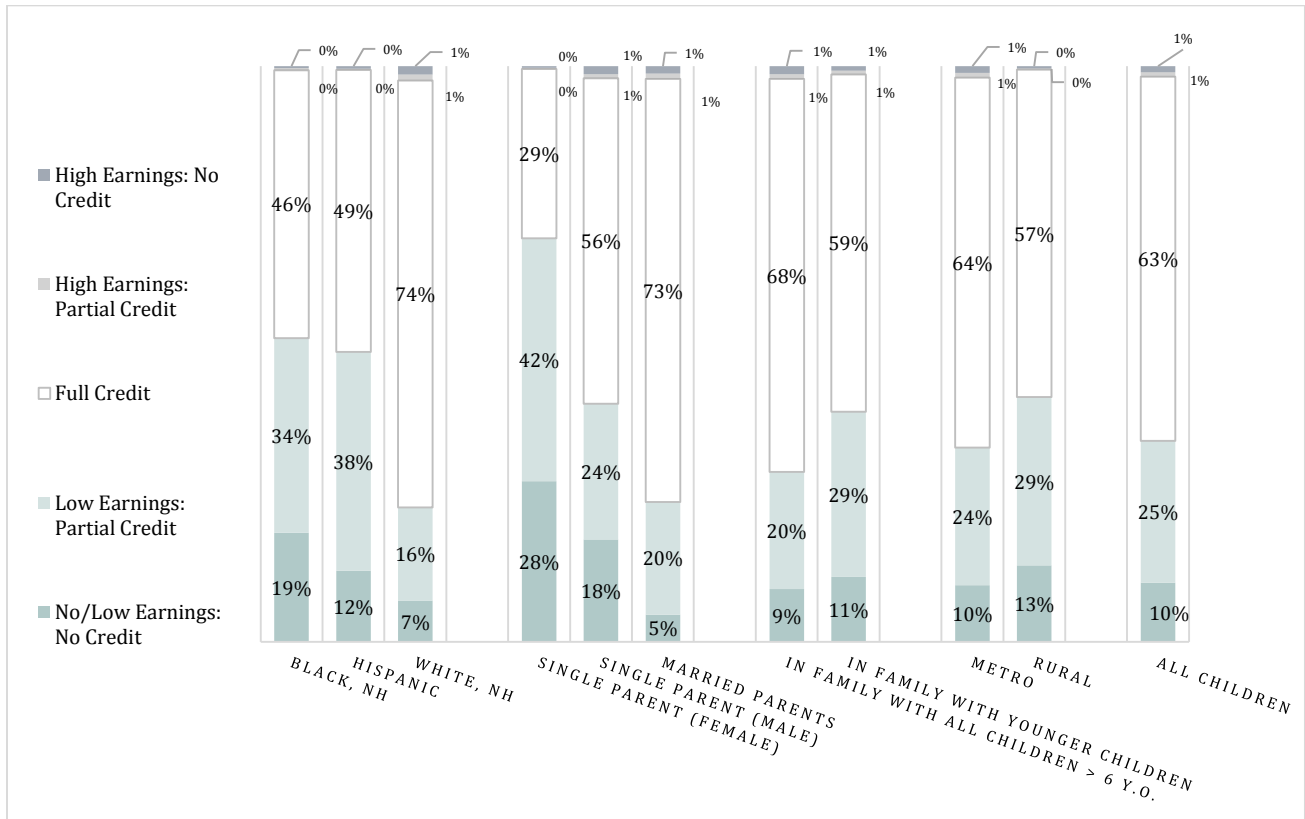
expenditure on children should reach children of color, children living with single parents, young children, and children in rural areas. But this is not the case, as we show below. While over one-in-three children in the United State do not qualify for the Child Tax Credit because their families earn too little, rates of ineligibility are even higher among children in these groups (see Figure 1).⁶ Figure 1 shows the percentage of children by demographic group who are left behind when it comes to receiving the full current Child Tax Credit of \$2,000.

We Find That:

- **Over 50 percent of Black, non-Hispanic and Hispanic children are left behind**, compared to 23 percent of White, non-Hispanic children; and nearly 1-in-5 Black, non-Hispanic children do not receive any credit at all.
- The overwhelming majority of children of single parents are left out of the credit: **70 percent of children in families headed by single parents who are female do not receive the full credit**, compared to 25 percent of children in two-parent households. Rates of ineligibility are higher for children in single-parent families headed by females than those headed by males. This discrepancy is likely, in part, driven by the gender pay gap. The gender pay gap disadvantages women for any credit or benefit where the amount received is dependent on earnings, resulting in moms being left out.
- The current structure of the Child Tax Credit also disadvantages children in families with young children (that is, children who are under 6 years old or have siblings who are under 6 years old). **Forty percent of children in families with young children are left behind**, compared to 29 percent of children in families where all children are above age 6.
- **Forty-two percent of children in rural areas are left behind**, compared to 34 percent of children in metropolitan areas.

