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Listening to SNAP Participants to Improve Access to the Expanded Child Tax Credit

Introduction

As part of the American Rescue Plan, Congress dramatically expanded the Child Tax Credit (CTC). The new Child Tax Credit is worth \$3,000 per child ages 6-17, \$3,600 per child under 6, and is fully refundable. Half of a household's credit will be paid out in monthly installments beginning in July of this year, with the remainder claimed on their 2021 taxes. The expansion of the Child Tax Credit is projected to cut the [child poverty rate by 45%](#), a historic achievement.

The potential impact of the expanded credit on the well-being of millions of Americans with low incomes is extraordinary. One Supplemental Nutrition Assistance Program (SNAP) recipient from Colorado wrote that with this money she “wouldn't run out of gasoline for my car every week. My phone bill, internet, and car insurance wouldn't be late every month.” Another wrote, “I wouldn't personally skip meals in fear that my children would go hungry later if I didn't.” And another wrote, “The money I spend out of pocket on groceries after my food stamps runs out could go towards bills, car maintenance, or maybe I could accumulate some savings.” For millions of Americans, the expanded CTC holds the promise of improved health, reduced hardship, and a sense of stability and dignity.

For the expanded CTC to achieve its potential anti-poverty impact, work is needed to ensure universal access for eligible families. To receive the credit, many households who do not typically file taxes may now be required to file. Many households with low or no earnings may not immediately understand this, not know how to file, or may assume that they do not qualify.

Poverty Solutions at the University of Michigan partnered with Propel, the creators of Fresh EBT, to gather information from very low-income households who stand to benefit the most from the expanded CTC. Fresh EBT by Propel is a smartphone application used by over **5 million families** who receive food assistance through SNAP. Propel regularly uses the Fresh EBT platform to distribute information about programs and services to SNAP recipients. During the pandemic, Propel has periodically invited users to share their experiences and recently fielded a set of questions regarding the Child Tax Credit expansion, gathering responses from over 10,000 families who are potential recipients of the CTC.¹ **Our primary finding is that well-designed, user-focused tools — such as a non-filer IRS portal that allows for simple**

¹ Because this survey is opt-in, it is not necessarily a representative sample of SNAP. However, the volume of responses yields valuable insights into how many low-income households view the CTC, and the obstacles they may face in accessing their payments.

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filing, real-time changes in family structure, and changes in bank account information – will be key to ensuring the families most in need receive the Child Tax Credit.

Key Findings

- **Significant outreach is needed to ensure families understand the new Child Tax Credit.** Less than half of eligible households surveyed know about the Child Tax Credit and feel like they understand it. Families who are aware of it and understand it call it life changing.

“I would be able to buy them school clothes, shoes supplies, winter coats, etc. ... I would be able to put them in sports or play an instrument. I have 6 kids and we barely get by. Were a 1 in one household and after [bills] and food gas there is nothing left. That extra 300 [dollars] would really help make sure the kids have everything they need.” - Cecilia, SNAP participant, March 2021

- **An IRS non-filer portal that allows for simple filing, real-time changes in family structure, and changes in bank account information will be critical to the Child Tax Credit’s success.** Thirty percent of respondents have not filed taxes and many others need to update banking information with the IRS. This may leave them at risk of receiving their Child Tax Credit late or not until tax time.

“Not sure why [I didn’t get the Economic Impact Payment] but I sure could use the \$1,400.00. I need to get my eyes checked and get glasses. I don’t know how to find out why and or how to get the \$1,400.00.” - Sonja, SNAP participant, April 2021

- **Such functionality for the IRS portal will be particularly important for Black and Latinx households.** These households are less likely to have received the Economic Impact Payments (EIPs), signaling the same may be true with the Child Tax Credit.

By March 2021, 65% of Fresh EBT users had received the second EIP, but Black households were 30% less likely to have received the second EIP than white households. Latinx households were even less likely to have received the second EIP than Black households.

- **The ability to update bank account information and dependent status on this portal is critical for many families.** Over 30% of SNAP-eligible tax filers want to receive the CTC in a different account than where they received their tax refund, again signaling the importance for beneficiaries to be able to enter new information in real time.

