



RECEIPT AND USAGE OF CHILD TAX CREDIT PAYMENTS AMONG LOW-INCOME FAMILIES: WHAT WE KNOW

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INTRODUCTION

In March, Congress passed the American Rescue Plan Act, which included a dramatic expansion of the Child Tax Credit (CTC). While the previous version of the Child Tax Credit was an important anti-poverty tool, families with low or no earnings did not qualify for the full credit, or any credit at all, blunting its potential impact. The expanded Child Tax Credit is much larger than the previous credit—worth \$3,000 per child ages 6-17 and \$3,600 per child under 6—and is available to all low-income families, even those with no earnings. In addition, half of this year's CTC is being paid out in monthly installments, from July through December, essentially taking the form of a monthly child allowance we see in many other Western industrialized nations. Estimates suggest the expanded CTC could reduce child poverty in the United States by 49%, a historic achievement.¹ Data collected from the U.S. Census Bureau's Household Pulse Survey showed a 30% decline in food insufficiency for adults with children following the initial monthly payments² and a 43% decline in food insufficiency for low-income households that received the initial payment.³ Researchers from Columbia University's Center on Poverty and Social Policy estimate the first two monthly payments cut the child poverty rate by nearly 30%, keeping 3.5 million children out of poverty.⁴

However, while the potential anti-poverty impact of the expanded CTC is extraordinary, we also know some families may face obstacles to receiving their payments. Due to low earnings, many low-income households do not traditionally file taxes, the primary way in which families are enrolled to receive the credit. In addition, tax-filing households may face other barriers to receiving their payments, due to residential instability or limited access to banking services.

To understand more about how the expanded CTC is impacting families and inform strategies to expand access to the credit, we partnered with [Propel](#), the creators of Providers (formerly Fresh EBT), a free mobile application that helps over 5 million families manage their Supplemental Nutrition Assistance

KEY FINDINGS

- Only 2% of families with children reported not having heard of the CTC in both the August and September surveys.
- Sixty-six percent of parents reported they received the CTC in July. This figure increased to 68% in August.*
- Few low-income families (1-2%) opted out of monthly payments, choosing instead to receive the credit as a lump sum in 2022, and approximately 15% of parents reported not getting it themselves but for reasons that do not raise concerns about access (e.g., the other parent claimed it or the credit is pending).
- Roughly 13% of parents were unsure why they didn't get the August payment or reported confusion about eligibility, a figure that was down from 19% for the July payment.
- Parents with lower levels of education and those who are primarily Spanish speakers were most likely to report not having received the July or August payments.
- The vast majority of respondents who received a CTC payment said they used the money to help pay for bills (75%) and/or other basic living expenses (like rent or food). Many reported using the money on child-related expenses like school supplies and children's clothing.
- Ninety-four percent of families said the credit was somewhat or very useful in helping them make ends meet, and 92% of parents say the CTC should continue post the pandemic.

* These CTC receipt figures are lower than those obtained by Propel through an in-app pop-up survey of Providers users. Because of the brief nature of the pop-up survey we cannot directly assess if differences across surveys are driven by sample characteristics, the timing of the surveys, or method of distribution.

Program (SNAP) benefits. This brief discusses findings from two recent surveys with low-income families who use the Providers application, many of whom are eligible for the CTC. We found that while most respondents received the CTC and used it to pay for essential household expenses, a substantial share of CTC-eligible respondents did not receive their first two monthly payments, suggesting more outreach and supports are needed to achieve universal receipt.

THE STUDY

Every month, Propel invites users of the Providers application to take a survey on a range of topics related to household financial stability. Although the specific questions vary from month to month, the Propel survey generally asks families about employment, material hardship (i.e., ability to pay for housing, food, and utilities), debt, and public benefit use. We partnered with Propel to include a battery of questions related to the Child Tax Credit on its monthly survey. This brief discusses results from the August 1-13 and September 1-15 surveys, which asked about the July and August CTCs respectively. More than 4,000 people took the August survey and more than 6,000 took the September survey, and roughly half of respondents lived with children under 18 (46% in the August survey and 55% in the September survey). The analyses reported here focus only on those respondents with coresident children (we refer to these respondents as parents but some may be non-parental primary caregivers). We focus our discussion on the September survey but also highlight changes between the August and September surveys.



