

# State-Level Poverty Impacts of the Child Tax Credit in 2021

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According to the US Census Bureau, child poverty fell to a record low of 5.2% in 2021,<sup>1</sup> a 46% decline from the prior year. This rapid decline in child poverty is largely attributed to the temporary Child Tax Credit expansion under the 2021 American Rescue Plan (ARP).<sup>i</sup> In 2021, the ARP increased the value of the credit, expanded eligibility of the full credit to low- and moderate-income families historically excluded, and distributed the credit in monthly installments throughout the second half of the year.<sup>2</sup> In 2022, a range of pandemic-era supports, including the expanded Child Tax Credit, expired and child poverty more than doubled to 12.4%.<sup>3</sup>

While the impact of the 2021 Child Tax Credit on the national child poverty rate is known, state-level estimates have previously been unavailable due to data constraints.<sup>ii</sup> In a [prior analysis](#), released through The Hamilton Project, we investigated the geographic variation in the effects of the 2021 Child Tax Credit on child poverty.<sup>4</sup> To overcome data constraints, we grouped states by cost of living and pre-tax and transfer poverty. Results revealed that the 2021 Child Tax Credit substantially reduced poverty nationwide, but reductions were greatest in states with relatively lower costs of living and higher pre-tax and transfer poverty rates.

The recent release of the Census Bureau's 2021 American Community Survey Supplemental Poverty Measure (ACS SPM) research extract allows us to estimate the anti-poverty effect of the 2021 Child Tax Credit within each state.<sup>iii</sup> This fact sheet presents our results in two ways:

- Figure 1 shows percent reductions in SPM child poverty associated with the full 2021 Child Tax Credit for all states ordered by magnitude. The poverty-reducing effect of the credit varied between 33 and 57 percent across states.
- Table 1 shows, for all states, the estimated pre- and post-Child Tax Credit SPM child poverty rates for each state, as well as the percentage point and percent reductions in poverty associated with the full 2021 credit.

These estimates are the first to show how the full 2021 Child Tax Credit affected child poverty in each state. Following the expiration of the expansion, national statistics show a [sharp increase in child poverty in 2022](#).<sup>5</sup> We will not know how this rise played out within and across states until 2022 ACS SPM data are available.

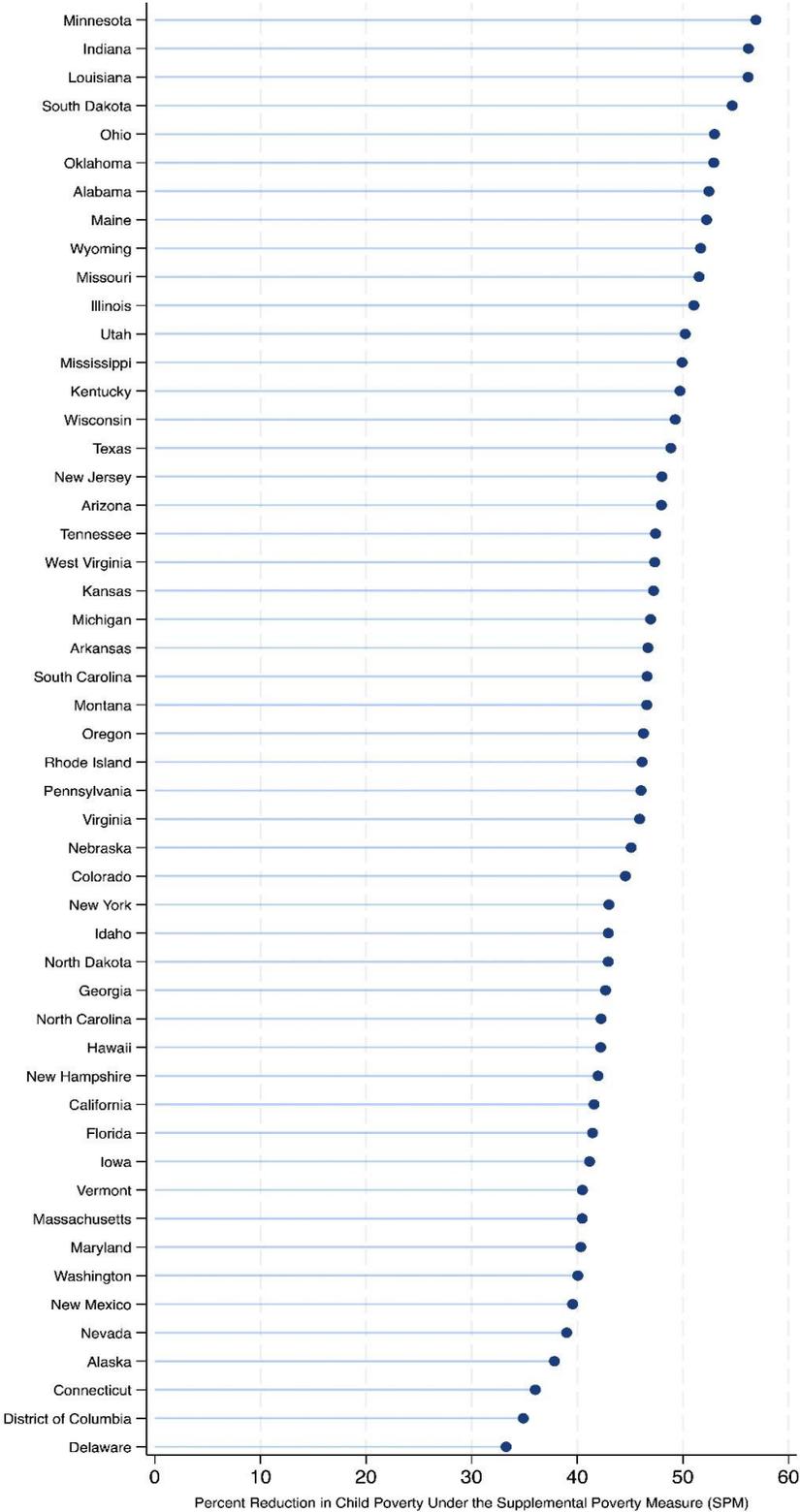
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<sup>i</sup> In 2021, Economic Impact Payments and other pandemic-era policies also contributed to the substantial reduction in poverty. However, on its own, the 2021 Child Tax Credit expansion cut the 2021 child poverty rate by 43%. See: Burns, Kalee, and Liana Fox. 2022. [The Impact of the 2021 Expanded Child Tax Credit on Child Poverty](#). Social Economic and Housing Statistics Division, Washington DC: US Census Bureau; Wimer, Christopher et al. 2022. [The 2021 Child Tax Credit Expansion: Child Poverty Reduction and the Children Formerly Left Behind](#). New York: Center on Poverty and Social Policy at Columbia University.

