

Questions for the Record for Ms. Huang
Submitted by Senator Reverend Warnock
Joint Economic Committee
“Building Back Better: Raising Revenue to
Invest in Shared Prosperity”
Hearing Date: October 6, 2021

Child Tax Credit (Ms. Chye-Ching Huang)

In the past, there has been discussions about the economic impact of corporations, but I think more about hard working Georgians, like the mother I met in Columbus, Georgia. She was laid off recently, but was able to use the money from the Child Tax Credit to pay for books for her little girl. I also think of the constituent who just last week sent me a note about how they’ve been able to use the credit to pay down debt incurred during the pandemic, afford teaching materials for their children participating in online learning, and told me that this money kept her family in their home and off the streets.

1. What kind of long term benefits to the economy will we see from reducing child poverty by implementing tax cuts, like the Child Tax Credit, that supports working families?
2. What benefits have we seen by having the Child Tax Credit paid monthly in advance to eligible taxpayers, instead of requiring Americans to file their taxes to receive the benefit?

Thank you for your question, Senator Reverend Warnock.

The experiences of these Georgian families are not unusual, which is why the CTC is so important for families and communities across the country.

Monthly distribution of the Child Tax Credit has made it easier for families to pay for recurring expenses throughout the year.ⁱ Research shows that parents with low incomes have, like your constituents, spent their monthly CTC on basic needs like food, rent, utilities, clothing, or school supplies – and shortly after the first monthly check was distributed, food insecurity and financial hardship fell dramatically among households with children.ⁱⁱ

The monthly CTC has not only helped families make ends meet in the short-term, but a large body of research suggests that it is a true investment: it will also have positive effects on the life trajectories of children in the long run, and for the economy as a whole.

Investments in families with low incomes have been shown to improve infant and child health, improve children’s academic performance in schools, increase the likelihood that children attend college, and boost earnings once children ultimately reach adulthood.ⁱⁱⁱ

These long-term benefits for children and families can also mean broadly shared benefits for communities and the larger economy. They mean that children are more likely to be healthier as adults, attend college and have higher adult earnings. Boosting the health and earnings of the next generation also in turn reduces spending on health care costs and other macroeconomic costs associated with high child poverty rates over time.^{iv}

Further, novel research suggests that investments in children from low- and moderate-income families can help more children develop and apply their talents for innovation. If equally talented girls, children of color, and children from low- and middle-income families grew up to be inventors at the same rate as white boys from rich families, there would be four times as many inventors in America as there are today.^v The research suggests that a key reason why this potential is being lost is simply because many families lack basic financial resources. Sound investments in these families can ensure more children are able to be a part of the next generation of innovators who may generate new breakthroughs and businesses with widely shared benefits.

ⁱ Chuck Marr, “The Expanded Child Tax Credit Must Be Permanent and Monthly,” CBPP, April 15, 2021, <https://www.cbpp.org/blog/the-expanded-child-tax-credit-must-be-permanent-and-monthly>.

ⁱⁱ Claire Zippel, “After Child Tax Credit Payments Begin, Many More Families Have Enough to Eat,” CBPP, August 30, 2021, <https://www.cbpp.org/blog/after-child-tax-credit-payments-begin-many-more-families-have-enough-to-eat>; Daniel J. Perez-Lopez, “Economic Hardship Declined in Households With Children as Child Tax Credit Payments Arrived,” U.S. Census Bureau, August 11, 2021, <https://www.census.gov/library/stories/2021/08/economic-hardship-declined-in-households-with-children-as-child-tax-credit-payments-arrived.html>

ⁱⁱⁱ Arloc Sherman and Tazra Mitchell, “Economic Security Programs Help Low-Income Children Succeed Over Long Term, Many Studies Find,” CBPP, July 17, 2017, <https://www.cbpp.org/research/poverty-and-inequality/economic-security-programs-help-low-income-children-succeed-over>.

^{iv} Arloc Sherman, Ali Safawi, Zoe Neuberger, and Will Fischer, “Recovery Proposals Adopt Proven Approaches to Reducing Poverty, Increasing Social Mobility,” CBPP, August 5, 2021, <https://www.cbpp.org/research/poverty-and-inequality/recovery-proposals-adopt-proven-approaches-to-reducing-poverty>.

^v Alex Bell et al., “Who Becomes an Inventor in America? The Importance of Exposure to Innovation,” *Quarterly Journal of Economics*, Vol. 134, Iss. 2, May 2019, <https://opportunityinsights.org/paper/losteinsteins/>. Also see: Wesley Tharpe, Michael Leachman, and Matt Saenz, “Tapping More People’s Capacity to Innovate Can Help States Thrive,” CBPP, December 9, 2020, <https://www.cbpp.org/research/state-budget-and-tax/tapping-more-peoples-capacity-to-innovate-can-help-states-thrive>.