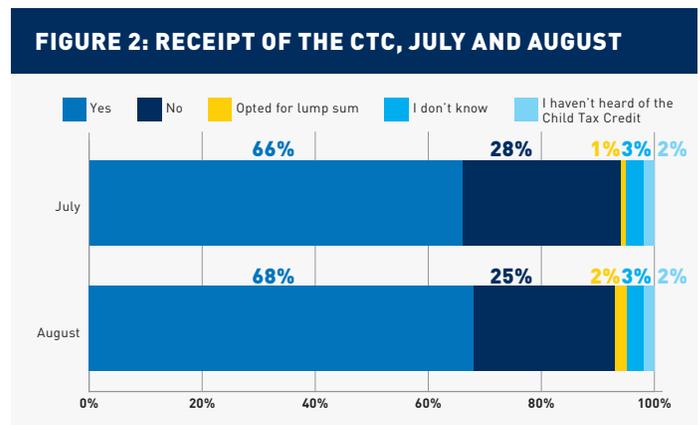
Note: Sample is restricted to households with children under the age of 18.

Families with children in this study are highly economically disadvantaged (see Figure 1 and Appendix Table 1 for details). Approximately one-fifth reported having no household earnings in the month of August and another 17% reported less than \$500 in household earnings. Twenty-one percent of parent respondents do not have a high school degree and 40% have

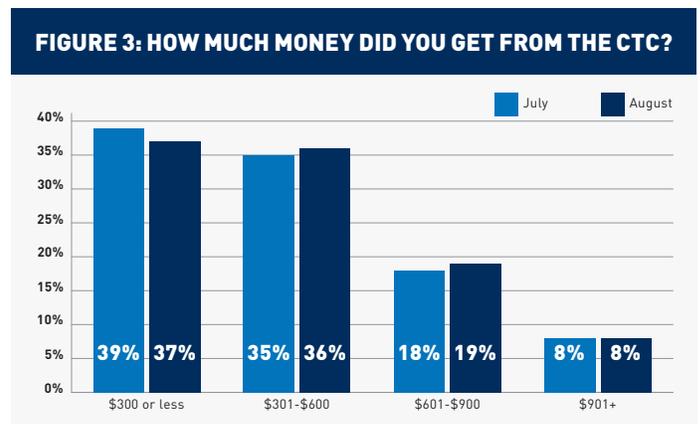
no education beyond high school. Most of the respondents are women (95%) and 28% are partnered. The parents in our sample are also racially and ethnically diverse: 41% are non-Hispanic Black, 32% non-Hispanic White, and 19% Hispanic.

CHILD TAX CREDIT RECEIPT

Respondents with coresident children under the age of 18 were asked if they received a CTC payment in August (see Figure 2). The share who reported receiving the CTC was up slightly in August (68%) from July (66%). The average credit amount was \$300-\$600 (see Figure 3). In July, 86% of respondents reported getting the first payment by direct deposit, but in August this decreased to 73% (see Figure 4). This is likely driven by an IRS error that resulted in a number of families who received the credit via direct deposit in July receiving it by check in August.⁵ In both the August and September surveys, only 2% of respondents reported not having heard of the CTC, and another 3% were unsure if they had received the credit. Although the credit is available to be paid out in monthly installments, parents also have the option of getting the credit as a lump sum when they file their 2021 taxes, but only 1-2% reported taking that option.

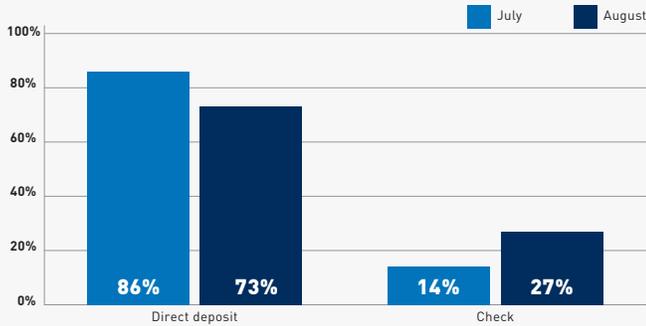


Note: Among respondents who reported having a child under the age of 18.