“I wish I were able to change to direct deposit instead of getting it in the mail.” - SNAP participant, April 2021

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Tax Filing and Receipt of the Child Tax Credit

As would be expected with the roll out of a new tax credit, survey responses show families have questions regarding eligibility for and receipt of the Child Tax Credit. The vast majority of questions raised by families were related to tax filing and can best be addressed by the Biden Administration and the Internal Revenue Service through well-designed, user-focused tools and communication. The degree to which these tools are designed to meet the needs of families will be an important determinant in the success of the CTC expansion.

These efforts will be consequential to a large group of families. Thirty-eight percent of respondents to our survey reported they did not file taxes in 2019, and 30% of respondents with children under 18 have not yet filed 2020 taxes. This is higher than national estimates of non-filing SNAP households, potentially because Fresh EBT users who opted in to the survey were more likely to be non-filing households with questions about the tax system. Yet this suggests that over 3 million children whose households use Fresh EBT may miss out on the Child Tax Credit in 2021. Because Fresh EBT users make up roughly one-quarter of SNAP households nationwide, the ultimate number of children at risk of missing out on the expanded CTC is potentially much greater.²

Many users wanted to know how to “sign up” for the CTC, not understanding the interaction between tax filing and tax credits. Likewise, users unfamiliar with the tax system did not understand why it was called a credit, rather than a payment. Those with low or no income were confused as to why they were required to file taxes, and they feared having to pay money to the IRS.

In addition to the questions from non-filers, many Fresh EBT users who *had* filed taxes highlighted a number of issues that can be addressed by the IRS. For example, 30% of respondents who *had* filed taxes did not want their Child Tax Credit sent to the same account as their Economic Impact Payment. This was because either they had recently changed their bank account or because they traditionally received their refund by way of a Rapid Refund Anticipation Loan, which may have [diverted their EIP](#) to their tax preparer’s account.

Many filers also expressed concern over changes in child dependents throughout the year. Advanced payments could present an issue for parents who share custody over a child and perhaps alternate tax years for which they claim the child as a dependent. It will be essential that households have a way to communicate with the IRS about changes in dependents claimed in different tax years and that rules are set up to help families navigate this complexity.

² The Center on Budget and Policy Priorities estimates there are [roughly 3.2 million children](#) living in households that are enrolled in SNAP or Medicaid but don’t normally file taxes due to low incomes, a lower figure than this survey would suggest, but a still substantial number of poor children. Other estimates put the total number of children living non-filing households at [more than 5 million](#).

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These issues highlighted by tax filers – the routing of payments and alternating dependency status – make clear the need for user-focused tools that serve both non-filers and filers alike.

In dispersing the EIPs, the IRS created a portal for non-filers to enter their information, which was used by 7 million non-filers; however, by September 2020, there were still an estimated [9 million non-filers](#) who had not used the tool. Another group of households *did* file taxes but their payments were sent to the wrong account. All told, *40% of our survey respondents* have not received their Economic Impact Payment or they received the payment late.

As the details of the expanded Child Tax Credit continue to be worked out, there are a range of other questions we found through the survey responses, including confusion over income requirements, the size of the payments, and how the CTC might impact other benefits. These issues signal that clear communication with families will be key to the tax credit's efficacy. Many organizations (including Poverty Solutions and Propel) are working hard to push out accurate information and dispel myths, and this work will continue. However, by focusing on the creation of user-centered tools that allow households to easily communicate with the IRS, it will be possible to clear up the vast majority of the confusion and ensure all eligible households receive the support they so desperately need.

Recommendations for Action

As of April 2021, IRS Commissioner Charles Rettig confirmed the IRS is on track to create a portal that would enable tax-filing households to update information mid-year relevant to the size of their payments, such as the birth of a child. It is not yet clear, however, if the IRS will build a portal for non-filers, enabling those with low or no income to gain access to the credit without filing taxes.

