VIEWPOINT

# Extending the Child Tax Credit to Break the Cycle of Poverty

**Catherine G. Coughlin, MD**
Department of Medicine, Boston Children's Hospital, Boston, Massachusetts; and Department of Pediatrics, Boston Medical Center, Boston, Massachusetts.

**Allison Bovell-Ammon, MDiv**
Department of Pediatrics, Boston Medical Center, Boston, Massachusetts; and Children's HealthWatch, Boston Medical Center, Boston, Massachusetts.

**Megan Sandel, MD, MPH**
Children's HealthWatch, Boston Medical Center, Boston, Massachusetts; and Division of General Academic Pediatrics, Boston Medical Center, Boston, Massachusetts.

**Corresponding Author:** Allison Bovell-Ammon, MDiv, Department of Pediatrics, Boston Medical Center, 801 Albany St, Boston, MA 02118 (allison.bovell-ammon@bmc.org).

**The extent to which** the health effects of poverty and economic hardship pervade primary care clinics and hospitals across the US is not always clear to policy makers. Poverty affects children throughout the life span and is associated with increased infant mortality, decreased language development, and chronic illnesses.[1] This effect is not just circumstantial but biologic. Poverty and economic hardships such as food insecurity and housing instability affect brain development, and children from low-income households score lower on standardized tests and have reduced regional gray matter volumes.[2] Parents who struggle to afford basic needs, such as housing, food, and utilities, report greater mental health issues, which affect parenting.[3] Prior research has demonstrated that school readiness, academic performance, and a child's eventual economic attainment are sensitive to family income.[1] These poor outcomes are correlated with the discrepancy between family income and financial need.[4] Almost half the children in the US live in or near poverty, defined as an income of up to 200% of the federal poverty level or an income of $53 000 or less for a family of 4. This represents 31.5 million children living in or near poverty,[1] which is roughly the equivalent of the populations of Ohio, Georgia, West Virginia, and Arizona combined.

Direct financial aid to families experiencing economic hardship is a proven strategy to improve child health. For example, although the money from these payments does not necessarily go to health care–related spending, parents spend it on the basic needs of children, such as food and shelter, well established as prerequisites for health.[1] Payments that reduce financial strain among families even have beneficial effects in prevention of injury and behavior problems.[4] Some researchers have hypothesized that when basic needs are fulfilled, the strain of economic insecurity is alleviated and parents are better able to engage in supportive behaviors for their children.[2,4] Furthermore, studies have demonstrated that direct payments to families support economic mobility and asset building, both of which are critical to breaking the cycle of poverty and economic hardship for families and are associated with positive health outcomes.[1,4]

The Child Tax Credit,[5] initiated in 1998, was designed to support low- and middle-income families in offsetting the costs of raising children. In March 2021, the American Rescue Plan Act increased Child Tax Credit payments from $2000 per child for all children from birth to age 16 years to $3000 per child for children aged 6 to 17 years and $3600 per child younger than 6 years and expanded eligibility for the credit to ensure that families with the lowest incomes are eligible.[6] This change also made payments available on an advanced monthly basis, starting in July 2021, instead of 1 lump sum per year at tax time.[6]

With the changes under the American Rescue Plan Act, approximately 4 million children are estimated to no longer experience poverty; the changes also include an important provision that promotes racial equity. The previous structure of the Child Tax Credit meant that one-third of children—disproportionately Black and Latinx children—were ineligible for the maximum credit amount because their family income was too low.[7] The expanded version of the Child Tax Credit ensures that the families in most need of financial assistance to afford basic expenses receive the credit. Furthermore, the availability of this credit in advance is crucial to enable families to afford everyday, time-sensitive expenses, such as food, rent, and childcare.[6]

For families with incomes low enough to qualify for federal assistance programs, these Child Tax Credit payments support family economic mobility and potentially mitigate the "cliff effect," a phenomenon that occurs when an increase in wages results in a disproportionate loss of multiple forms of government assistance. Previous research demonstrated that when families lost vital social benefit programs owing to an increase in income, they were at greater risk of economic hardship and adverse caregiver and child health effects.[8] Payments from the Child Tax Credit, which are not countable as income in federal assistance programs, can help families who experience food insecurity or housing instability to mitigate the "cliff effect" by maintaining access to these critically important benefits. The Child Tax Credit also helps families afford expenses such as childcare and transportation, which ensures that parents are able to remain in the workforce. Permanently retaining the current structure of the payments is necessary for supporting families with very low incomes on the path of economic mobility.