Note: Among respondents who said they got the CTC.

FIGURE 4: HOW DID YOU RECEIVE THE CTC PAYMENT? JULY AND AUGUST



Note: Among respondents who said they got the CTC.

REASONS FOR NOT GETTING THE CTC

In order to better understand why some parents did not receive their initial CTC payments, we also asked parents who did not receive their payments why they did not receive them (see Table 1). About 5% of all parents reported that the other parent (or another relative) got the credit and another 4% of parents said they had filed taxes but had not yet received the credit.

About 2% of parents reported a new custody arrangement, a child that was born in 2021, or child support debt as the reasons for not receiving the CTC. Another 2% reported administrative errors (e.g., payments going to the wrong bank account or wrong address, tax verification issue) as the reason for not receiving their payments. Finally, 2% opted to receive the credit as a lump sum. Thus, although only 68% reported getting the August CTC payment, another roughly 15% of respondents reported not getting the CTC for reasons that do not suggest lack of access of or knowledge about the CTC, but some other reason.⁶ Together these findings suggest more than 80% of respondents with a child received their second payment, were waiting on their payment, or understood why they had not received the payment.

However, 13% of parents did not know why they didn't get the credit or reported a lack of knowledge about the CTC and the process by which they would receive the CTC. Eight percent of caregivers said they did not know why they didn't get the CTC and another 5% reported they were not eligible (though they likely are), didn't file taxes, or didn't realize they needed to file taxes to claim the CTC. Although 13% of low-income parents still do not understand how to claim the CTC, this share of parents is down from 19% in the August survey. Thus, it appears that low-income parents are becoming more aware of the CTC and how to claim it.

The survey also asked if parents used the IRS non-filer portal or update portal, two recent online tools deployed to expand

TABLE 1: WHY HAVEN'T YOU GOTTEN THE CTC?

	PERCENT OF CAREGIVERS	
	JULY	AUGUST
I do not know	11	8
Other parent/relative claimed the credit	5	5
Not eligible	4	4
Filed taxes/applied but have not yet received/pending/amended	4	4
I don't know I needed to submit forms/tax return to receive it	3	2
I don't file taxes/haven't filed	1	0
Went to the wrong bank account	1	1
Child was born in 2021	0	1
It was taken to pay child support	0	0
I opted not to get it because I'm worried about losing other benefits	0	0
Other person claimed/another falsely claiming	0	0
New custody agreement/custody issue	0	0
Issue with tax system/other tax problem (audit, verification)	-	1
Address wrong/changed	-	1
Other	1	1

Note: Only asked of those who said they did not get the CTC. Respondents may select more than one option. In July, 518 respondents answered this question out of 1,877 caregivers. In September, 871 respondents answered this question out of 3,511 caregivers. The percents reported here are share of all caregivers.

access to CTC payments. The non-filer portal is specifically designed for low-income households that either have low or no earnings and may not have previously been required to file taxes. The update portal allows families who have filed taxes to check on the status of their payments or update their bank account information or mailing address.

Only 23% of respondents had used the non-filer portal, and less than half of those who used it said they were successful in processing a return.⁷ Thirty-seven percent of parents reported trying to use the update portal, but one-quarter of that group reported being unable to log in. Indeed, to initially log in to the update portal, users need to have an email address, receive a log-in code to their phone, scan a photo ID, and take a picture of themselves with a computer or smartphone, which is then

run through facial recognition software. And while the non-filer portal is less burdensome than a full tax return, users unfamiliar with the tax system may get tripped up by terms like “adjusted gross income.” These survey findings suggest usability and possibly awareness of these portals may be a barrier to getting the CTC. However, it is worth noting that that use of both portals was slightly higher in the September survey than the August survey.⁸

WHO WAS LEAST LIKELY TO GET THE CTC?

