

JUNE 2023

Expanding the Child Tax Credit is the Best Way to Give Kentucky's Families Relief from Rising Costs

The cost of nearly everything – from fuel to food – is the highest it's been in 40 years. Families need relief now. Reviving the expanded monthly refundable Child Tax Credit (CTC) and the Earned Income Tax Credit (EITC) is the most immediate, meaningful, and direct way to help Kentucky's families meet basic needs as they navigate an uncertain economy.

When it was enacted, the expanded CTC slashed child poverty, infused local economies with tens of billions of dollars and immediately reduced food insecurity by nearly one-third. If revived, the expanded CTC and EITC could provide relief to **36 million families** with kids and **17 million individuals** without children **within weeks** – all the more reason why we need to expand both credits again.

The monthly, fully refundable Child Tax Credit lifted 69,000 of Kentucky's children from poverty, and over 931,000 – 93% of children in the state – benefited from the program. Under current law, millions of children are once again excluded.

- The expanded monthly CTC payments, in place from July to December 2021, paid 505,000 families in Kentucky an average of **\$450** per month, covering the entire cost of inflation for many.
- The EITC – which was temporarily expanded to include younger workers and seniors still in the workforce – provided an average of \$700 more to 271,000 Kentucky workers without children in the home.
- There are 22,000 children in veteran or active duty families in Kentucky who are also now currently left out of the full credit because their parents don't earn enough.
- 304,000 children in Kentucky – including 42,000 Black, 24,000 Latino, 2,000 American Indian or Alaska Native, 216,000 white, and 17,000 multiracial or children of other races – are now excluded from the full credit because their parents earn too little.

Parents across both parties prefer a child credit that doesn't depend on a parent's work status by a margin of 2 to 1 (56% to 26%).

- Republican parents without a college degree prefer no earnings requirement by a margin of 52% to 29%.

Every study that analyzed real-time data finds the CTC had no negative employment impacts.

- **Federal Reserve Bank of Dallas: CTC helped financially strained parents work *more*,** especially women with an unemployed spouse, by helping cover expenses that were barriers to entering the workforce, like transportation and child care.
- **Census Household Pulse data: CTC caused no drop in employment.** “We see no difference in employment trends between parents and non-parents before and after CTC payments started going out.”
- **American Enterprise Institute: No net employment effect. 90 percent** of recipient parents reported no change to their work, with 5 percent working more and 5 percent working less.
- **Appalachian State University: CTC helped people advance their careers.** People who were eligible for CTC were 1.3 times more likely to start new professional training.
- **CLASP: CTC helped parents get back to work.** One-quarter of respondents said monthly payments made it easier for them to get paid work or work more. Black respondents were twice as likely as white respondents to say so, and lower-income respondents were more likely to say so than higher-income counterparts.

Since the Child Tax Credit’s expiration, nearly 3.7 million children have fallen back into poverty, likely including 69,000 of Kentucky’s children who were uplifted from the monthly payments.

- A report from Columbia University found that in the months since the CTC expired 3.7 million fell back into poverty, nearly the same amount of kids who were lifted from poverty when the payments began.
- Nationwide nearly 10 million children are at risk of falling into or deeper into poverty.

State economies will lose out if the expanded CTC and EITC are not revived. The expanded CTC generated nearly \$20 billion of economic activity – every month.

- If Congress fails to reinstate the Child Tax Credit, **Kentucky** could lose a staggering **\$1.5 billion** net benefit according to the Niskanen Center.
- Over 200 economists agree: “The expanded monthly refundable CTC, at under 0.4% of GDP, is too small to increase inflation, but it will help families meet rising costs.”

The CTC would especially benefit rural Kentucky families. A study from Niskanen Center found that families living in rural America have received outsized benefits from the CTC, earning more from CTC payments on the dollar than their city-dwelling counterparts.

- Restoring the expanded CTC would provide a per capita benefit of \$871 for children in Kentucky rural areas, and of \$731 for children in metro areas.
- In Kentucky, 37% of children living in rural areas are now excluded from the full credit due to lack of full refundability, compared to 28% of children in metro areas.