THE CASE FOR ADVANCING TAX CREDITS (OR NOT)

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ABSTRACT

Research shows that tax credits benefit children by relieving poverty, improving health, and allowing families to invest in their futures (e.g., Maag et al. 2023). The refundable portion of the earned income tax credit (EITC) and child tax credit (CTC)—the portion that exceeds federal taxes owed—is typically delivered as a part of a family's tax refund. In limited cases, each has been delivered as advance payments throughout the year. From 1979 to 2010, a very small share of EITC recipients opted to have a portion of their credit advanced by employers. In contrast, from July through December 2021, nearly all families with children received the CTC as advance payments from the federal government. Changes in family economic circumstances, including a reduction in traditional benefits, recent inflation driving up the cost of goods, coupled with volatile incomes, suggest a reconsideration of how tax benefits are paid. Evidence on how families with low incomes spend tax refunds further support a re-examination of distribution timing. In this paper, we review evidence for how annual or advanced payments serve families in a variety of circumstances, as well as the implications, risks, and benefits of advancing payments.

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CONTENTS

ABSTRACT II

CONTENTS III

ACKNOWLEDGMENTS IV

INTRODUCTION 1

BRIEF DESCRIPTION OF THE EITC AND CTC 3

Earned Income Tax Credit (EITC) 3

Summary 3

Advancing the EITC 4

Child Tax Credit (CTC) 5

Summary 5

Advancing the CTC 6

CONSIDERATIONS IN ADVANICNG TAX CREDITS 7

Changing Economic Conditions Require Rethinking of Benefits 8

Rise Of Tax Benefits and Decline Of Cash Welfare 8

Recent Inflation has Driven Up the Cost Of Basic Goods 9

Families Affected by Income Volatility 9

Tax Credits are Spent On Recurring Household Costs 10

Are the EITC and CTC Most Effective Paid Annually or Monthly? 11

Poverty 11

Health 13

Effects of Poverty on Childhood and Health Outcomes 13

Tax Credits in Pregnancy and Infant Health 14

Tax Credits and Health During Early and Middle Childhood 14

Tax Credits, Nutrition, and Food Insecurity 15

Tax Credits and Parental Physical and Mental Health 16

Future Investments 17

Drawing Lessons from Past Experience Advancing THE EITC and CTC 19

Repayment Concerns 20

DISCUSSION 24

NOTES 25

REFERENCES 27

ABOUT THE AUTHORS 34

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INTRODUCTION

Public spending on children is an investment in both children's and the nation's future. Evidence shows that supporting children's healthy development as they grow into adulthood leads to a stronger workforce and economy, which benefits society (Maag et al. 2023).

In recent years, the federal income tax system has been used to deliver about 30 percent of all federal spending on children, a larger share of benefits for children than any other program, including programs associated with health, nutrition, and education (Hahn et al. 2024). In 2023, the federal income tax system delivered $211 billion in benefits to children, the bulk of which came from the child tax credit (CTC) and the earned income tax credit (EITC; Hahn et al. 2024). Spending on children through the federal income tax system includes refundable tax credits—tax credits that can exceed taxes owed and can be paid as part of a person's tax refund—and other provisions that reduce taxes owed.

Administration of tax benefits differs from traditional benefit programs in that tax benefits are typically delivered post hoc on an annual as opposed to periodic basis and lack flexibility to household changes. Eligibility for tax credits is determined after the calendar year has ended and then delivered shortly after a family files their tax return, which is typically done between the end of January and April 15 (National Taxpayer Advocate 2020). For low-income families, this annual tax refund is often the family's most significant financial event of the year (Morduch and Schneider 2017).

In contrast, in traditional benefit programs, such as Supplemental Nutrition Assistance Program (SNAP), benefits are delivered shortly after a recipient is determined to be eligible and then paid monthly to support ongoing nutritional needs. After unemployment insurance, SNAP is the most responsive federal benefit program during and after economic downturns (Center on Budget and Policy Priorities 2024). Tax benefits go to a single adult (or married couple) supporting a child, even in cases when a child is supported by multiple families; this is generally the person who lives with the child for most of the year (Crandall-Hollick, Falk, and Boyle 2023). SNAP benefits are not tied to a calendar year and can be reassigned to the family with whom the child lives (Aussenberg, Alison, and Falk 2024).

Put another way, tax benefits (and the income and family structures on which they are based) depend on annual accounting, whereas many traditional support programs attempt to use monthly accounting. As a result, tax benefits are likely less responsive to families' changing economic conditions and living arrangements.

Tax credits have not always been delivered as a single payment at tax time for low- and middle-income families. Between 1979 and 2010, some families with children could opt to receive a portion of their anticipated EITC in advance of filing a tax return. However, only about 3 percent of eligible families opted to participate in advance payments (GAO 1992, 2007; Pelletier 2024). A few demonstration projects have also delivered the EITC in advance of filing a quarterly tax return (Holt 2008; Maag, Congdon, and Yau 2021). More recently, as part of the 2021 American Rescue Plan Act, half of a family's CTC was delivered automatically to almost all eligible families in monthly payments from July to December 2021.[1]

In this paper, we provide a brief description of the EITC and CTC, including a discussion about the largely unsuccessful advance payment of the EITC and largely successful advance payment of the CTC. We then weigh whether advance credits

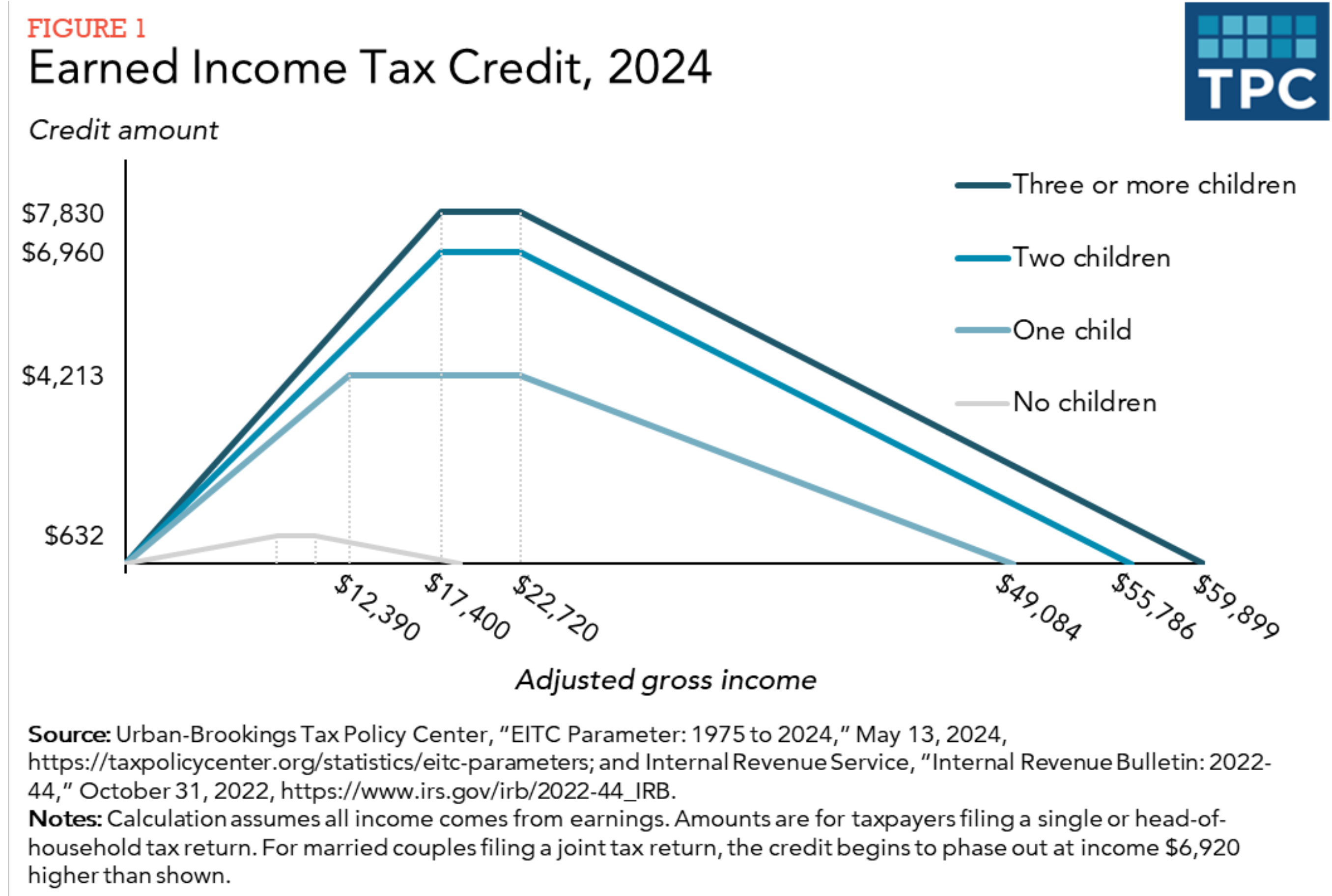
ought to be reconsidered in the context of increasing income volatility, especially for families with low incomes, reductions in other support programs, and evidence on credit usage. We discuss how the effectiveness of tax credits would likely be impacted by a change in payment schedule and lessons drawn from prior efforts to advance tax credits.