To better understand which low-income families are not getting the CTC, we ran a series of analyses looking at differences across different demographic groups. In Figure 5, we show the share of parents who report receiving each CTC payment by race and ethnicity, education level, and survey language.

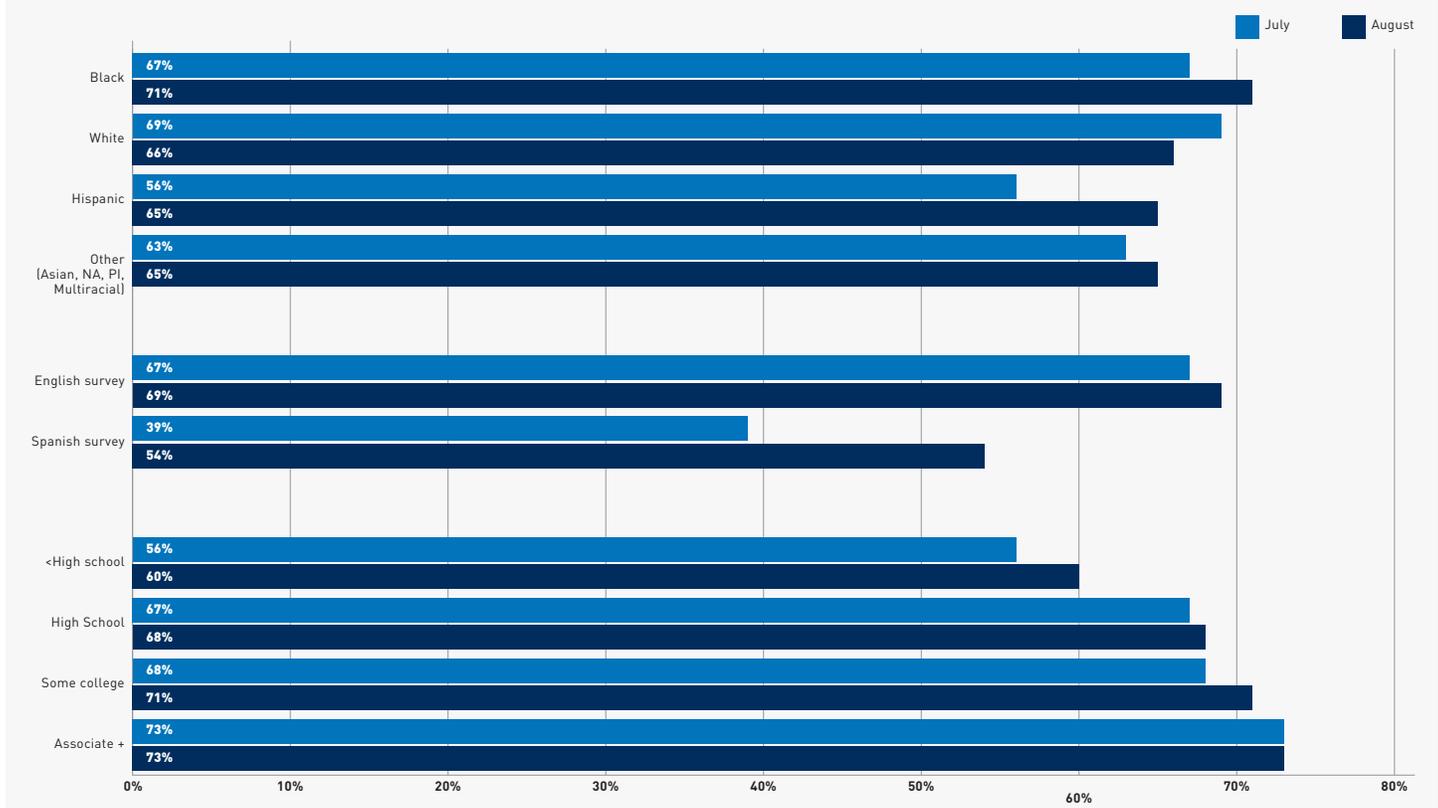
A few findings stand out. First, the share of parents who report getting the CTC varies by race and ethnicity. Although Hispanic parents were far less likely to have received the July CTC payment, by August, Hispanic families were receiving the CTC at similar rates to White families and those of other racial and ethnic backgrounds. The improvement in the rate of receipt among Hispanic households may in part be driven by an IRS glitch that resulted in some immigrant-led households who file taxes with an ITIN not receiving their July payment.