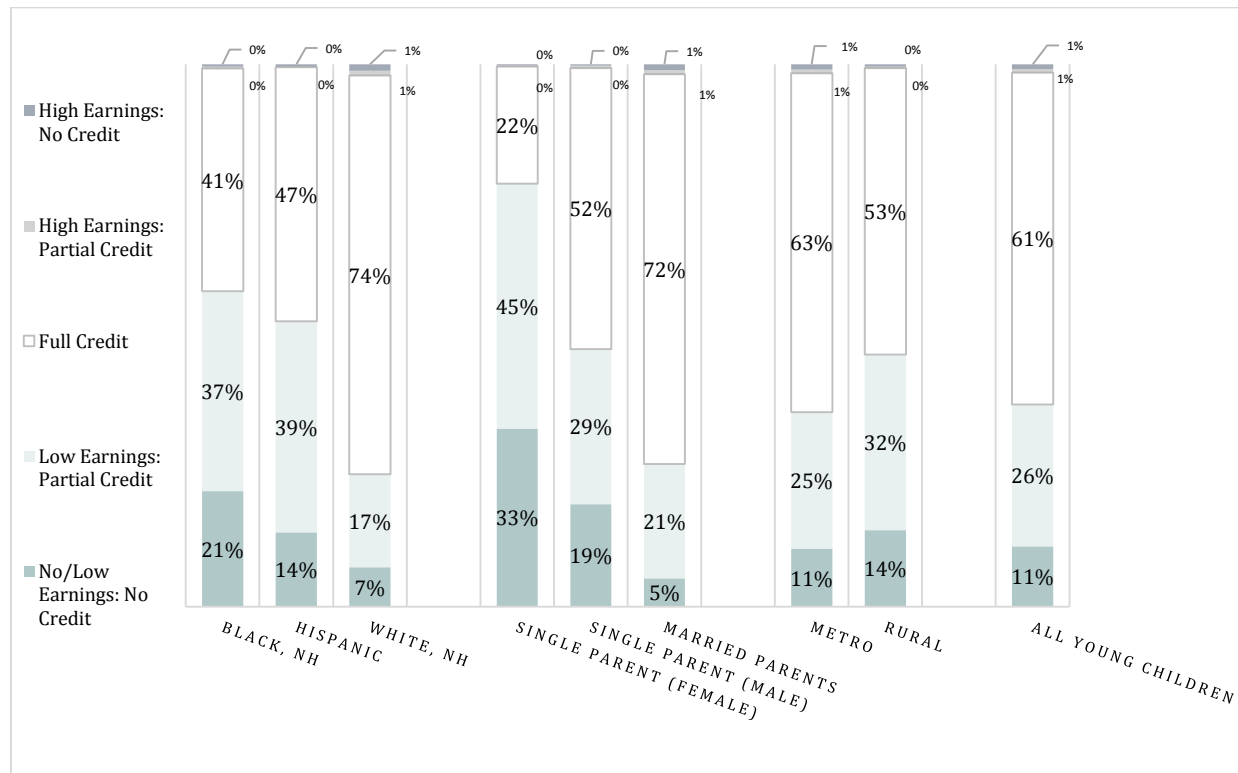
⁶ These estimates do not take into account immigration status. TCJA made children without Social Security Numbers ineligible for the CTC for the first time. If the model took this policy change into account, the estimates of Left Behind children would be even higher.

Figure 1. What share of children in different demographic groups receive a partial or no Child Tax Credit?



Given that young children under 6 are disproportionately left out of the Child Tax Credit, we examine this group in more detail here. Not only is income thought to be more consequential for children’s development in the early years, but parents with young children often earn less. Figure 2 looks at the percentage of young children in each demographic category who are left behind, and the results are striking. Nearly 80 percent of young children in single-parent families headed by females and over half of young children of color are left behind when it comes to receiving the full credit.

Figure 2. What share of young children (<6) in different demographic groups receive a partial or no Child Tax Credit?



Conclusion

There are roughly 23 million children in the United States who are left behind when it comes to receiving the full Child Tax Credit because its current structure benefits higher income families. Those left out are disproportionately children of color, those in families with young children, those with single parents, and those who reside in rural areas. Our results show that there are substantial inequities embedded in the structure of the current CTC, and supplemental analyses reveal that these inequities would persist if the credit was phased in at the first dollar of earnings (see Appendix A). Adopting a more equitable, fully-refundable Child Tax Credit that is not tied to earnings would effectively remedy these inequities and meaningfully increase the after-tax incomes of those who are currently left behind.