EARNED INCOME TAX CREDIT (EITC)

Summary

The EITC benefits low-income working families. The credit equals a fixed percentage of earnings from the first dollar earned until the credit reaches its maximum. Both the credit rate and the maximum credit vary by family size, with larger credits available to families with more children. After the credit reaches its maximum, it remains flat until earnings reach the phaseout point. Thereafter, it declines with each additional dollar of income until no credit is available (figure 1). For tax year 2024, families with one child can receive a maximum credit of $4,213, families with two children can receive a maximum credit of $6,960, and families with three or more children can receive a maximum credit of $7,830.

FIGURE 1
Earned Income Tax Credit, 2024



Source: Urban-Brookings Tax Policy Center, "EITC Parameter: 1975 to 2024," May 13, 2024, https://taxpolicycenter.org/statistics/eitc-parameters; and Internal Revenue Service, "Internal Revenue Bulletin: 2022-44," October 31, 2022, https://www.irs.gov/irb/2022-44_IRB.
Notes: Calculation assumes all income comes from earnings. Amounts are for taxpayers filing a single or head-of-household tax return. For married couples filing a joint tax return, the credit begins to phase out at income $6,920 higher than shown.

The EITC is structured to incentivize labor market participation, and research has found that it does so successfully (Schanzenbach, Whitmore, and Strain 2021). While the EITC does not exclusively benefit families with children,

approximately 70 percent of recipients have children and they receive about 96 percent of the credit's benefits (Crandall-Hollick, Falk, and Boyle 2023).

The EITC is a refundable credit. Families subtract both refundable and nonrefundable credits from the income taxes they owe. Nonrefundable credits can only be used to offset taxes owed and any additional credit a family qualifies for is forfeited. When a refundable credit exceeds the amount of income taxes owed, the difference is paid as part of a family's tax refund.

Of the approximately $60 billion in EITC distributed annually, between 83 and 88 percent is refundable, exceeding income taxes owed (but not Social Security taxes; Crandall-Hollick, Falk, and Boyle 2023). The rest is used to offset taxes owed. In a typical year, more than 90 percent of EITC recipients with children receive some portion of their EITC as a refundable credit.[2] For these families, the EITC is almost certainly part of their tax refund. The remainder of the EITC might be delivered throughout the year in the form of reduced withholding, but many low-income families over-withhold (i.e., they have too much tax taken out of their paycheck throughout the year), suggesting that even the portion of the EITC that offsets taxes owed may be paid as part of a family's tax refund. Tax refunds are typically delivered about 21 days after a tax return has been filed, but refundable credits cannot be delivered prior to February 15, regardless of when tax season opens (Maag, Roll, and Oliphant 2016).

Advancing the EITC

Between 1979 and 2010, families with children were able to receive up to 60 percent of their EITC as an advance payment, delivered through their employers. But only about 3 percent of eligible families opted into advance payment from 2002 through 2004 (GAO 2007). This could have been caused by a variety of factors. A 1992 Government Accountability Office (GAO) report emphasized a lack of awareness around the program from both employers who were required to disperse the credit to their employees and potential recipients. There was also a strong preference among recipients to receive the whole credit at tax time (GAO 1992). Additional research found that recipients feared they would qualify for less credit than they received in advance, which would require them to repay the excess at tax time (Holt 2008; Meyer and Holtz-Eakin 2001). Some employees may also have been uncomfortable asking their employer to comply with the administrative requirements of the advanced payment option (Jefferson 1995).

Compliance with the advance payment option for the EITC was low. In a study of tax returns claiming the EITC between 2002 and 2004, GAO found that about 80 percent of recipients of the advance payment did not comply with at least one program requirement. Some of the noncompliance could have been the result of clerical errors or improper reporting by the taxpayer. In the years studied, between 36 percent and 40 percent of recipients failed to file a tax return, which is a requirement to determine the proper amount of EITC (GAO 2007).

CHILD TAX CREDIT (CTC)

Summary

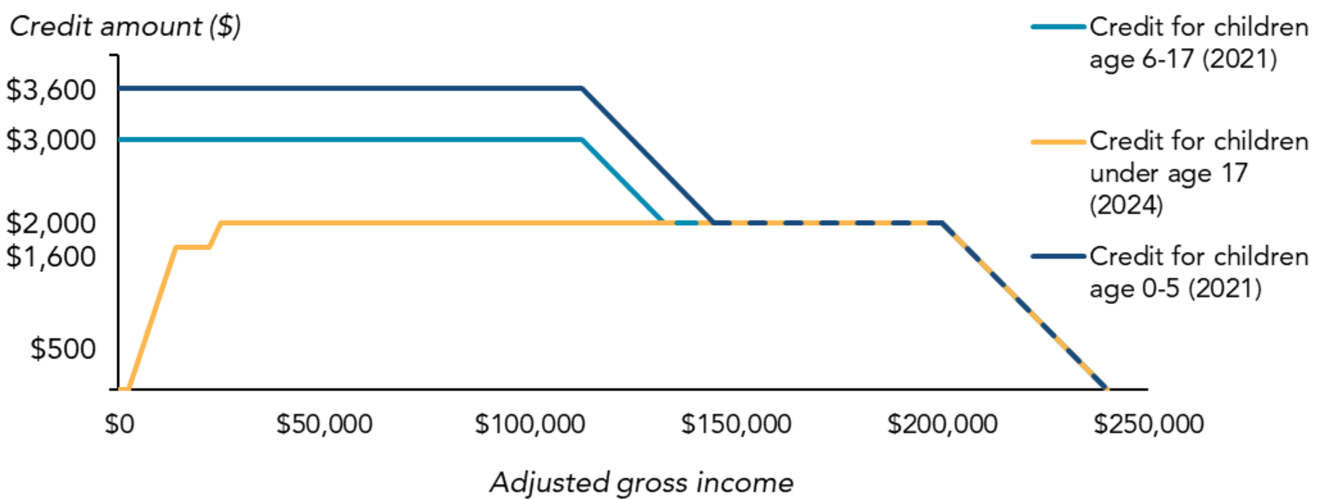
The CTC began as a nonrefundable tax credit intended to increase economic security among middle-class families with children. When the CTC became broadly refundable in 2001, it increased eligibility for many low-income families for whom the credits exceed taxes owed. Families can receive a credit of up to $2,000 per child ages 16 and younger. If the credit exceeds taxes owed, families can receive the balance as a refund, up to $1,700 per child; this is known as the additional child tax credit (ACTC) or refundable CTC. The ACTC is limited to 15 percent of earnings above $2,500. After the credit reaches its maximum, it remains flat until earnings reach the phaseout point. Thereafter, it declines with each additional dollar of income until no credit is available (figure 2). In 2022, the most recent year for which data are available, 29 percent of the CTC was paid as the refundable ACTC and the remainder was used to offset taxes owed.[3]

As part of the effort to sustain the economy during the COVID-19 pandemic, the 2021 American Rescue Plan Act (ARPA) made several temporary changes to the CTC, including advancing payments (described below). Other changes include increasing the maximum credit up to $3,600 per child under age 6 and up to $3,000 per child ages 6 to 17 (up from age 16). ARPA also temporarily allowed for advancing up to half the credit in monthly payments from July to December and made the CTC fully refundable—even families that had no earnings could claim the full credit. As a result, the 19 million children whose families' earnings were too low to receive the full credit under prior rules received the full credit in 2021.[4] This expansion was not renewed and policy reverted to the previous law for tax years 2022 and later.