The IRS corrected the glitch and provided affected households with their July payment in August.⁹ Interestingly, we also find the share of Black families who received the August CTC was 5-6 percentage points higher than that of any other racial or ethnic group.¹⁰

Second, although we saw an increase in the rate of receipt among Hispanic respondents, we also examined whether there were differences in the rate of CTC receipt by survey language. Although only 5-6% of survey respondents took the survey in Spanish, here we see a large difference in CTC receipt by dominant language. In July, only 38% of Spanish language respondents reporting getting the CTC as compared to 67% of English survey respondents. By August, the gap in receipt had reduced significantly but remained: 54% of Spanish language respondents received the CTC compared with 69% of English language respondents. The improved receipt among Spanish language respondents may in part be driven by the ITIN correction, but a gap remains nonetheless.

Some of the difference in receipt by primary language may be driven by differences in tax filing: 74% of Spanish language survey takers reported filing 2020 taxes as compared with 79% of English language survey takers. Five percent of Spanish language survey takers also reported not having heard of the CTC, compared with 2% of English survey takers.

FIGURE 5: PERCENT WHO RECEIVED THE CTC BY DEMOGRAPHIC GROUPS



However, even these differences in tax filing and knowledge of the CTC are unlikely to fully account for the lower share of CTC receipt among Spanish language respondents, who may be facing additional constraints. These findings point to a need to direct more outreach to Spanish language households.

Lastly, we examined differences in receipt of the CTC by education. We find an education gradient, in which those parents with greater education are the households most likely to have received the August CTC payment. When we look at differences between July and August CTC receipt by education, we find that although those without a high school degree continue to have the lowest reciprocity rate, the rate improved most for this group between July (56%) and August (60%). Some of the differences by education may be driven by differences in tax filing: 72% of parents with less than a high school degree filed 2020 taxes, compared with 80% of those with a high school degree, 80% of those with some college and 87% of those with an associate degree or more. Differences in receipt do not appear to be driven by awareness of the CTC as those without high school degrees were only somewhat less aware of the CTC (3%) than those with more education (2%).

HOW DID YOU USE THE CHILD TAX CREDIT AND WAS IT USEFUL IN MAKING ENDS MEET?

We asked parents an open-ended question about how they used the CTC payment (see Table 2). The vast majority reported using the money for basic living expenses like paying bills (75%), paying rent/mortgage (9%), paying off debt (4%) and buying food (7%). Many parents also reported using the money for expenses that are directly child-related. Twenty-four percent reported using the money for school supplies/school clothes or uniforms. Another 4% reported buying children’s clothing, 8% bought other child necessities like diapers or “things my child needs,” and 6% said they used the money for child care. Relatively few parents (2%) reported putting the money into a savings account.¹¹ Spending patterns for the July and August CTCs were quite similar, although more parents reported using the August CTC for school-related expenses.

In addition to asking parents how they spent the money, we asked parents how useful they found the payments in helping them make ends meet. Overwhelmingly, parents report that the CTC was useful in helping them to make ends meet, with 94% of respondents reporting it was very or somewhat useful (see Figure 6).