We encourage non-filing households to file their 2020 taxes in order to guarantee they will receive the payments, yet we recognize that without further action, some of the most vulnerable families will be left out. **We urge the Biden Administration and the IRS – with support from Congress – to construct a user-friendly tool that enables the agency to capture necessary information from non-filers. Our survey results also suggest it will be important for any portal to allow users to easily change banking information, due to the extent to which EIPs ended up in the wrong accounts.**

Below, we have outlined three principles that we encourage the Biden Administration and IRS to consider in constructing a portal – for both tax filers and non-filers – with the end-user in mind, based on Propel's experience helping more than 5 million households gain access to food assistance. Propel stands at the ready to partner with the IRS and Congressional leaders on the design and implementation of any tool that helps vulnerable households connect with the IRS.

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1) The portal should enable consumers to access it through whatever medium is most convenient for them, including making the portal mobile-responsive and accessible through user-permissioned third-party intermediaries.

Recent studies show that roughly [1 in 4 adults with low incomes](#) rely solely on a smartphone to access the internet, and more than half lack broadband internet at home. Black and Latinx adults are also far more likely than white adults to rely only on smartphones and far less likely to have access to broadband internet. Ensuring the new non-filer portal is customized for smartphone use will be critical to ensuring widespread access.

The new portal should consider inviting trusted third-party software providers to expand access to the tool. Given the deep challenges around reaching low-income populations with trusted information, enabling third-party software providers to facilitate access to the tool can be a critical tactic in bolstering outreach. This type of user-permissioned third party access need not compromise security, as it is subject to the same security restrictions as a consumer using the portal through their own browser.

2) Tax filers need to be able to enter new banking information into the portal.

The American Rescue Plan directs the IRS to create a portal that will allow individuals to update information that will alter the size of their credit and allow them to opt out of monthly payments. As noted above, this portal must allow individuals to easily change their banking information, ensuring they receive their advance payments in a timely fashion. Of the households who filed taxes, over 30% reported a need to update their direct deposit information with the IRS.

3) To achieve broad access, message more than taxes.

A primary source of confusion amongst non-filers was why, if they had little to no income, they had to file taxes. In addition, respondents frequently asked how they could “sign up” for the expanded CTC. Therefore, rather than messaging around tax filing, we might achieve broader adoption through the creation of a non-filer tool that encourages households to “sign up” for the CTC. The information households share with the IRS would be the same as is required in a simple tax return, but the messaging would be more squarely focused on ensuring access to CTC payments.

Conclusion

Our goal should be to make it as easy as possible for all Americans to interact with the IRS. As of April 14, roughly 30% of eligible households using Fresh EBT reported they had not yet filed 2020 taxes. While outreach and messaging have helped to increase the percent of filers over 2019, as of now, there is still a long way to go to expand access to this historic anti-poverty measure. **Reaching these households will require a robust effort from the IRS to create**

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user-friendly tools, in partnership with organizations with a direct connection to eligible recipients, like Propel.

Three-quarters of households we surveyed have less than \$100 on hand; 45% report regularly skipping meals to make it through the month; and over 50% regularly report borrowing to make it through the month. Families across the country have called the expanded CTC a ray of light and hope, a life raft for their kids. By designing the portal and outreach to meet these families where they are — accessible to non-filers, mobile friendly, and enabled to update banking and dependent information — we can ensure the families most in need are able to effectively access the monthly Child Tax Credit starting in July 2021.

About Poverty Solutions at U-M

[Poverty Solutions](#) is a presidential initiative at the University of Michigan that partners with communities and policymakers to find new ways to prevent and alleviate poverty through action-based research.

About Propel

[Propel](#), a mission-driven technology company, builds tools to help low-income Americans improve their financial lives. They are the makers of [Fresh EBT](#), a free smartphone app used by 1 in 4 SNAP participant households. In response to COVID-19, Propel has collected regular feedback from SNAP households to elevate to policymakers, launched a Benefits Update Help Center to connect SNAP households to additional benefits and local resources, and, in partnership with Give Directly and Stand for Children, has distributed over \$140 million in direct cash assistance to households using Fresh EBT.