FIGURE 2

Child Tax Credit

Single parent with one child, 2024



Source: Urban-Brookings Tax Policy Center calculations.
Notes: Assumes all income comes from earnings and child meets all requirements to be a CTC-qualifying child. Credit for married parents begins to phase out at $400,000 of income.

Advancing the CTC

In addition to temporarily increasing the size of the credit and including 17-year-olds, the 2021 CTC changed the delivery of the credit. Up to half of the anticipated CTC could be delivered in monthly payments from July to December to millions of families, including those with very low incomes. For almost all recipients, the advance payments were delivered automatically. Eligible families who had filed a tax return in 2019 or 2020 or who had claimed an economic impact payment were automatically enrolled and their payment was based on information they had already submitted to the IRS. Families who were not automatically enrolled in advance payments could enroll online or receive their credit by filing a 2021 tax return. Advance payment recipients needed to file a 2021 tax return to receive the remainder of the credit. Those eligible for the 2021 credit but who did not receive advance payments (like parents of newborns) received the full credit they were eligible for when they filed their tax return (Code for America 2022).

In the first month, the advance child tax credit reached 59.3 million children[5] and grew to 61.2 million by the final payment.[6] In most cases, payments were delivered directly to the family's bank account into which they had directed a previous tax refund, but unbanked families were able to receive a check. Reported rates of receipt were initially lower among Hispanic/Latine, Native American, and multiracial adults as well as adults with household income below $25,000 (Karpman et al. 2021). Over time, however, this gap narrowed (Fuller et al. 2025). Of families who reported not receiving advance child tax credit payments, uncertainty about eligibility and how to claim the credit were driving reasons (Karpman and Maag 2022).[7] In a review of the program from July to November, 98 percent of payments were delivered accurately (TIGTA 2022).

CONSIDERATIONS IN ADVANCING TAX CREDITS

A large body of research assesses the value of tax benefits for children over their lives. Much of this literature before 2021 focuses on the EITC and generally describes benefits that followed a single credit payment at tax time, which was often part of a larger tax refund. Limited evidence is available regarding periodic payment of the EITC either through the advance EITC (available from 1979 to 2010, which only a small share of people used) or a limited number of demonstration projects. Recent analyses assessing the benefits of tax credits focus on the monthly payments of the 2021 CTC, available from July to December of 2021.

At least two economic factors, the rising share of financial support for families delivered through the tax system and increases in inflation call for a reexamination of the timing of credit delivery. This, coupled with the relatively high amounts of month-to-month income volatility faced by low-income families and greater knowledge of how advanced credits are used, provides context for whether credits ought to be paid periodically throughout the year or be delivered as part of a person's tax refund.[8]

In our analysis of how the timing of tax credits may affect the benefits families experience, we discuss three well-studied benefits of tax credits: poverty reduction, improved health and child development, and investments in a child's future (wealth building and increased education). We offer thoughts on whether certain uses of tax credits call for payments that are more frequent than annual. Our analysis emphasizes low- and middle-income families because many high-income taxpayers who qualify for the CTC can often choose to adjust their withholding, so that they essentially receive the credit throughout the year or receive it as a single payment at tax time. Low- and middle-income families that owe no or limited federal income taxes are unable to smooth out credit receipt because no mechanism exists for negative withholding in the United States. In some ways, advancing CTC payments would allow low-income taxpayers to have the same opportunity already afforded to higher-income taxpayers. As noted earlier, high-income families are not eligible for the EITC.

Assistance delivered through the EITC and CTC can be used in ways that recipients feel best meet their needs, as opposed to for specific uses, like child care, housing, or nutrition. This aspect of the EITC and CTC is no different than cash welfare or Social Security payments.

Eligibility and administration of tax credits, however, differs from more traditional income support programs. Benefits are claimed on a tax return and eligibility is determined on an annual basis. Eligibility is determined based on a tax unit, which is based primarily on legal relationships, child residency, and support. In some cases, tax credits may be received based on family circumstances that no longer reflect a family's current living situation. For example, a child may have moved out of the house and is no longer part of the tax unit when the credit is delivered, or a parent's income may have changed from the year the credits are based on to when the credits are actually delivered (Maag, Peters, and Edelstein 2016). Many families eligible for the EITC experience substantial changes in income and family structure from one year to the next (Maag, Airi and Hunter 2022). More traditional income support programs are much more likely to match benefit distribution to need. For example, SNAP eligibility is based largely on monthly resources. Eligibility is determined based on

the group of people who live together and purchase and prepare meals together. When circumstances change throughout the year, benefits can also change.

Although several aspects of tax credit administration differ from the administration of more traditional transfer benefits (National Taxpayer Advocate 2020), in this analysis, we focus on the timing of benefit payments. In general, tax credits differ markedly from other benefits, which are typically paid monthly or, in the case of unemployment insurance benefits, even more frequently. Prior to 2021, tax credits were largely delivered as a single payment as part of a family's tax refund. The payments were typically made a few weeks after a tax return was filed, which usually happens between the end of January and April 15.

As described earlier, both the EITC and CTC have been delivered as advance credits over several months of the year in the past. However, no option for advancing the portion of the credits that exceeds federal taxes owed over the course of the year or even several months exists today. To some extent, the portion of the credit that offsets federal taxes can be delivered throughout the year if families are able to reduce withholding. Families with low incomes are generally unable to reduce their withholding because the tax system does not allow withholding to be negative.

While we document evidence of need to reconsider advance payments, we recognize that the conditions we point out apply to some, but certainly not all, recipients of tax credits. We attempt to parse the circumstances under which the benefits of a single payment at tax time would continue to accrue if the credit were delivered monthly, relying on evidence from monthly CTC payments. Next, we draw lessons from advancing the EITC and CTC in the past, providing thoughts on a way to move forward with advance payments if desired.

CHANGING ECONOMIC CONDITIONS REQUIRE RETHINKING OF BENEFITS

Rise of tax benefits and decline of cash welfare

Since the 1990s, the EITC and CTC have expanded dramatically. At the same time, other safety net programs aimed at supporting children have declined. Notably, the replacement of Aid to Families with Dependent Children (AFDC)—commonly known as welfare—with the Temporary Assistance for Needy Families (TANF) block-grant program in 1996 led to a substantial decrease in monthly cash payments to very low-income families (Crandall-Hollick, Falk, and Boyle 2023; Hoynes and Schanzenbach 2018). Before this reform, 68 percent of families living in poverty received monthly cash assistance, which dropped to 21 percent of families living in poverty receiving TANF monthly cash assistance in 2020 (Shrivastava and Azito Thompson 2022). The maximum monthly TANF benefit for a family of three with no income in 2022 was less than $500 in more than half of all states (Knowles et al. 2024).

As cash welfare declines, families have lost a source of dependable and regular resources. It may be the case that the annual benefit of the EITC that was delivered to families on top of monthly payments (the case during the periods of the

EITC that have been most studied) has a different or muted effect as an annual payment delivered without corresponding monthly, cash support.