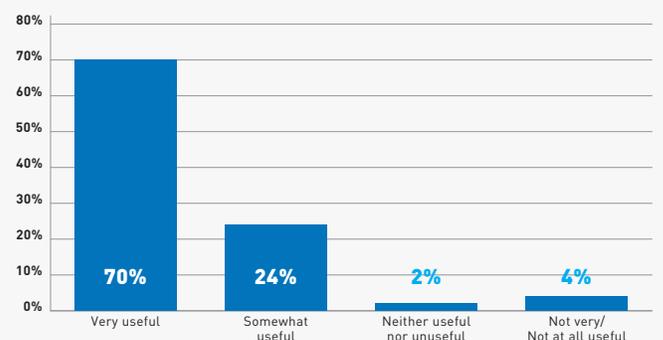
We also asked in another open-ended question about how the CTC affected their family or household. The majority of respondents reported positive sentiments—that the CTC was helpful or a blessing. A number of respondents reported being able to “catch up” or “make ends meet.” However, 16% reported the initial CTC payment did not provide enough help.

TABLE 2: HOW DID YOU USE THE CTC?

	PERCENT OF CAREGIVERS WHO RECEIVED CTC	
	JULY	AUGUST
BILLS AND LIVING EXPENSES		
Paid bills	72	75
Paid rent/mortgage/for housing	9	9
Paid of loans/debts	5	4
Bought food	5	7
Bought household necessities (toiletries, cleaning supplies etc)	4	5
Paid for gas or car expenses	2	5
CHILD-RELATED EXPENSES		
Bought school supplies	11	14
Bought school clothes/uniforms	8	10
Bought child necessities (diapers, wipes, other)	8	8
Bought child clothes	6	4
Paid for child care	4	6
OTHER		
Put money in savings	2	2
Other	4	4
Clothes (not specified kid/adult)		2
N	1,151	2,208

Note: Categories are not mutually exclusive (people could select multiple responses). Sample is restricted to parents who received the CTC and who provided a response. Percents may sum to more than 100%.

FIGURE 6: HOW USEFUL HAS THE CTC BEEN TO HELPING YOU MAKE ENDS MEET?

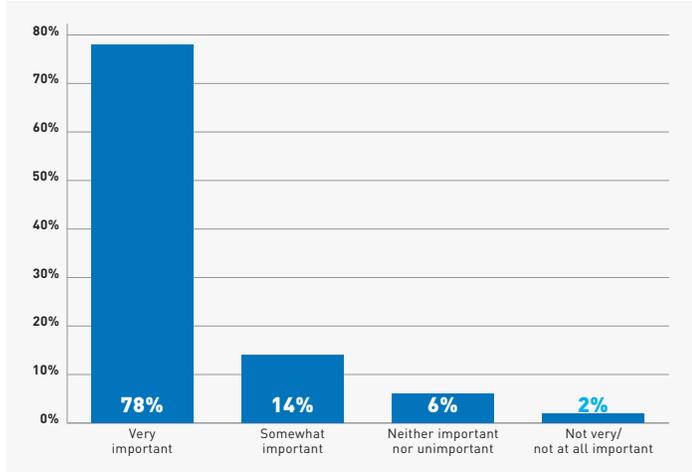


Note: Among respondents who said they got the CTC.

This could be a function of the fact that those with very low incomes may still struggle to afford basic expenses despite these additional payments.

Lastly, we asked parents to tell us how important it will be for the government to continue the expanded CTC once the coronavirus pandemic is over (see Figure 7). As might be expected given the general positive sentiments that parents expressed about the CTC, the majority (92%) report that it will be important to continue the CTC in the future.

FIGURE 7: HOW IMPORTANT IS IT FOR POLICYMAKERS TO CONTINUE GIVING FAMILIES THE CTC ONCE THE CORONAVIRUS PANDEMIC IS OVER?



Note: Sample is restricted to respondents who were familiar with the CTC and who had children under 18

CONCLUSION

This study offers an initial glimpse into the extent to which the expanded Child Tax Credit is reaching and improving the welfare of low-income families. The majority of families in our study received the July and August CTC payments and found them to be a great help. However, some families continue to report confusion around the process. Parents with limited English proficiency, as well as those with less education, report relatively low reciprocity rates. Other research has found that reciprocity rates decline with income, perhaps because those with less income are less likely to file taxes.¹² And many parents report difficulty accessing the online tools meant to facilitate the process of registering with the IRS. These findings suggest policymakers should continue to pursue strategies that increase awareness of and support for accessing the CTC among those who are currently not receiving their payments. Future surveys will help us understand if more low-income families learn about and receive the CTC and how spending patterns change over time.

