

# New Data Show That the Child Tax Credit Fueled a Substantial Reduction in Child Poverty

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Newly released data from the U.S. Census Bureau reveal a major public policy success. The nation's child poverty rate dropped by half in 2021, from an estimated 10% in 2020 to a historic low of 5%. This was primarily thanks to the expanded child tax credit, according to the Supplemental Poverty Measure (SPM).

While the Census Bureau updates the SPM and the official poverty measure each year, the Annie E. Casey Foundation is an advocate for using the SPM as it accounts for a broader range of family resources such as:

- noncash benefits (e.g., food and housing assistance);
- stimulus payments; and
- tax credits.

It also factors in necessary household expenses and regional variation in cost of living. ([See child poverty rates using the SPM for your state.](#))

The official poverty measure, on the other hand, is based on pretax cash income. In 2021, the [official poverty threshold](#) was \$27,479 for a family of two adults and two children. Families can earn well over this amount and still struggle to meet

their basic needs, especially in high-cost areas. Additionally, since the official poverty measure does not account for family resources such as in-kind benefits and tax credits, it did not show the same reductions in child poverty. It has remained at 17% of kids below the [official poverty line](#) — unchanged since 2019.

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The SPM provides an opportunity to assess the effectiveness of government anti-poverty interventions by accounting for safety net benefits, including the expanded [child tax](#) credit as part of the American Rescue Plan Act of 2021. The results are powerful. According to Census Bureau data, the **child tax credit (CTC) lifted 2.9 million kids out of poverty** in 2021, one-third of whom were under age 6. Some analysts note that [all eligible families did not receive the CTC](#), indicating another 1.6 million children could have been lifted out of poverty if all qualified families had received it.

## POVERTY RATES DROPPED SHARPLY FOR CHILDREN OF COLOR

The child tax credit expansion also led to significant reductions in SPM child poverty rates for multiple racial and ethnic groups, with particularly large drops for Black and Latino children. While this is meaningful progress, 2021 SPM poverty rates remain disproportionately high for Black (8%), Latino (8%) and American Indian and Alaska Native children (7%), compared to white (3%) and Asian and Pacific Islanders (6%) kids. In fact, both the SPM and the official poverty measure demonstrate that children and families of color consistently have [disparate access](#) to economic opportunities and resources resulting from generations-long inequities and discriminatory policies and practices.

## THE EFFECTS AND COST OF CHILD POVERTY

Growing up in poverty is one of the greatest threats to healthy child development. The effects of economic hardship, particularly deep and persistent poverty, can disrupt children's cognitive development, physical and mental health, educational success and other life outcomes. These impacts reverberate throughout adulthood. Researchers have estimated the total U.S. [cost of child poverty at \\$800 billion to \\$1.1 trillion](#) per year based on lost productivity and increased health care and other expenditures.

## WHAT CAN BE DONE ABOUT CHILD POVERTY?

The new Census data illustrate that dramatically reducing child poverty — especially for children of color — is an achievable U.S. policy goal. Unfortunately, the expanded child tax credit, a temporary pandemic-relief measure, expired in early 2022. Without swift action by policymakers, the progress of 2021 likely will be undone, and child poverty rates will climb back up.

As children head back to school this fall, many grapple with learning loss from the pandemic and mental health challenges. At the same time, families are facing rising costs for food, housing and health care. Now more than ever, children need security and stability. We cannot let millions of children slip back into poverty.

Naturally, temporary pandemic relief measures were not meant to be long-term solutions. But now that we know what works to reduce child poverty, policymakers can move forward with confidence to implement effective, lasting solutions, including expanding the child tax credit. Strong safety net programs are essential to ensuring that all children have equitable access to the opportunities and resources they need to thrive.

## ACCESS MORE OF THE FOUNDATION'S CHILD AND FAMILY POVERTY INFORMATION

- [Economic Well-being Indicators on the KIDS\\_COUNT® Data Center](#)
- ["Measuring Access to Opportunity in the United States"](#)
- [Most Common Uses of 2021 Child Tax Credit Payments: Food, Utilities, Housing, Clothes](#)
- [Child Poverty](#)
- [Racial Equity and Inclusion](#)
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- *KIDS COUNT Data Book*

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