EITC expansions in 1990, 1993, and 2009 increased the size of the credit and the number of children eligible (Crandall-Hollick 2022). As a share of GDP, however, tax subsidies for children have been declining for more than a decade.[9] Among families with children with income below the poverty line, tax credits make up, on average, 22 percent of a broad measure of annual income[10]: the EITC provides 16 percent and the CTC provides 6 percent (Maag et al. 2022). This makes tax time the most significant financial event of the year for many families.

Recent inflation has driven up the cost of basic goods

Beginning in early 2021, the United States experienced rapid inflation, which was part of a larger global phenomenon (Almuzara, Kocaoglu, and Sbordone 2024). Inflation can hit low-income families harder than others for several reasons. Low-income families spend more of their income on necessities, leaving them fewer ways than others to reduce expenses. Low-income families typically buy cheaper brands of products, decreasing their ability to substitute away from expensive brands when prices rise. Finally, low-income families have less ability to stock up on items when prices are low.[11] Additionally, benefit programs that low-income families use most, such as the Supplemental Nutrition Assistance Program (SNAP), have not significantly adjusted with the rise of inflation. In 2023, SNAP benefits did not cover the cost of a modestly priced meal in at least 98 percent of US counties, and the gap between the benefit and the cost of meal remain high, leading families to have re-distribute largely stagnant incomes to cover costs of food in addition to other necessities (Waxman and Gupta 2024).

Although inflation has subsided since the pandemic, recent analysis at the University of Michigan suggests consumers are uneasy about the economy.[12] A report issued by the Federal Reserve on the economic well-being of households in the US in 2023 indicated a 5 percent decline in their measure of economic well-being for parents with children between 2022 and 2023 (Board of Governors of the Federal Reserve System 2024)). Fewer adults reported being able to save money compared to prior to the pandemic (Board of Governors of the Federal Reserve System 2024). An absence of savings can destabilize households when unexpected or emergency costs occur.

Families affected by income volatility

Another characteristic of many low-income families is the unsteadiness of income, which can be detrimental for children's well-being, beyond disadvantages already associated with having low incomes (Hardy, Hill, and Romich 2019). Income instability is much more likely than among low income families, compared to higher income families (Hannagan and Morduch 2015; Maag et al. 2017; Wolf et al. 2014). About two-thirds of families with income below twice poverty experience at least one month where income spikes or dips below 25 percent of their average monthly income, not

counting spikes in income from tax refunds. In some cases, these spikes or dips in income are much more frequent: 40 percent of low-income households have incomes that spike or dip in at least six months of the year (Maag et al 2017).

The amalgamation of inflation, decreased savings and income instability create circumstances in which families with low incomes are unable to meet their ongoing needs such as rent, groceries, and monthly bills (Fuhrer 2024; Fulford et al. 2022). Families experience large monthly swings in income may turn to high-cost, short-term solutions. Taking on short-term debt can help families weather income disruptions, but it can also undermine their financial well-being and future financial stability (Martinchek and Gonzalez 2024).

TAX CREDITS ARE SPENT ON RECURRING HOUSEHOLD COSTS

A final reason to reconsider payment frequency of tax credits is that a substantial share of the EITC is spent on recurring household costs, such as groceries (Adams, Einav and Levin 2009; Homes and Berube 2015; Lenhart 2019).[13] In a survey of 650 EITC beneficiaries who used a free tax preparation service, 69 percent indicated they planned to use at least part of the credit to make ends meet (Smeeding, Philips, and O'Connor 2000).

Similarly, when the CTC was delivered as a monthly payment, families with low incomes used the credit to purchase groceries and pay regular bills, including utility bills (Collyer et al. 2022; Karpman and Maag 2022). As a result, studies following the advance monthly payment of the CTC in 2021 showed decreases in food insecurity and insufficiency as well as decreases in energy insecurity (Rook et al. 2023; Shafer et al. 2022; Yama et al. 2025).

Moreover, a growing number of families hasten their refund payment by using an advance refund product, such as a refund anticipation loan or refund anticipation credit. Since 2017, tax refunds containing an EITC or CTC may not be paid earlier than February 15 (a delay of a few weeks for early filers). This is intended to help the IRS administer the credit. During this time, families have become more reliant on refund anticipation loans (National Taxpayer Advocate 2017). Families that use this product typically file before February 15. In 2024, about 16 percent of tax returns received a refund anticipation loan or refund anticipation check, with refund anticipation checks being far more popular (TIGTA 2024).

To the extent that families spend refunds quickly and use them to meet ongoing needs, delivering the credits as a single payment may dampen the credit's effect. However, some researchers have noted that the existence of a single relatively large payment may allow families to establish savings, invest in education, cut costs over time by buying in bulk, and make large, one-time purchases including refrigerators and used cars, and make security deposit payments on apartments (Collins and Kulka 2023).

ARE THE EITC AND CTC MOST EFFECTIVE PAID ANNUALLY OR MONTHLY?

Poverty

Poverty is a measure of a lack of well-being caused by material deprivation. Although considerable debate around the appropriate measure of poverty exists, having a relatively consistent measure over time allows researchers to understand changes to a group of families with low incomes and the impacts of various programs. A higher share of children experience poverty than adults. In 2023, 15.8 percent of children lived below the official poverty level nationally, compared with 10 percent of adults 19 to 64 and 9.7 percent of adults 65 and older (Shrider 2024, table A-3).

Lowering poverty has been found to have benefits across a person's life. A summary of the literature from National Academies of Sciences, Engineering, and Medicine (NASEM) suggests that poverty in early childhood, prolonged poverty, and deep poverty are associated with worse child and adult outcomes (NASEM 2019). Specifically, poverty in early childhood negatively impacts brain development (Damron 2015; Luby et al. 2013) and is correlated with less schooling (Bastian and Michelmore 2018; Kalil, Duncan, and Ziol-Guest 2016). Poverty in early childhood also sets the stage for cumulative or persistent experiences of poverty, as it is associated with lower earnings, increased use of benefit programs, increased criminal activity, and increased reports of poor overall health and activity limiting health conditions (Kalil, Duncan, and Ziol-Guest 2016). Furthermore, it may contribute to increased odds of adverse health behaviors in adolescents (Green et al. 2018). Poverty during pregnancy and infancy is particularly acute and is coupled with extraordinary expenses including car seats, cribs, and diapers (Hanna et al. 2024).

The harms to children caused by poverty arise through two related paths: the investment pathway and the stress pathway. Harms to children through the investment pathway arise because families living in poverty have insufficient resources to meet current material needs, including food security, adequate medical care, and safe and stable shelter. In addition to such deprivation, the lack of resources means that families have reduced ability to invest in their children's futures. Harms to children through the stress pathway arise through the psychological distress caused by parents being unable to meet current material needs. This increased stress and conflict then harms children's social and emotional development (NASEM 2019, 69–70). While these two pathways are distinct, they are tightly linked and mutually reinforcing.

Following expansions of the EITC in the 1990s, researchers included EITC payments as income when calculating the official poverty measure (OPM) and estimated that the EITC alone lifted about 4.6 million people out of poverty each year, more than half of whom were children. This was more than any other government program or category of programs had achieved (Greenstein and Shapiro 1998). During this period, the CTC had little effect on poverty because it could only be used to offset federal income taxes owed. As a result, few families with low incomes received the credit, so even including it in the calculation of income for the OPM would not have made much difference. For example, in 2000, when the poverty threshold for a family of four with two children was $17,463, about 6 percent of the CTC went to families with adjusted

gross income (AGI) less than $20,000.[14] In 2020, prior to the temporary expansion of the CTC, the Census estimated that refundable tax credits lifted 5.3 million people out of poverty, more than half of whom were children (Fox and Burns 2021). This estimate accounted for only the direct effects of EITC and CTC payments. Research that accounts for the work increase attributed to the EITC suggests that calculations of how much the EITC reduced poverty might be underestimated by 50 percent (Hoynes and Patel 2018).