ABOUT THE AUTHORS

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ENDNOTES

- 1 Sophie Collyer, Christopher Wimer, and David Harris, "[Earnings Requirements, Benefit Values, and Child Poverty under the Child Tax Credit](#)," *Columbia University Center on Poverty and Social Policy* 3, No. 3 (March 2019).
- 2 Claire Zippel, "[After Child Tax Credit Payments Begin, Many More Families Have Enough to Eat](#)," *Center on Budget and Policy Priorities*, August 30, 2021.
- 3 Zachary Parolin, Elizabeth Ananat, Sophie Collyer, Megan Curran, and Christopher Wimer, "[The Initial Effects of the Expanded Child Tax Credit on Material Hardship](#)," *Columbia University Center on Poverty and Social Policy*, Poverty and Social Policy Working Paper, August 30, 2021.
- 4 Zachary Parolin and Megan A. Curran, "Expanded Child Tax Credit Leads to Further Decline in Child Poverty in August 2021," *Columbia University Center on Poverty and Social Policy*, Poverty and Social Policy Fact Sheet, September 24, 2021. Researchers from Columbia have been generating monthly poverty rates since the onset of the pandemic.
- 5 <https://www.irs.gov/newsroom/irs-families-now-receiving-august-child-tax-credit-payments-still-time-for-low-income-families-to-sign-up>
- 6 This estimate is not precise as respondents could pick multiple options for why they did not get the CTC.
- 7 Though it is often referred to as a non-filer portal, those who use it are filing a simplified tax return
- 8 31% of respondents reported using the update portal and 21% used the non-filer portal in the August survey.
- 9 <https://www.washingtonpost.com/business/2021/07/30/immigrant-parents-child-tax-credit-delays/>
- 10 An analysis of tax filing shows that 81% of Black parents, 80% of White parents, and 77% of Hispanic parents had filed 2020 taxes. Thus, tax filing cannot explain the higher rate of receipt among Black families.
- 11 Far fewer respondents in our survey reported using the CTC on food expenses as compared with the nationally representative Census Household Pulse Survey. Unlike the Census Pulse survey which asked respondents to indicate how they used the CTC from a set of choices, we asked an open-ended question. Additionally, 84% of parents in our sample are currently receiving SNAP benefits; thus, they may have had less need to use their CTC on food expenditures.
- 12 Parolin et al., "The Initial Effects"

APPENDIX

APPENDIX TABLE 1: CHARACTERISTICS OF FAMILIES IN THE STUDY SAMPLE

	JULY	AUGUST		JULY	AUGUST
AGE			RACE/ETHNICITY		
18-24	7%	8%	Black	32%	41%
25-34	36%	42%	White	39%	32%
35-44	38%	37%	Hispanic	20%	19%
45-54	14%	10%	Other	10%	8%
55+	6%	4%	EDUCATION		
HOUSEHOLD STRUCTURE			<High school	8%	6%
Household size	4.24	4.39	Some high school	16%	15%
Partner/spouse	31	28	High school	37%	40%
Extended family (parents, siblings, aunts/uncles)	12	13	Some college	28%	28%
Other (friends, roommates)	4	4	Associate degree	8%	7%
NUMBER OF KIDS			College +	4%	3%
Under 6	0.91	0.98	HOUSEHOLD MONTHLY EARNINGS		
Ages 6-18	1.65	1.71	No earnings	22%	20%
GENDER			<\$500	15%	17%
Woman	94%	95%	\$500-999	18%	20%
GEOGRAPHY			\$1,000-1,999	26%	25%
Rural	33%	32%	\$2,000+	14%	13%
Urban	45%	47%	Prefer not to say	5%	4%
Suburban	22%	21%			

Note: Sample is restricted to households with children under the age of 18.