

No Tax Breaks for Businesses Over Families

The Child Tax Credit (CTC) and Earned Income Tax Credit (EITC) are highly impactful anti-poverty measures. In 2021, *the CTC was expanded* to include full refundability (meaning that families with little to no income could receive the credit); and to provide families with up to \$3,600 for each child under the age of six, and up to \$3,000 for each child between the ages of six and 17. The *EITC amount was tripled and eligibility was expanded* to include adults aged 19-24 without children and adults aged 65 years and older.

The expansion was a resounding success. In the six months that the expanded CTC was distributed, *payments reached 61 million children*. *Research* has shown that in families that receive these tax credits, children perform better in school, are more likely to go to college, and are predicted to earn more as adults.

However, the expansions to these credits lapsed at the end of 2021, and now millions of people are struggling to make ends meet amidst historic inflation. Moody's Analytics *reports* that inflation costs the average American family an additional \$296 per month, nearly the same as the expanded CTC payment for one child.

By extending the expanded Child Tax Credit and Earned Income Tax Credit, Congress can provide desperately needed support to families and pull millions of children out of poverty.

Even though these measures did not make it into the Inflation Reduction Act, there is still a path forward if lawmakers attach expansion to an end-of-year tax package. There is already a clear precedent—In *2015, Congress passed an end-of-year tax package* that extended and altered the CTC and EITC.

But the ongoing debate in Congress around tax relief is in danger of leaving families behind. **Congress must not give tax relief to businesses over families. Before the end of 2022, lawmakers should:**

Renew the Child Tax Credit expansion:

- » Since the expanded CTC expired at the end of 2021, *3.7 million children* have fallen into poverty.
- » Studies have shown that *families rely on the CTC* for essential expenses.
- » Full refundability—making the credit available to families with little to no income—could drastically *reduce racial disparities* in poverty rates.

Extend the Earned Income Tax Credit Expansion:

- » The expanded EITC in 2021 *tripled the maximum benefit* for childless workers and expanded eligibility for young and older workers.
- » *According to the Institute on Taxation and Economic Policy*, expanding the EITC “would have a particularly meaningful impact on the bottom 20% of eligible households. 41% of households in the bottom income group would benefit, receiving an average income boost of 6.3 percent, or \$740”.

Expand the Child Tax Credit and Earned Income Tax Credit

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