In 2021, when the CTC was significantly expanded, the Census estimated that refundable tax credits reduced the number of people in poverty by 9.6 million. The CTC alone lifted 5.3 million people out of poverty, including 2.9 million children (Creamer et al. 2022; Pilkauskas and Michelmore 2019). Of the 2.9 million children, 2.1 million were lifted out of poverty because of the 2021-specific changes to the CTC; as much as 80 percent is attributable to the CTC being more available to families with very low incomes (Sherman, Marr, and Hingtgen 2021).[15] This led to a historic low of 5.2 percent of children in poverty at the end of 2021; after expiration of the 2021 CTC, child poverty increased to 12.4 percent (Burns and Fox 2022).

Together, the EITC and the refundable portion of the CTC are currently the largest anti-poverty program for children under age 18 in the United States, and the second largest anti-poverty program overall. They raise more than 6 million people, including 3.5 million children, above the federal poverty level annually (Shrider 2024, table B-7).

During the COVID-19 pandemic, researchers noted that an annual measure of poverty did not sufficiently assess the well-being of families because of the increased volatility in economic conditions brought on by the pandemic (Han, Meyer, and Sullivan 2022; Parolin et al. 2022). But even before the pandemic, researchers had argued that low-income households experienced higher intra-year volatility than high-income households, making monthly measures of poverty especially useful in understanding a family's well-being (Aspen Institute 2016). From July 2021 through December 2021, the CTC substantially reduced poverty under this monthly measure (Parolin et al. 2022).

Both the EITC (paid annually) and the 2021 CTC (paid monthly) have provided substantial benefits to low-income families with children. A review of the EITC shows the credit reduces poverty and improves health (Hoynes 2019). Similarly, a review of the 2021 CTC shows it bolstered family finances, reduced food insecurity, and increased families' ability to meet their basic needs (Curran 2022). The CTC's effectiveness at reducing material hardship was related to the expanded group of people eligible for the full credit. As noted earlier, 19 million children live in families that typically do not receive the full CTC because their parents do not earn enough. The CTC was also larger for many low-income families. As a result, the impact of an advance CTC under current rules will be smaller than that observed with the higher credit amounts provided to many families in 2021. Still, the CTC delivers substantial benefits to low- and moderate-income families, similar to the EITC. Among families experiencing poverty, monthly payments may better disrupt poverty by allowing families to meet ongoing needs and reduce the stress associated with having ongoing needs.

Health

EFFECTS OF POVERTY ON CHILDHOOD AND HEALTH OUTCOMES

Poverty itself is detrimental to health throughout an individual's life and across generations. A review of the literature from the American Academy of Pediatrics (AAP) Council on Community Pediatrics found that alleviating childhood poverty has a "profound" and positive impact on a variety of health circumstances, including low birth weight and infant mortality, chronic illness, poor nutrition, hazardous environmental exposures, and injuries (American Academy of Pediatrics 2016). A recent NASEM report summarized scientific literature on children's health alongside evidence presented by children, families, and community members engaged in the health care system. It concludes that poor health in childhood leads to poor health outcomes and early deaths in adults—which is costly for individuals, their family and community, and society (NASEM 2024). The poverty-alleviating effects of the EITC and CTC act to improve children's health—both immediately and across the life course.

The EITC and CTC could improve health through at least two pathways: economic support and decreased parental psychological distress, both of which play key roles in a child's environment. Economic support may allow parents to meet the basic needs of their children and increase access to medical services that directly support and improve child health. Additional resources in the home could also decrease the negative psychological effects of poverty and improve the mental health of parents, which has been associated with decreased behavioral problems in children (NASEM 2024). The following section will illustrate several components of these two main pathways including many of the associations between tax credits and improved child health.

TAX CREDITS IN PREGNANCY AND INFANT HEALTH

The effects of poverty on health start in utero, as poverty is associated with decreased birthweight and gestational age, two early markers of childhood health (NASEM 2024). Low birthweight is a primary risk factor for infant death (McCormick 1985) and is closely associated with inhibited growth and cognitive development and later-in-life noncommunicable diseases.[16] Early evidence suggests that tax credits may address the negative health outcomes of poverty during pregnancy. EITC distribution during pregnancy has been associated with increases in birthweight and periodic CTC distribution during pregnancy has been associated with both increased gestational age and increased birthweight. (Hoynes, Miller, and Simon 2015; Sriram et al. 2025). The EITC has also been shown to have other positive impacts on perinatal health, including increased use of pre- and post-natal care, reduced pre-term birth, and increased breastfeeding. One mechanism, highlighted by research, for these effects is the reduced use of alcohol and tobacco during pregnancy, which is good for children's health[17] (Hamad and Rehkopf 2015; Hoynes, Miller, and Simon 2015).

TAX CREDITS AND HEALTH DURING EARLY AND MIDDLE CHILDHOOD

Increased medical care, including insurance coverage and physician visits, is one of the mechanisms by which research has shown the EITC improves children's health. Research on expansions of the EITC has shown that it slightly increases overall insurance coverage (Lenhart 2019). However, this may understate the impact that the EITC has on children's health

through increased coverage. Evidence shows that the EITC may also shift coverage from public to more comprehensive private health insurance (Baughman and Duchovny 2016; Hoynes, Miller, and Simon 2015). This shift is likely because of an increase in employer-sponsored health insurance coverage. Research on the expansion of the EITC in the mid-1990s shows that these expansions increased the probability of employer-provided health insurance coverage by 3.8 percentage points, which is likely due to increased market employment (Baughman 2005).

During 2021, when advanced payments of the CTC were made, researchers observed that parents were able to purchase additional material items for their children that are essential to child development (Hamilton et al. 2022, Collyer et al. 2022)). The larger credit, which was available to even families with no income, led to substantial increases in income, which may predict improvements child development. The effects were greatest for those with the lowest incomes (Aizer, Lleras-Muney, and Michelmore 2023).

Tax refunds open up opportunities for families to get medical care they may be delaying because of cost constraints. A week after the first tax refunds are received, out-of-pocket health care spending increases, on average, by 60 percent. This spending remains elevated by an average of 20 percent for the next 10 weeks. This increase is largest for early filers, younger people, women, and lower-income people. In many cases, tax refunds were used to cover outstanding bills (Farrell, Greig, and Hamoudi 2018a). This suggests that receiving the same amount of money spread out over the year might help people pay the bill when services were rendered. Tax refunds also led to an increase in doctor and dentist visits. In some cases, it is likely that people were deferring care, which can be costly (Ratnapradipa et al. 2023). However, other research has shown that EITC refunds specifically do not alter health care spending among adults (Hamad and Niedzwiecki 2019).

When advance payments of the CTC were made in 2021, parents reported making additional health and wellness promoting purchases. Studies using consumer purchasing data indicate that families use their CTC payments for purchases that enhance the well-being of their children and the full household. For each $100 of CTC received, families spend, on average, an additional $75, mostly on food, housing, and purchases for their children. Although these purchases are certainly related to improved health, direct spending on health, such as health insurance and medical care, did not substantially increase (Schild et al. 2023).

TAX CREDITS, NUTRITION, AND FOOD INSECURITY

Another pathway by which the EITC improves children's health and development is through better nutrition. Poor childhood nutrition and food insecurity contribute to worse physical health in and beyond childhood, and it can negatively impact emotional, social, and mental health and children's ability to succeed in school (Nemours 2024). Evidence from the 2009 expansion to the EITC, which increased the magnitude of the credit for families with three or more children, found that the typical EITC increase of $496 for households with a high school education or less and three or more children reduced the likelihood of experiencing food insecurity by 8.1 percent (Lenhart 2023). Additional research has found that in the months after EITC receipt, food insecurity declined, with no effects on (under or over) weight status. However, the

reduced food insecurity did not persist throughout the entire year (Batra and Hamad 2021; Das 2023). Additionally, a greater exposure to the EITC in childhood has been connected to better self-reported health and lower obesity in people ages 22 to 27 (Braga, Blavin, and Gangopadhyaya 2020). Moreover, the EITC has been associated with healthier food choices (McGranahan and Schanzenbach 2013).