Although taxes may seem outside the scope of medical practice, poverty may be the most important factor affecting the health of patients. Physicians have the unique perspective to demonstrate how economic opportunity enables children to reach their full potential. Of importance, approximately 4 million eligible children will not receive this credit for tax year 2021 unless their parents file taxes or sign up for the credit as nonfilers.[6] Physicians should make it a regular part of clinical care to ask families whether they have received Child Tax Credit payments or have encountered barriers to accessing them. National resources, such as the Medical Tax Collaborative, Volunteer Income Tax Assistance Sites, and getctc.org, can help facilitate access to these credits for patients.

There is one more call to action. These expanded Child Tax Credit payments are only slated to continue through 2021. Physicians must advocate for a permanently expanded and inclusive Child Tax Credit to be implemented as part of the national strategy for child health. This recent change in legislation is a once-in-a-generation opportunity to advocate for an expanded Child Tax Credit that applies to families, particularly families with immigrant children and those with very low income, who would otherwise earn too little to qualify but could benefit substantially from these monthly payments. These Child Tax Credit payments are essential to addressing inequities in child health and to decrease the number of families experiencing poverty. We call on all pediatricians to implore legislators to make these changes to the Child Tax Credit a permanent part of the strategy to care for US children because it has been proven that the changes are associated with not only healthier children but also healthier parents and families.

ARTICLE INFORMATION

**Published Online:** November 22, 2021. doi:10.1001/jamapediatrics.2021.4603

**Conflict of Interest Disclosures:** None reported.

## REFERENCES

**1**. Council on Community Pediatrics. Poverty and child health in the United States. *Pediatrics*. 2016;137(4):e20160339. doi:10.1542/peds.2016-0339

**2**. Hair NL, Hanson JL, Wolfe BL, Pollak SD. Association of child poverty, brain development, and academic achievement. *JAMA Pediatr*. 2015;169(9):822-829. doi:10.1001/jamapediatrics.2015.1475

**3**. Williams DT, Cheadle JE. Economic hardship, parents' depression, and relationship distress among couples with young children. *Soc Ment Health*. 2016;6(2):73-89. doi:10.1177/2156869315616258

**4**. Rostad WL, Klevens J, Ports KA, Ford DC. Impact of the United States federal child tax credit on childhood injuries and behavior problems. *Child Youth Serv Rev*. 2019:107.

**5**. Congressional Research Service. The Child Tax Credit. Updated November 20, 2020. Accessed October 14, 2021. https://crsreports.congress.gov/product/pdf/IF/IF11077

**6**. Zippel C. After Child Tax Credit payments begin, many more families have enough to eat. Center on Budget and Policy Priorities. Published August 30, 2021. Accessed September 1, 2021. https://www.cbpp.org/blog/after-child-tax-credit-payments-begin-many-more-families-have-enough-to-eat

**7**. Center on Poverty and Social Policy at Columbia University. Left behind: the one-third of children in families who earn too little to get the full Child Tax Credit. May 14, 2019. Accessed July 29, 2021. https://www.povertycenter.columbia.edu/news-internal/leftoutofctc

**8**. Ettinger de Cuba S, Chilton M, Bovell-Ammon A, et al. Loss of SNAP is associated with food insecurity and poor health in working families with young children. *Health Aff (Millwood)*. 2019;38(5):765-773. doi:10.1377/hlthaff.2018.05265