How the Expanded Child Tax Credit Helps Dane County Families

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For too many families in our Dane County community, the cost of covering basic needs (essentials like food, rent, transportation, childcare) is outpacing their incomes and forcing them to make heartbreaking choices on how to make ends meet. Do they pay the utility bill to keep the lights on for their children to do their virtual learning, or do they buy fresh groceries to put food on the table for dinnertime?

Starting July 15, families across Dane County will begin receiving direct monthly child tax credit payments of up to $300/month per child from the American Rescue Plan Act (ARPA) to help with the cost of raising children.

At United Way of Dane County, we recognize the importance of addressing both the policy barriers and the policy solutions to local community issues. We know public policies have a significant impact on the daily lives of our neighbors and we need policy change now more than ever to address immediate family needs and to drive longer term systemic changes. That’s why we adopted our first ever public policy agenda in 2019 – and have increased our engagement in advocacy efforts ever since.

One of our specific policy priorities is to support tax policies that promote income stability, which is why I want to talk about how ARPA greatly expands relief for working families through the tax code. While the law isn’t perfect, it provides critical supports to workers, families and children here locally and nationwide. The law specifically provides the largest child tax credit (CTC) in history! It raises the current maximum credit from $2,000 to $3,600 per child for children under age 6 and to $3,000 per child for children between ages 6-17.

The CTC is an effective tax policy that provides much needed relief to families at a critical time when the lasting effects of the pandemic has added additional pressure to already stressed family budgets. Data clearly shows that the CTC has also been an effective measure in reducing poverty. This historic expansion of the CTC is projected to cut child poverty nationwide in half in just one year according to Columbia University’s Center on Poverty and Social Policy.
What does this mean for families in Dane County and Wisconsin? The expansion of the CTC will benefit 92% of all Wisconsin children and lift over 46,000 Wisconsin children out of poverty! It will also lift 94,000 Wisconsin children under 18 who are experiencing poverty to be closer to or above the poverty line. Research additionally shows that increases to the CTC have further led to improved child educational and health outcomes as well as to healthier birthweights, better childhood nutrition, increased school enrollment, and improved high school graduation rates.

The expansion of the CTC will also help to make our tax code more equitable for Black, Indigenous, Latinx, Southeast Asian and people of color (BIPOC). We know that workers who are earning lower wages are disproportionately BIPOC workers, and the expanded CTC will make the credit available to millions of families who previously did not receive the full credit because their families’ earnings were too low.

For those who are wondering whether the earned income tax credit and child tax credit disincentivizes work or encourages dependency on public benefits, we want to share the facts: these tax credits provide significant work, education, income, and health benefits to children and to their parents or caregivers. Several research studies show that tax credits provided to working families boosts work effort. In particular, single mothers and women heads of households who benefit from these tax credits also experience higher wage growth; and by boosting the employment earnings of women, our community’s labor market and economic well-being also benefits. The Center on Budget and Policy Priorities notes that the anti-poverty effects of an expanded CTC would far outweigh any small reductions in employment. They further stated that 99% of low- and moderate-income working adults affected by the expanded CTC would remain employed after it takes effect. An expanded CTC is a long-term investment in the well-being of our children, families, and community as a whole.

Because United Way of Dane County focuses on supporting families and the generational impacts of housing and economic instability on children, we greatly appreciate that these public dollars are supporting our priority areas of education, income, and health. We encourage ongoing philanthropic support to ensure self-sufficiency and the opportunity for families to thrive. Using every tool in the toolbox to support families on their path to well-being will lift up our entire community.

While the expanded CTC will have an immense impact on families, the policy provision is set to expire in 2021 – which is not ideal. That is why we at United Way are committed to working with Senators Baldwin and Johnson and our Congressional delegation on making
this expanded CTC permanent so families in our community can afford the essentials. Because when families in our community can't afford to make ends meet, our whole community suffers. And one of the best ways that we can help parents get back to work, boost family incomes and reduce child poverty is to ensure families receive the CTC.

What is so great about this expanded tax credit is that it gives families the power to make decisions about what's best for them. They can use the CTC to help cover childcare expenses, buy school supplies, pay utility bills or pay for a home repair. It will put more money back into the pockets of families who need it the most and increase their economic mobility so they can determine how to best meet their own defined family needs. Families will also be able to better plan their monthly budgets because they will get advance monthly payments of the tax credit rather than a single lump sum payment when they file tax returns.

The law additionally makes the CTC fully refundable, which allows the lowest-income families to be eligible for the credit. While most eligible working families don't need to take any action to receive the monthly CTC payments (80% of children nationwide live-in households that will receive the payments through direct deposit), there is still work to do to make sure all eligible families receive the full credit. We are working in partnership with our local government, University, and nonprofit agency partners to increase awareness of the CTC and help get the CTC payments to as many eligible families who want to receive the CTC as possible. Help us spread the word about the largest child tax credit ever and tell us what the Child Tax Credit means for you and your family!

For families who didn't recently file tax returns (meaning they won't automatically see the CTC payments in their bank accounts), there is an online non-filer sign-up tool at www.ChildTaxCredit.gov to register for the monthly child tax credit payments.