<sup>ii</sup> See ["Why was it not possible to produce state-level estimates of the 2021 Child Tax Credit until now?"](#) (pg 4).

<sup>iii</sup> All results show the total impact of the full 2021 Child Tax Credit in its expanded form. See methods in [Appendix A](#).

Figure 1. Percent Reductions in Child Poverty (SPM) Associated with the Child Tax Credit, 2021



Source: Center on Poverty and Social Policy at Columbia University, 2023 using the 2021 American Community Survey (ACS), retrieved from IPUMS-USA (ipums.org), and the US Census Bureau’s ACS Supplemental Poverty Measure (SPM) Research Extract.

Table 1. Child Poverty Rates (SPM) Before and After Counting the 2021 Child Tax Credit by State

	SPM Child Poverty Rate				SPM Child Poverty Rate				
	If no CTC	With 2021 Child Tax Credit	Percentage point change	Percent change	If no CTC	With 2021 Child Tax Credit	Percentage point change	Percent change	
Alabama	13.3%	6.3%	7.0	52.5%	Montana	8.9%	4.7%	4.2	46.6%
Alaska	9.9%	6.1%	3.8	37.8%	Nebraska	6.7%	3.7%	3.0	45.1%
Arizona	12.8%	6.7%	6.1	48.0%	Nevada	14.3%	8.7%	5.6	39.0%
Arkansas	12.6%	6.7%	5.9	46.7%	New Hampshire	6.9%	4.0%	2.9	42.0%
California	18.0%	10.5%	7.5	41.6%	New Jersey	13.6%	7.1%	6.5	48.0%
Colorado	10.0%	5.5%	4.5	44.6%	New Mexico	13.2%	8.0%	5.2	39.6%
Connecticut	10.7%	6.8%	3.9	36.0%	New York	16.0%	9.1%	6.9	43.0%
Delaware	11.1%	7.4%	3.7	33.3%	North Carolina	12.5%	7.2%	5.3	42.3%
District of Columbia	21.2%	13.8%	7.4	34.9%	North Dakota	6.1%	3.5%	2.6	42.9%
Florida	16.6%	9.7%	6.9	41.4%	Ohio	10.9%	5.1%	5.8	53.0%
Georgia	15.1%	8.7%	6.4	42.7%	Oklahoma	11.8%	5.6%	6.2	52.9%
Hawaii	12.6%	7.3%	5.3	42.2%	Oregon	10.3%	5.5%	4.8	46.3%
Idaho	7.9%	4.5%	3.4	42.9%	Pennsylvania	12.1%	6.5%	5.6	46.0%
Illinois	11.1%	5.5%	5.6	51.0%	Rhode Island	11.5%	6.2%	5.3	46.1%
Indiana	9.8%	4.3%	5.5	56.2%	South Carolina	13.2%	7.0%	6.2	46.6%
Iowa	6.3%	3.7%	2.6	41.2%	South Dakota	8.0%	3.6%	4.4	54.7%
Kansas	8.0%	4.2%	3.8	47.2%	Tennessee	12.8%	6.7%	6.1	47.4%
Kentucky	12.6%	6.4%	6.2	49.7%	Texas	14.8%	7.6%	7.2	48.9%
Louisiana	15.7%	6.9%	8.8	56.2%	Utah	5.7%	2.8%	2.9	50.2%
Maine	7.6%	3.6%	4.0	52.2%	Vermont	7.0%	4.2%	2.8	40.5%
Maryland	11.9%	7.1%	4.8	40.3%	Virginia	12.4%	6.7%	5.7	45.9%
Massachusetts	11.4%	6.8%	4.6	40.5%	Washington	10.5%	6.3%	4.2	40.0%
Michigan	11.8%	6.3%	5.5	46.9%	West Virginia	12.9%	6.8%	6.1	47.3%
Minnesota	5.9%	2.5%	3.4	56.9%	Wisconsin	7.0%	3.5%	3.5	49.3%
Mississippi	14.5%	7.2%	7.3	49.9%	Wyoming	8.8%	4.3%	4.5	51.7%
Missouri	9.0%	4.4%	4.6	51.5%					

