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6 Facts to Reset the Child Tax Credit Conversation

Curran McSwigan & Zach Moller



It's time to reset how policymakers think—and talk—about the Child Tax Credit (CTC). The One Big Beautiful Bill has permanently reshaped the CTC, and the question now is what the credit should be going forward, not what a temporary expansion once achieved.

Today, the CTC is one of the federal government's largest supports for working- and middle-class families. Yet too often, policymakers frame it primarily as an anti-poverty program by focusing on the short-lived Biden-era expansion and its impact on child poverty. That history matters—but given our current political landscape, this narrative is not an effective long-term strategy.

The expanded credit proved that smart policy has the power to dramatically improve families' lives. But durable reforms require broad public buy in. When the CTC is discussed only through the lens of poverty, it risks alienating families who don't identify with that label but are still squeezed by rising costs. And when families don't hear themselves in the conversation, they won't mobilize to protect the benefit—as the quiet expiration of the expanded CTC in 2022 made clear.

If the CTC is to endure and improve, it must be understood as a cornerstone of family economic security, not just a poverty intervention. This memo lays out six key facts about where the CTC stands today and a practical roadmap for strengthening a benefit on which millions of families rely.

1. Flexibility Allows for Broad Impact

The CTC gives families leeway to use the financial support where they need it. Research studies have found that most families use CTC payments to buy groceries, help with housing costs, or pay down debts.¹ This is especially true for lower-income families.² So, while some politicians will argue that a lack of conditions on how parents spend the funds will lead to them spending it “irresponsibly,” the data shows that is simply not true.³ One study from 2021 found that child benefit programs without restrictions were used mostly for food and housing costs.

Modifying the CTC payment structure to be monthly, or quarterly, could help parents better meet financial needs. The Biden-era CTC sent advanced monthly payments for half their estimated credit amounts during the last six months of the year.⁴ We have also seen states effectively modify their own state-level child tax credits to include an advance payment option. By clicking one box when they file taxes, families in Minnesota can elect to receive their next CTC payment in equal payments in August, October, and December of that same year.⁵

2. Knowledge is Essential

Policymakers can tout the benefits of the CTC, but if families aren't aware of the credit and their eligibility these proclamations fall flat. Case in point: the American Rescue Plan temporarily modified and boosted the credit, but many families who were newly eligible didn't receive the tax credit due to a lack of awareness or understanding on how to access it. ⁶ Specifically among parents with children who didn't get CTC payments, a third said they didn't think they were eligible and a fourth said they were unaware of the credit or how to claim it. ⁷

Reducing barriers to understanding and filing for the benefit during the tax process—or in different ways if families don't need to file taxes due to lower incomes—is crucial to widening the credit's impact to families most in need.

3. Simplicity is Key

Tax credits should be easy for individuals to access and the government to administer. Yet our current tax code often looks like an intense game of Jenga—with different tax policies balancing on top of one another precariously. This makes navigating the already confusing eligibility guidelines and requirements across the various tax credits intended to help families even harder. ⁸

As policymakers look to improve the CTC, they should focus on minimizing interactions with other tax credits that help families, like the Earned Income Tax Credit (EITC) and the Child Care and Dependent Care Tax Credit (CDCTC). Right now, while these credits share common goals, they have very different eligibility requirements which confuse parents and often even dissuade them from applying. ⁹

Given reduced IRS capacity to administer taxes due to budget cuts, further complicating tax credits may exacerbate troubles families face in the system. ¹⁰ Simplifying and streamlining tax credits for families, including the CTC, could better target benefits to families while also reducing the administrative burden on both taxpayers and IRS. ¹¹

4. Immigrant Families Should Not Be Excluded

As part of reforms under the One Big Beautiful Bill Act (OBBBA), Republicans enacted new restrictions requiring at least one parent to have a Social Security Number (SSN) in order to be eligible to receive the CTC. ¹² Previously, only the child was required to have an SSN in order for families to be eligible for the credit. ¹³ This means that citizen children born to immigrant parents are now completely shut out from the value the credit provides.

These actions are part of continued efforts by President Trump and Republicans to limit immigrants' access to government programs and benefits. When the CTC was originally enacted in the late 1990s, it allowed for any child living in the United States to be eligible for the credit. Then in 2017, the Tax Cuts and Jobs Act shrunk eligibility to citizen children who possess a SSN. The continued attack on immigrants means lawful permanent residents, individuals with temporary work visas, and refugees who have citizen children won't benefit from the CTC at all now.¹⁴

5. The Credit is Now Tied to Inflation—Keep it That Way

Although OBBBA made modifications to the CTC that should be undone, like excluding many immigrant families, tying the credit to inflation was a good change. The value of the CTC significantly eroded since TCJA updated the bill in 2017. A \$2,000 CTC payment in 2025 was equivalent to a \$1,500 payment in 2017, a decline in value of nearly 24%.¹⁵ The CTC will be \$2,200 per child this year and likely grow to \$2,950 by 2035.¹⁶ As policymakers look to expand the CTC in the future, they should ensure the credit stays tied to inflation to sustain the credit's positive impact.¹⁷

6. Lofty Work Requirements Don't Work

Some conservative policymakers and organizations argue that without a high earnings threshold requirement—which acts as a de facto work requirement—many lower-income families will simply stop working and rely on the credit.¹⁸ But that ignores key data showing that child benefits and tax policies can actually help struggling families bridge the gap during hard times.¹⁹ Ramping up earnings or other work requirements for the CTC makes it harder for families to weather economic shifts and changes, like job loss or a job changes. Importantly, we should ensure families are CTC-eligible starting at the first dollar of earnings—which is an idea supported on a bipartisan basis. This would help parents navigate unexpected income volatility and transition more easily back into the workforce.²⁰

ENDNOTES



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