



## **FAMILIES WITH LOW INCOMES AND THE CHILD TAX CREDIT: WHO IS STILL MISSING OUT?**

*By Natasha Pilkauskas and Katherine Micheltore*

### **INTRODUCTION**

Since July, the vast majority of families with children under 18 have been receiving a monthly payment from the Internal Revenue Service (IRS) as part of the temporarily expanded Child Tax Credit (CTC) included in the American Rescue Plan Act (ARPA). The expanded CTC is much larger than the previous version, providing families with an annual credit worth \$3,600 per child under age 6 and \$3,000 per child aged 6 to 17.<sup>1</sup> Families are receiving half the total tax credit as monthly payments (\$250-\$300/child) between July and December this year, with the remainder of the credit paid out after parents file their 2021 taxes.

The current policy is distinct from other tax credits in that it is paid monthly and available for families even if they have no earnings, similar to monthly child allowances available in many Western nations. The goal of the expanded CTC, and similar programs in other countries, is to help parents manage the added costs of raising a child to better ensure healthy child development. Because this credit goes to families with little or no earnings, it has the potential to dramatically reduce child poverty. In fact, estimates suggest the CTC expansion could reduce child poverty by as much as half<sup>2</sup> and that the first few months of the credit have already lifted 3.5 million children out of poverty.<sup>3</sup>

However, the full anti-poverty impact of the expanded CTC will only be realized if all eligible families receive their payments. Although the IRS reported that 60 million children received the CTC (or 90% of those eligible to receive the credit), millions of children are still not benefiting from the CTC. In this brief, we try to better understand which children are still not receiving the monthly benefit.

To examine this question, Poverty Solutions partnered with [Propel](#), creators of the [Providers](#) app (formerly Fresh EBT), which helps more than 5 million low-income families manage their Supplemental Nutrition

Assistance Program (SNAP) benefits. Families in our study have very low incomes, making on average a little over \$10,000 per year, and many (about 30%) are unemployed. By focusing on a population of parents with low incomes, this brief focuses on CTC receipt among a group that is particularly likely to be at risk of not receiving payments. We highlight new findings regarding receipt of the tax credit among a very low-income population, building on findings reported in an [earlier brief](#).

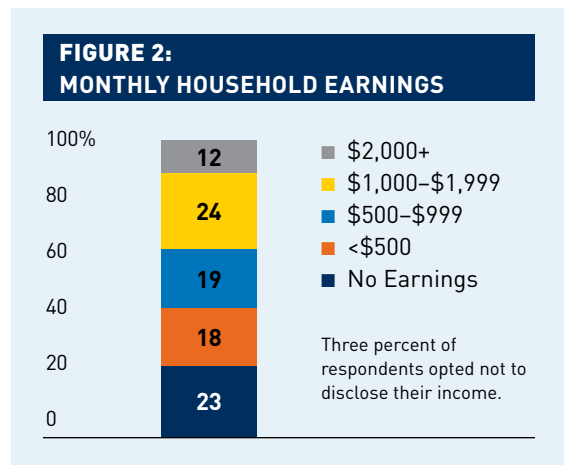
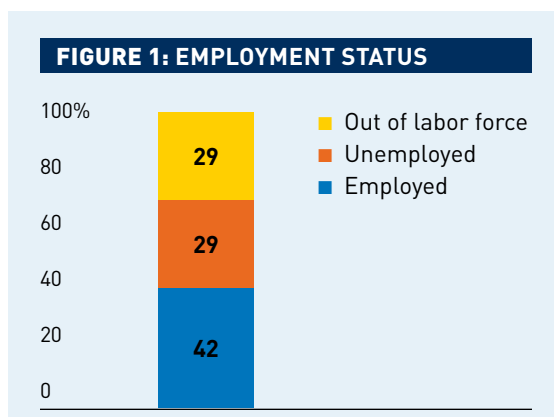
### **KEY FINDINGS**

- Sixty-eight percent of families with very low incomes got the October Child Tax Credit (CTC) payment, a rate of receipt that is comparable to the August and September payments.
- Although a total of 32% of families with very low incomes did not receive the October CTC payment, 4% had filed for the credit but were awaiting a payment, and another 7% reported not receiving the credit for “valid” reasons, such as opting to get the lump sum payment or another parent receiving the credit. Thus, about 1 in 5 eligible parents (21%) did not receive the October CTC payment for other reasons.
- Employed parents and families with at least \$500 of monthly earnings were substantially more likely to receive the October CTC than unemployed parents and families with little or no monthly earnings, suggesting that the expanded CTC is still missing the most vulnerable families.
- Hispanic parents and those who took our survey in Spanish were much less likely to have received the October CTC, despite relatively high rates of tax filing, suggesting additional barriers faced by these groups.

## THE SURVEY

Every month, Propel invites users of the Providers application to take an online survey on a range of topics related to household financial stability, including a battery of questions related to the expanded Child Tax Credit. In this brief, we discuss results from the survey conducted during the first two weeks of November (11/1-11/14). The survey had over 6,000 respondents, more than half of whom were living with children under 18 (56%). Respondents living with a child under 18 were asked a number of questions about the October CTC payment as well as questions about the receipt of prior monthly payments. The analyses here focus only on those respondents with co-resident children under 18 (we refer to these respondents as parents but some may be non-parental primary caregivers).