The 2021 advance CTC had a major impact on food security for the families that received it. Food insecurity is closely tied to health, and a reduction in food insecurity during 2021, when the advanced CTC payments were made, is well documented (Karpman et al. 2022). Before CTC payments began, food insufficiency had been increasing in families both with and without children. After disbursement of CTC payments, one study found that food insufficiency in low-income families with children fell from 29.8 to 20.8 percent (Parolin et al. 2023). Food insufficiency was steady for low-income families without children, indicating that this reduction was due to CTC payment. In studies of all families with children, researchers found that overall, food insufficiency was reduced by about a quarter (Parolin et al. 2023; Shafer et al. 2022). Adults in households eligible for the CTC also reported an increase in food security, with the gains concentrated among lower-income households (Rook et al. 2023). Novel research comparing the distribution of half of the CTC in 2021 and the remaining half as a single payment at tax time showed that the timing of the payments mattered. Families were more likely to use monthly payments to purchase food, reducing food insufficiency (Parolin et al 2023).

TAX CREDITS AND PARENTAL PHYSICAL AND MENTAL HEALTH

The EITC has been shown to have positive impacts on maternal and parental health and well-being beyond the perinatal period, which has indirect effects on children's own health and development. One study assessing the effects of the 1993 EITC expansion found that mothers' self-assessed health was improved by EITC receipt. The EITC expansion further reduced risky biomarkers, such as high blood pressure (Evans and Garthwaite 2014). Additional research has found heads of households receiving the EITC are 6.9 to 8.9 percentage points more likely to report to be in excellent or very good health (Lenhart 2019).

The health and well-being of caregivers for children was also improved by advanced CTC payments. Research has found that this credit had positive impacts on parents' mental health, with advanced CTC payments reducing mild psychological distress of adults living with children (Cha, Lee, and Tao 2023) and leading to fewer reported depressive and anxiety symptoms among low-income adults. These results were greater for Black and Hispanic/Latine adults than white adults (Batra, Jackson, and Hamad 2023). Self-reported adult health was also improved by the advanced CTC, with adults in families who were eligible reporting an increase in the probability of being in excellent or very good health (Rook et al. 2023).

BOX 1

Health and Poverty: A Special Case for Newborns

The period immediately surrounding childbirth is an especially economically volatile period for many families. Many households face a newly heightened risk of financial instability and income volatility (Stanczyk 2020). This is also a crucial period for children's development (Ziol-Guest, Duncan, and Kalil 2009). As a result, adjusting the timing of EITC and CTC payments could better serve families.

CTC and EITC payments often increase the year following the birth of a child. In some cases, families become eligible for the EITC for families with children, a credit that is much larger than that available to workers without children at home. The subsidy rate of the EITC also rises with up to three additional children. Similarly, a child born at any time during the year can qualify parents for the CTC. The benefit is the same, whether a child is born in January or December. The family of a child born in December, therefore, receives their first CTC rather quickly—as soon as February 15, just a couple of months following the birth of their child—while the family of a child born in January will not be eligible for the CTC for over a year. This hampers the ability of an EITC or CTC that is paid out annually to support new needs when they arise. One study examining this discontinuity found that the additional liquidity provided to a family receiving a larger refund (approximately $1,300 for low-income single-child families) soon after birth resulted in continuing increases in family income. For children, this led to improved academic performance, higher high school graduation rates, and higher adult earnings (Barr, Eggleston and Smith 2022).

Although the advance CTC was considered health improving, direct health related spending did not appear to rise as a result of the monthly payments (Schild et al. 2023). Instead, the payments were correlated with reduced food insecurity, which is correlated with better health (Gunderson and Ziliak 2015).

In other studies, families appeared to be relying on tax refunds to cover some medical spending. In cases where families are paying off outstanding balances, a monthly payment could help families avoid going into debt. And in some cases, families are likely delaying care, which itself can be costly. This, too, would favor a monthly payment. It is also possible that in some cases, families are using large refunds to offset relatively high costs, and the large payment at tax time facilitates important one-time health-related purchases.

Future Investments

In contrast to income, which is the flow of resources, a family's wealth refers to the stock of resources available. Over 98 percent of families owned at least one financial asset in 2019, which included transaction accounts (e.g., checking, savings, money market, call accounts, and prepaid debit cards), certificates of deposit, savings and other bonds, pooled investment funds, stocks, retirement accounts, cash value of life insurance, and other managed assets (Bhutta et al. 2020).

Having savings is essential for a family's financial stability. Savings provides a buffer against drops in income and increases in expenses, including necessities. Drops in income are common among low-income workers ages 25 to 50: 64 percent experienced at least one month during the year where their household income dipped at least 25 percent below their average monthly income for the year. This was true in at least six months of the year for at least 40 percent of these households (Maag et al. 2017).

Having wealth also allows families to invest in the future, especially through investments in education (Mann and Chaganti 2023). They provide people with options and the ability to take risks, such as moving to take a job elsewhere or where their kids might get a better education. These investments can, in turn, generate additional income and wealth.

Tax refunds are the most significant financial moment of the year for many families. The EITC and CTC are, on average, 22 percent of annual income for families with children and incomes below poverty and 14 percent for families with children and income between poverty and twice poverty (Maag et al. 2022). In a study of 235 low- and moderate-income families, researchers estimated that for the two-thirds of families that received tax refunds, those with income below poverty received a refund that was almost triple the size of their average monthly income.[18] And in a study of Chase bank customers ages 18 to 64, for 40 percent of people who reported tax refunds, it was the largest inflow of cash over the year (Farrell, Greig, and Hamoudi 2018).

Research suggests that the EITC can lead to substantial increases in savings. Jones and Michelmore (2018) estimate that a $1,000 increase in the EITC led to a 3 percentage-point increase in the likelihood of holding money in a savings or checking account, and approximately $700 in additional savings for people who saved. This increase in savings persisted: families with children under age 5 that received the EITC had household wealth that averaged 4 percent higher than others when their children were ages 6 to 11. Gains were concentrated among white families (Michelmore and Lopoo 2021). This is consistent with evidence that EITC recipients wanted to use the credit to save for the future (Halpern-Meekin et al. 2015; Sykes et al. 2015).

Refundable tax credits can also foster other wealth increases. A demonstration of tax filers in low- and middle-income neighborhoods in St. Louis that used H&R Block to prepare their taxes showed that matching funds can increase retirement savings. Of the three groups, one was given no matching contributions (control), and the other two were given either 20 or 50 percent matches (treatment). The control group saved 3 percent, while the treatment groups saved 8 and 14 percent, respectively. Among the savers, average contributions were $765, $1,102, and $1,108, excluding matching

contributions. Controlling for other factors, filers with a large refund, positive investment income, or with higher overall income were more likely to respond to the matching offer (Duflo et al. 2006).

Tax refunds can increase savings among low-income tax filers. Among a group of H&R Block tax filers who received the EITC, take-up of offered savings accounts was low. But about a quarter of filers who opened savings accounts maintained the same level of savings about eight months after the tax season ended (when the study concluded). Filers with larger EITCs were more likely to open and maintain savings accounts (Consumer Financial Protection Bureau 2019).

The monthly payments of tax credits may affect wealth differently than a single large payment at tax time. Monthly payments can decrease costly short-term debt. In 2022, after the expanded CTC expired, 36 percent of families reported that the CTC made it easier for them to save for their child's future education (Hamilton et al. 2022). In the same survey, families with income below $25,000 reported that the monthly payment of the CTC had allowed them to manage unexpected expenses through cash or savings, rather than taking on debt. This could have freed up some resources to save for their children, but it might have been that the larger credit in 2021 allowed them to save more.