Acknowledgements

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Appendix A. Would beginning to phase the Child Tax Credit in at the first dollar of earnings ensure that children are not left out of the credit?

Some policy makers argue that instead of guaranteeing the full Child Tax Credit for *all* children except those in the highest-income families, the CTC should simply phase in earlier – at the first dollar of earnings as opposed the first dollar over \$2,500. The benefit could also phase in more quickly at a rate of 45 percent per dollar of earnings instead of the existing phase in rate of 15 percent. It is thought by some that this reform would ensure that nearly all children receive the CTC. However, we find that with this policy design, the number of children left out of the CTC remains incredibly high. Continuing to tie eligibility for the CTC to earnings, even in this more generous way, disproportionately leaves out children of single mothers, children of color, those in families with young children, and children in rural areas (see Figure A1). These disparities remain when looking at young children (see Figure A2). In [previous work](#), we have found that expanding eligibility to the left behinds has an even greater impact on reducing child poverty than increasing the value of the CTC. Thus, making the credit fully refundable is the key to reducing current inequities and ensuring that the Child Tax Credit has the largest impact on child poverty.

If the Child Tax Credit were to phase in at the first dollar of earnings:

- **Fifteen percent of children would be left behind.**
- **One-in-four Black, non-Hispanic children and one-in-five Hispanic children** would be left behind, and nearly **one-in-three Black, non-Hispanic children under age six** would be left behind.
- Nearly **40 percent of all children and 46 percent of children under age six in single-headed female households** would be left behind.
- **One-in-five children in living in rural areas** would be left behind.

Figure A1. What share of children in different demographic groups receive a partial or no Child Tax Credit when the CTC is Phased-In at the First Dollar of Earnings?

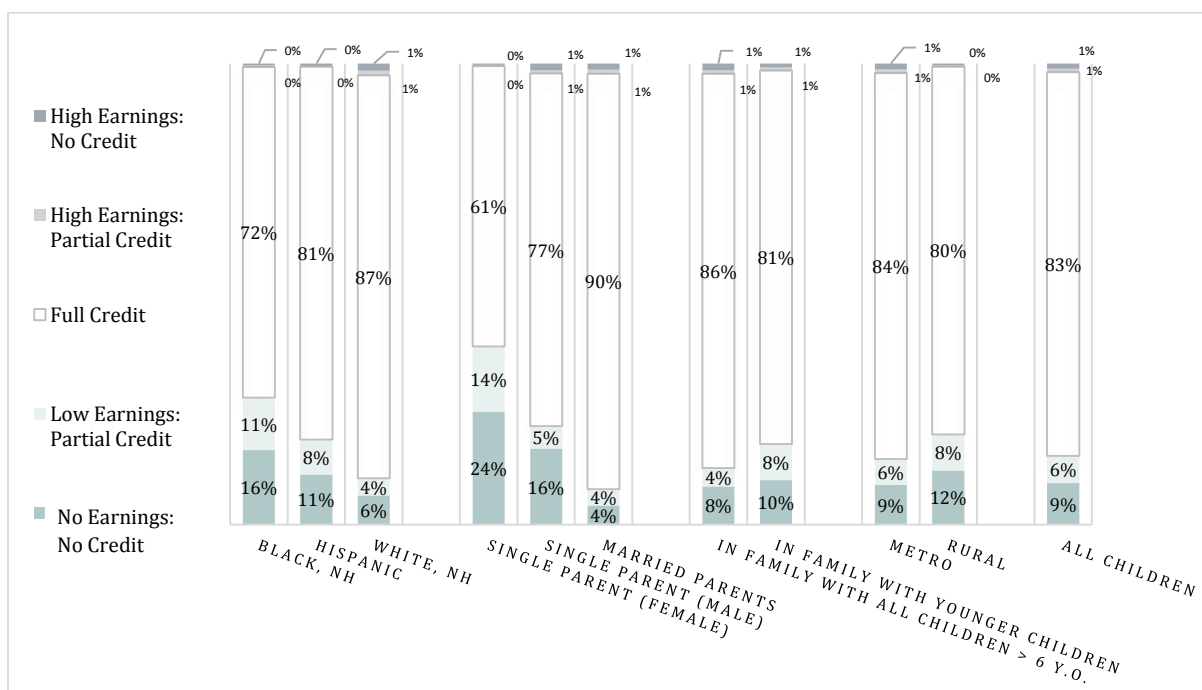


Figure A2. What share of young children in different demographic groups receive a partial or no Child Tax Credit when the CTC is Phased-In at the First Dollar of Earnings?