**Source:** Center on Poverty and Social Policy at Columbia University, 2023 using the 2021 American Community Survey (ACS), retrieved from IPUMS-USA (ipums.org), and the US Census Bureau's ACS Supplemental Poverty Measure (SPM) Research Extract.

**Note:** Due to rounding, some estimates may not correspond with separate figures.

## Why was it not possible to produce state-level estimates of the 2021 Child Tax Credit until now?

National child poverty estimates are normally produced using data from the Current Population Survey's Annual Social and Economic Supplement (CPS ASEC). Although incredibly detailed, single-year CPS ASEC data cannot be used to produce annual estimates at the state level due to limited sample sizes, especially within smaller population states. We therefore cannot use the CPS ASEC to determine how the 2021 Child Tax Credit affected state-level child poverty rates or how these effects varied between states.

In June 2023, the Census Bureau released the 2021 American Community Survey Supplemental Poverty Measure (ACS SPM) research data file. The ACS sample is substantially larger than the CPS and can be used to produce single-year estimates at the state level. The ACS does not collect all the information needed to implement the Supplemental Poverty Measure (SPM). However, each ACS SPM research file contains imputed benefits, taxes, and expenses, all of which are used to study poverty under the SPM.<sup>6</sup> All estimates in this fact sheet were produced using the ACS SPM.

## Suggested Citation

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## Appendix A. Methodology

### Data

The estimates in this brief were produced using data from the 2021 American Community Survey (ACS) and the 2021 ACS Supplemental Poverty Measure (ACS SPM) research file. Data from the 2021 ACS were sourced from IPUMS USA<sup>7</sup> and ACS SPM data were sourced directly from the Census Bureau.<sup>8</sup> See Fox et al. (2020) for details on how the ACS SPM research files are produced annually,<sup>9</sup> and Glassman & Wilson (2023) for discussion on the challenges of producing a 2021 ACS SPM file.<sup>10</sup>

### Method

This simulation of the 2021 Child Tax Credit assumes that eligible families with children receive the fully-refundable credit of \$3,600 for dependents under 6 years old and \$3,000 for dependents between 6 to 17 years old. Assignment of these credits was done at the tax unit level, which are constructed using age, earned income, and relationship information. We only calculate the value of the Child Tax Credit for children under age 18 and we do not estimate income from the Older Dependent Credit which tax units can receive as part of their Child Tax Credit. The 2021 Child Tax Credit included two phaseouts among eligible recipients. Tax units with adjusted gross incomes (AGIs) below the first phaseout threshold received the entire value of the benefit. Units with AGIs below the second phaseout threshold received at least \$2,000 per child.<sup>11</sup>

Once the Child Tax Credit was simulated for every tax unit, the value of the credit was summed to the SPM unit level. Each SPM unit's sum of resources was recalculated without the simulated value of their Child Tax Credit and their poverty status was subsequently redetermined. Aggregate state-level estimates were calculated using everyone's original poverty status and their counterfactual poverty status without the value of their Child Tax Credit.

## Endnotes

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11. Additional details on the phaseout specifications are available at: <https://www.irs.gov/credits-deductions/2021-child-tax-credit-and-advance-child-tax-credit-payments-topic-c-calculation-of-the-2021-child-tax-credit>