Similarly, in 2014, a small group of taxpayers were given the opportunity to receive half of their expected EITC in quarterly payments throughout the year. Participants in this demonstration missed fewer bills, paid fewer late fees, and decreased borrowing from formal and informal sources, relative to a comparison group that received the EITC as a single payment at tax time. Following the demonstration, 90 percent of those who received quarterly payments wished to continue receiving quarterly payments (Bellisle and Marzahl 2015).

The EITC has been correlated with strengthening education outcomes. An additional $1,000 in EITC exposure when a child is 13 to 18 years old increases the likelihood that the child will complete high school and college by 1.3 and 4.2 percent, respectively (Bastian and Michelmore 2018). Similarly, research has shown that tax refunds received in the spring of a child's high school senior year increased the chance that the student would enroll in college (Manoli and Turner 2018). These increases in educational attainment result in higher incomes for children who received tax credits. Research that examines the long-term impacts of tax credits (both the EITC and CTC) has found that, through supporting educational attainment, each dollar received in tax credits increases earnings by more than one dollar (Chetty, Friedman, and Rockof 2011).

Given the significant amount of income that can flow into households at tax time, it represents a potentially valuable opportunity for families to increase savings, and so a large, one-time payment might be more potent than benefits that are delivered more frequently (Sykes et al. 2015). As a result, wealth accumulation and increasing educational attainment may present more straightforward cases for the need for annual payments. Demonstration projects have promoted the idea of encouraging families to save at tax time, usually with the incentive of some matched amount. People are more likely to save than spend if money is delivered in a lump sum (Shapiro and Slemrod 2003). In the case of education, analysts posit

that a large refund near the time students and families are making decisions about college attendance results in an increased likelihood that they enroll in school (Manoli and Turner 2018).

DRAWING LESSONS FROM PAST EXPERIENCE ADVANCING THE EITC AND CTC

Advance payments of the EITC were discontinued because of high error and very low take-up rates. At their peak, about 3 percent of eligible families opted into the advance payments (GAO 2007). These low take-up rates were sometimes seen as indicative of families not wanting this option, although it seems likely that other factors, including complexity, also played an important part in the infrequency of using the advance EITC. We review how the advance CTC differed from the earlier advance EITC, solving many of these problems.

In a review of the advance CTC from July to November 2021, 98 percent of payments were delivered accurately (TIGTA 2022). However, follow-up work suggests that about $4 billion in payments were made to people who did not go on to file a tax return (Splinter, Elwell, and Xu 2025). People might not have filed tax returns because they were not required to do so, but that meant forfeiting the second half of their CTC. In most cases of error, it appears the child for whom a credit was claimed may have met the tests to be a qualifying child for another tax unit, which can be agreed on when couples divorce or draw up formal custody arrangements. When a child shifted from one return to another in 2021 and the recipients were not required to pay back the advance CTC, a child could receive 150 percent of the CTC they were entitled to—half in advance payments to one taxpayer and then the full credit on the return the child was claimed on for 2021.

Automatically advancing CTC payments likely had a large impact on participation. To receive the advance EITC workers and employers needed to learn about the option and complete the required paperwork. This played a role in dampening participation. In 2021, families were automatically opted in to the advance CTC payments. Families could log on to a government website and formally opt out of the advance payments, but very few families did so. Analysis of the program suggests that just 2.1 million families opted out of the advance payments, about 5 percent of participants (GAO 2022). In some cases, families may have adjusted their withholding to informally opt out of advance payments, but we do not know to what extent this happened. Generally, behavioral economics and psychology tell us that the default choice is the one that will be the most popular.

Who delivered the payments also changed for the advance CTC. Delivering the advance EITC through employers created considerable challenge for families to participate in the program. Families and their employer would need to learn about the program. When employers are relied on for benefits, families are put in a position to ask their employers to take steps to make the payments happen, a potentially uncomfortable situation. Having employers play a key role in delivering the EITC likely dampened participation in the program. As incomes have become more volatile, workers may be less likely to stay with a single employer over the course of the year. This also reduces the effectiveness of using an employer to deliver a tax credit. In contrast, when the government delivers payment, employers are not involved, which reduces

barriers to participation. Moving forward, policymakers should build on the previous successful implementation of the advance CTC.

Repayment concerns

Eligibility determination for a tax credit occurs after the tax year has ended. People whose income changes frequently may be unable to accurately predict their credits, and the government likewise would be unlikely to accurately predict their credits in advance. Similarly, a person may marry or divorce, have children come into their tax unit by birth or because of changes in custody, or have children leave their tax unit because they have aged out, become independent, or custody has changed. All of these will affect how much EITC or CTC a family is eligible to receive.

Typically, people resolve the amount of tax owed and tax paid when they file a tax return. Some families will find they have paid too much in tax or are eligible for credits so they will be eligible for a refund, which they will get after filing their tax returns. Others will find they have paid less than they owe and therefore are required to pay the difference. Policymakers can choose to design a "hold harmless" provision that allows families to keep some or all of the tax credits they receive in error, and the provision may apply to some or all families. For example, if a low-income family receives a premium tax credit to help pay for health insurance in advance of filing their tax return and are deemed to be eligible for a smaller credit when they file their return, they may be exempt from repaying some or all of the advance credit, depending on their income. Such forgiveness of amounts owed make sense from an administrative standpoint, but they add to the inequity among families with equal incomes.

In the case of the 2021 CTC, families with low incomes were not required to repay any CTC that was determined to have been delivered in error. Analysis of Treasury data estimates that over $94 billion CTCs were advanced in 2021, largely based on information on prior tax returns. Remember, of course, that the CTC is available to higher-income families, so that most taxpayers simply reconciled the often unexpected and unrequested advance payment of the CTC along with all the other items reconciled at the end of the year on their tax return.

Still, families repaid $1 billion of advance CTC payments and $5 billion was covered by a safe harbor protecting low-income families from repayment (Splinter, Elwell, and Xu 2025). Of the $5 billion, $4 billion is an assumed safe harbor, because the people to whom payments were advanced did not file a tax return to claim the second half of their CTCs; often the child was claimed on a return by an adult other than the one that had received the advance payment. This can happen in cases where families share custody and have an agreement to alternate who claims the child for tax purposes. If the safe harbor were not in place, there might have been up to $6 billion in CTCs that needed to be repaid, rather than the $1 billion that was repaid. Since only half of the anticipated CTC was advanced, the safe harbor essentially covered up to $1,500 per child, ages 6 to 17, and up to $1,800 per child from birth to age 5.

In the future, policymakers could limit the incidence of payments being delivered on one tax return and children being claimed on a different tax return by requiring families to indicate on their tax form whether they plan to claim child in the

subsequent year, or families could be required to notify the IRS when a child moves. Therefore, if a taxpayer errantly claims a child, they would be required to pay back some or all of the advance payments, possibly based on a taxpayer's ability to pay. The exposure of taxpayers to repayments could be limited by advancing a portion of the credit instead of the full credit, as was done in the past for both the advance EITC and the advance CTC.

In other analysis, we performed two exercises to determine how well administrative data could predict EITC and CTC claims, which would relieve families from the burden of needing to make their own predictions. In our first study, we used data from the end of the year to predict credits in the subsequent year, similar to what families would have done when filling out their tax return. Changes in income and changes in child residency can both affect a family's credit from one year to the next. We found that 39 percent of families with income below 200 percent of the federal poverty level experienced an EITC drop of at least $500 from one year to the next and 20 percent saw their CTC drop by at least that much. Almost three-quarters of the time, credit drops of the EITC were caused by increases in income. In these cases, growing incomes could help families pay back higher than expected EITCs. For the CTC, credit declines are often caused by a reduction in the number of children in the home. Many times a child leaving the home can be predicted. For example, if an agreement to rotate which tax return a child appears on in the case of a divorced couple or a child ages out of credit eligibility, the family could predict a drop in their CTC (Maag, Airi, and Hunter 2022).

