October 15, 2024

The Honorable Brian Fitzpatrick
Chair, Working Families
Committee on Ways & Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Nicole Malliotakis
Vice Chair, Working Families
Committee on Ways & Means
U.S. House of Representatives
Washington, DC 20515

Dear Chair Fitzpatrick, Vice Chair Malliotakis, and Distinguished Members of the Working Families Tax Team:

Thank you for the opportunity to submit comments on the upcoming expiration of provisions of the 2017 Tax Cuts and Jobs Act (TCJA). On behalf of Children's HealthWatch, a national network of pediatricians and child health researchers, we write in support of strengthening the Child Tax Credit (CTC). Specifically, we encourage the Working Families Tax Team to consider the following expansions that center the needs of families with low incomes and respond to financial realities they face across the country:

1. Pass a permanent, fully refundable, and inclusive CTC that ensures all children are eligible for the full credit;
2. Increase the maximum CTC for all children, with a further boosted credit available to young children;
3. Index the CTC to inflation, thereby protecting its value over time;
4. Allow families to receive the CTC in reliable, monthly payments;
5. Reduce structural barriers to the CTC and other family tax credits by investing in effective, community-driven outreach efforts and providing adequate resources to the Internal Revenue Service (IRS) to improve customer service and operations.

Children's HealthWatch seeks to achieve health equity for young children and their families by advancing research to transform policy. We accomplish this mission by interviewing caregivers of young children on the frontlines of pediatric care in urban emergency departments and primary care clinics in four cities: Boston, Minneapolis, Little Rock, and Philadelphia. Since 1998, we have interviewed over 80,000 caregivers and analyzed data from those interviews to determine the impact of public policies on the health and development of infants and toddlers.

The TCJA included several changes that strengthened the CTC for working low- and middle-income families. These included doubling the maximum credit from $1,000 to $2,000 per child, lowering the phase-in threshold from $3,000 to $2,500, and increasing and indexing the refundable portion of the credit, now capped at $1,700 per child. These changes reduced taxes for all eligible families, and provided an average of $60 in additional tax benefits to families with children in the lowest one-fifth of the income distribution.[i]However, the phase-in rate and earnings threshold continued to exclude millions of children because their families did not earn enough to receive the full credit. As of 2022, 26% of children – totaling 18 million children nationwide – were excluded from the full credit. Disproportionately, these are young children, children in rural areas, children in larger families, and children in single parent families. This includes 18.6% of children in PA-1 (26.3% statewide) and 29.2% of children in NY-11 (30.2% statewide).[ii]

Pass a permanent, fully refundable, and inclusive CTC that ensures all children are eligible for the full credit.

The American Rescue Plan Act of 2021 (ARPA) temporarily eliminated the phase-in threshold and made the CTC fully refundable, enabling previously ineligible children in poverty to receive the full credit for 2021. This provision addressed long-standing inequities in the tax code and ensured that children in families with the lowest incomes were supported. Coupled with a boosted maximum credit that newly included children aged 17, this provision has been credited with cutting child poverty nearly in half.[iii] Furthermore, research from Children's HealthWatch found that the expansion reduced food insufficiency by 26%, helped families catch up on rent, and improved parental mental health.[iv,v] We recommend that the Committee return to this structure, making the CTC fully refundable so as to reach the children and families in greatest need. Furthermore, we encourage the Committee to again extend the CTC to children aged 17 and restore eligibility to children with an Individual Taxpayer Identification Number (ITIN).

We appreciate efforts by the Committee in 2024 to target and improve the CTC to those 18 million children who are currently left out of the full credit. The provisions passed in the Tax Relief for American Families and Workers Act of 2024 – moving to a "per-child" phase-in to ensure families with low incomes receive the same credit for each of their children, as higher income families already do; increasing and ultimately eliminating the refundability cap; and allowing families to use their earnings from the prior tax year when calculating CTC – would have had a profound effect for families with the lowest incomes, fluctuating incomes, and with multiple children.[vi] While we support a fully refundable and inclusive CTC structure, as established by ARPA, we appreciate the Committee's commitment to other changes that improve the credit for families with low incomes.

Increase the maximum CTC for all children, with a further boosted credit available to young children.

TCJA temporarily expanded the maximum CTC from $1,000 to $2,000 per child. ARPA built on this improvement, increasing the maximum credit to $3,000 for each child aged 6-17, and $3,600 for each child under age 6. As stated above, this change – in conjunction with full refundability – had a profound impact on all families, particularly those with the lowest incomes. The boosted resources supported financial stability at a time of economic uncertainty, and allowed families to afford necessities and other resources that help children thrive.[vii] The further boost for young children recognized both the increased costs for families – from formula to child care – and the critical window of child growth and development, in which poverty has severe short- and long-term consequences.[viii] We encourage the Committee to make a meaningful investment in our children by restoring these benefit levels. Further, we encourage the Committee to consider an additional boost for newborns, regardless of the month they were born, that recognizes increased costs and often simultaneous loss of income, particularly for women.[ix]

Index the CTC to inflation, thereby protecting its value over time.

Indexation is essential to prevent erosion of the CTC over time. Increases in inflation over the last several years underscore the need to index tax credits and other benefits to inflation. Since 2018, the CTC has lost 15 percent of its real value to inflation.[x] We appreciate the Committee's recognition of this with the inclusion of modest indexation in the House-passed Tax Relief for American Families and Workers Act of 2024, and encourage its continued commitment to this provision.

Allow families to receive the CTC in reliable, monthly payments.

As part of the ARPA CTC expansion, the IRS automatically delivered up to half of the credit through advance, monthly payments (July-December 2021) as an alternative to an annual lump sum. This allowed families to incorporate the additional income into monthly budget, and better afford basic needs. A recent study found that nearly half of families with children who received the advance CTC payments preferred the monthly structure; this preference increased among families with incomes under 200% federal poverty line.[xi] Many families reported that the monthly payments allowed them to purchase basic needs like food and diapers, afford rent and utility costs, and cover educational costs like tutoring and extracurriculars.[xii] Contrary to concerns around the will to work, research has found no differences in employment among families receiving the ARPA CTC.[xii] In fact, families with low- to moderate-incomes who received the advance CTC were more likely to gain new professional skills – an outcome that supports family economic mobility and the economy as a whole.[xii] We recommend that the Committee directs the IRS to restore the option for monthly payments, allowing families to choose the structure that best fits their needs, and authorizes a "safe harbor" to protect low- and moderate-income households from being required to remit excess payments that could arise from changes in the number of qualifying children and marital status, and events affecting employment or income.

Reduce structural barriers to the CTC and other family tax credits by investing in effective, community-driven outreach efforts and providing adequate resources to the Internal Revenue Service (IRS) to improve customer service and operations.

The benefits of the CTC can only be fully felt when accessible. Unfortunately, not all families eligible for the CTC claim the credit. This disproportionately affects families with low incomes who may not have tax filing obligations and therefore may not know to file to receive the credit. Investing in robust efforts to increase awareness of the CTC is essential for equitable implementation and delivery of the credit. In addition to community-based outreach efforts, we encourage the Committee to provide and maintain dedicated resources to modernize the IRS, including the permanent establishment an accessible, simplified filing system (e.g. Direct File) and increased capacity for customer service. With additional resources provided through the Inflation Reduction Act (IRA), the IRS significantly increased its capacity and customer service during the 2024 tax filing season. Specifically, the IRS reported modernized and improved phone service – including improved phone service, more calls answered, faster response time, and more callback options – expanded in-person hours and help, additional support at volunteer tax filing sites, higher usage of the agency's website, and an uptick in chat bot use.[xiii] Maintaining such investments enable more taxpayers to engage and build trust with government while accessing free services to accurately pay and file taxes.

Expanding the CTC to support access for children in families with low incomes is a meaningful investment with the power to reduce poverty, improve individual and community financial well-being, and promote health. However, it is not a solitary fix. We encourage the Working Families Tax Team to work across Committee Tax Teams and with its colleagues across the aisle to identify additional opportunities to alleviate tax burden for parents and caregivers (e.g. Earned Income Tax Credit, Child and Dependent Care Tax Credit, and Renter's Tax Credit). In addition, we encourage the Committee to reform the tax code to strengthen the middle class and support families with low incomes, including leveraging opportunities to raise revenue to invest in the CTC and other family support programs (e.g. child care, nutrition).

Sincerely,

Stephanie Ettinger de Cuba, PhD, MPH
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