Using data from the Survey of Income and Program Participation (SIPP), which has monthly income amounts for 2017, we estimated how accurately data from the first quarter of the year can predict credit amounts a person will ultimately qualify for based on their annual characteristics for families with income below 200 percent of the poverty line (Maag et al. 2022). We found that for 65 percent of families, information from the first quarter of the year can predict a family's EITC within 10 percent of what they are ultimately eligible for. This is true for 69 percent of families when predicting their CTC (this number rises to 79 percent if the credit is designed to be fully refundable, as was the 2021 CTC). Among 18 percent of families, using one quarter of data to predict a credit resulted in a prediction that was too high by at least 10 percent. This number is smaller for predicting the CTC, at 12 percent (Maag et al. 2022). It is easier to predict the CTC than the EITC since child changes drive most of the credit change rather than child changes and changes in income, the case with the EITC.

DISCUSSION

Underlying the success of any advance payment program is the question of whether people will participate in it. Early evidence from the EITC suggests families were not interested in the program, but we suspect this is likely because of the program's design, as discussed above.

A credit that is easy to claim, is operated by the government, and does not put families at significant risk of owing money back at tax time is likely to be well received, and effective at reducing poverty and improving health. In December 2021, when the last monthly CTC payment was being made, 45 percent of adults living with children under age 18 reported preferring monthly payments, 27 percent preferred an annual payment, and 28 had no preference. Having lower income was correlated with a preference for advance payments (Maag and Karpman 2022). And, in a demonstration of advance EITC payments that removed many of the barriers, 90 percent of program participants were favorably disposed to advance payments (Bellisle and Marzahl 2015).

The EITC is more likely than the CTC to decline from year to year, but many people eligible for the CTC are likely uninterested in making the CTC an advance payment. This is because they have high enough income that they do not typically face constraints in affording their ongoing needs.

At no point has the entire amount of the CTC or EITC been advanceable on a broad scale. When the advance EITC option existed, families could receive up to 60 percent of their anticipated payment. In 2021, families received up to half of their CTC. Therefore, in all cases, the credits still contributed to a family's tax refund. This is a design that can limit the risk of repayment for families.

If policymakers want to address the unmet basic needs and associated poor health among individuals in poverty, the default payment period should be monthly payments. Although evidence suggests that the EITC, even when paid annually, reduces poverty and food insecurity, inflation, income volatility and reductions in other monthly payments from the traditional safety net to low-income families may make that less true. If policymakers are more concerned about the need for families to grow assets or purchase education, they should set the default to be a relatively large amount of money delivered as a single payment. It is always possible for families to turn monthly payments into annual payments by adjusting their withholding, so they do not receive payments in advance.

NOTES

[1] US Department of the Treasury, "Child Tax Credit," accessed March 18, 2025, https://home.treasury.gov/policy-issues/coronavirus/assistance-for-american-families-and-workers/child-tax-credit.

[2] Author calculations of IRS Statistics of Income Table 2.5 Individual Income Tax Returns with Earned Income Credit, Individual Complete Report (Publication 1304), years 2020–2022: https://www.irs.gov/statistics/soi-tax-stats-individual-statistical-tables-by-size-of-adjusted-gross-income
Amalgamation of filers with one, two, and three or more qualifying children. Both the share of EITC recipients with a refundable credit and the total amount of EITC that was refundable was lower in 2021, likely due to the economic effects of the COVID-19 pandemic; 94.2 percent of EITC recipients with any number of children had at least some refundable credit in 2020; 92.7 percent in 2022.

[3] Author calculation of SOI Tax Stats - Historic table 2, Total file, all states 2022: https://www.irs.gov/statistics/soi-tax-stats-historic-table-2

[4] Tax Policy Center Microsimulation Model (version 0722-2) T22-0123 – Distribution of Tax Units and Qualifying Children by Amount of Child Tax Credit (CTC), 2022: https://taxpolicycenter.org/model-estimates/children-and-other-dependents-receipt-child-tax-credit-and-other-dependent-tax.

[5] "Treasury and IRS Announce Families of Nearly 60 Million Children Receive $15 Billion in First Payments of Expanded and Newly Advanceable Child Tax Credit" *US Department of the Treasury* July 15, 2021, https://home.treasury.gov/news/press-releases/Treasury-and-IRS-Announce-Families-of-Nearly-60-Million-Children-Receive-%2415-Billion-Dollars-in-First-Payments-of-Expanded-and-Newly-Advanceable-Child-Tax-Credit

[6] "Treasury and IRS Disburse Sixth Monthly Child Tax Credit to Families of 61 Million Children." *US Department of the Treasury Press Release*, December 15, 2021, https://home.treasury.gov/news/press-releases/jy0533, data provided at the bottom for additional detail

[7] Some households were ineligible due to someone outside the household claiming the credit on behalf of their child.

[8] For simplicity, we focus on monthly payments. Quarterly payments might also be viable, which is discussed in Marron and Maag 2018.

[9] Eugene Steuerle and Cary Lou, "Can We Spare Children The Tax Roller Coaster?*" *The Government We Deserve (blog),* Jul 23, 2024, https://governmentwedeserve.substack.com/p/can-we-spare-children-the-tax-roller.

[10] Here, we define income as including earnings, self-employment income, unemployment benefits, Temporary Assistance for Needy Families, Supplemental Security Income, general assistance, nontaxable child Social Security benefits, nontaxable veteran's benefits, Social Security and railroad retirement income, investment income, and other income reported in the Survey of Program and Participation and tax credits as calculated by the authors. See appendix B in Maag et al. 2022 for complete description.

[11] Jayashanker, Aparna and Anthony Murphy, "High Inflation Disproportionately Hurts Low-Income Households." Federal Reserve Bank of Dallas. January 10, 2023. https://www.dallasfed.org/research/economics/2023/0110

[12] Hsu, Joanne, "February 2025 Survey Results", Surveys of Consumers, University of Michigan. February 21, 2025. https://data.sca.isr.umich.edu/fetchdoc.php?docid=78142

[13] Aditya Aladangady, Shifrah Aron-Dine, David Cashin, Wendy Dunn, Laura Feiveson, Paul Lengermann, Katherine Richard, and Claudia Sahm, "High-frequency Spending Responses to the Earned Income Tax Credit." *FEDS Notes.* June 21, 2018. https://www.federalreserve.gov/econres/notes/feds-notes/high-frequency-spending-responses-to-the-earned-income-tax-credit-20180621.html

[14] Additionally, less than 0.01 percent of the CTC went to families with AGI less than $10,000. The poverty threshold for families with one adult under 65 and one child was $11,869.
Author calculation of IRS SOI Historic Table 2, 2000: https://www.irs.gov/statistics/soi-tax-stats-historic-table-2, US Census Bureau Poverty Thresholds: https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-poverty-thresholds.html

NOTES

[15] Had economic impact payments not been delivered in 2021, the CTC alone would have lifted 4.8 million children out of poverty in 2021. See: Burns, Kalee and Liana Fox. 2022. *The Impact of the 2021 Expanded Child Tax Credit on Child Poverty*. SEHSD-WP2022-24. Washington, DC: Census Bureau.

[16] "Low birth weight" World Health Organization, accessed March 18, 2025, https://www.who.int/data/nutrition/nlis/info/low-birth-weight

[17] "Smoking, Pregnancy, and Babies" Centers for Disease Control and Prevention, accessed March 18, 2025, https://www.cdc.gov/tobacco/campaign/tips/diseases/pregnancy.html

[18] Julie Siwicki, "Creating an Income Spike, Part I: Tax Time," *USFD Blog* March 10, 2015, https://www.usfinancialdiaries.org/blog/2015/3/5/creating-an-income-spike-part-i-tax-time

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