Families in our survey are economically disadvantaged relative to the broader population. [Figures 1 and 2](#) provide data on employment and monthly household income among respondents with children under age 18.<sup>4</sup> As shown in [Figure 1](#), only 42% of respondents are employed, another 29% are unemployed, and 29% are out of the labor force. [Figure 2](#) shows that 23% of households with children had no earnings, 18% had less than \$500 in monthly earnings, and another 19% had \$500-\$1,000 in monthly earnings. Only about one-third of families earned at least \$1,000 each month (36%). Nearly all families in our study (96%) receive some form of public assistance. For instance, 86% receive SNAP, 21% receive supplemental nutrition for Women, Infants, and Children (WIC), and 11% receive Section 8 housing vouchers. Despite high rates of unemployment, only 1% receive unemployment insurance. Additional demographic information on our sample of parents is available in [Appendix Table 1](#).

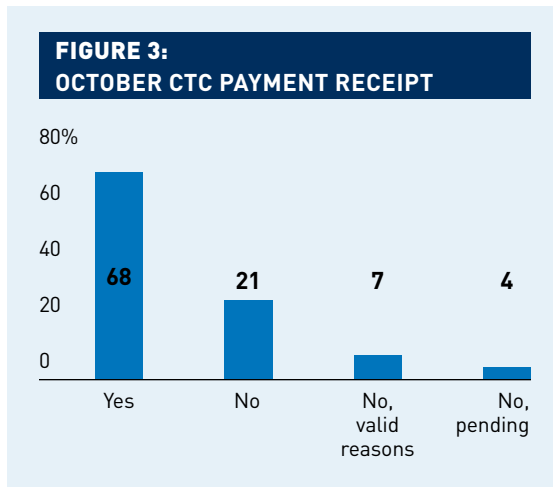


## HOW MANY LOW-INCOME FAMILIES HAVE RECEIVED THE CTC?

We asked parents if they received the October payment of the Child Tax Credit, and if they did not receive it, we asked them why they had not received the payment. Based on their responses to this second question, we categorized non-recipients into three groups to better understand why families did not receive the October payment and how we might reach these families.

First, we identified parents who did not receive the October CTC payment due to “valid” or “legal” reasons. This group includes parents who opted to receive the credit as a lump sum, reported that another relative or parent received the credit, or reported their child was born in 2021 (and therefore was not yet eligible).<sup>5</sup> Second, we differentiated parents who said they hadn’t received the credit but noted that they applied and were waiting to get it, their payment was “pending,” or their taxes were “amended.” This group may have recently filed, be waiting on the payment, or may have some other error/issue that is yet to be resolved. The final category consisted of parents who had not received their payments but the reason for non-receipt is unclear (e.g., they said they didn’t know why) or they reported processing errors (e.g., a bank or address problem). This last category also includes the 2% of parents who reported not having heard of the CTC.

Sixty-eight percent of parents reported that they received the October CTC payment (see [Figure 3](#)). Another 7% reported not getting the credit, but for valid reasons (e.g., another parent got the credit), and 4% reported that the credit was pending (meaning they’d filed to receive it). Thus, 21% of parents did not get the credit for some other reason.

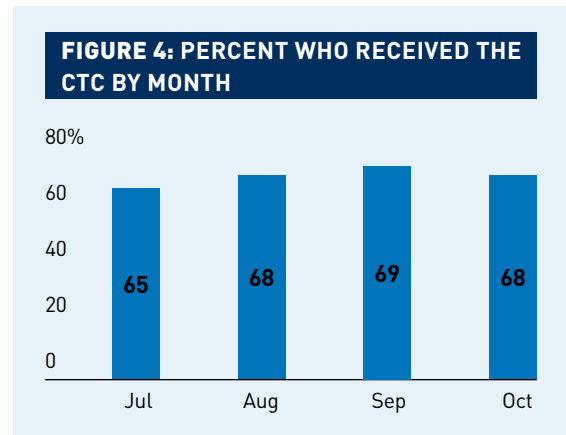


We also asked parents if they had received prior monthly CTC payments. Among this population, the rate of receipt has remained quite steady after a small increase between July and August (see [Figure 4](#)).<sup>6</sup> An additional analysis shows that 75% of parents received at least one of the four payments: 52% of parents received all four months of the CTC, 7% received three months, 6% received two, and 9% received one month of the credit.

### WHICH CHILDREN ARE STILL NOT RECEIVING THE MONTHLY BENEFIT?

While the majority of families in our survey report receiving the CTC benefit in October, our goal is to better understand the characteristics of families who did not get the credit and are thus left out of this important, monthly benefit. We focus the next discussion on those who did not get the CTC, differentiating between families who did not get the credit for valid reasons (such as another parent receiving the credit), those who have pending applications, and those who did not get the credit for another reason. The pattern of non-receipt across these three categories provides insight into ways we can better ensure that all eligible families get the credit.

The 2021 CTC is distributed based on income and living arrangements reported on 2020 income tax returns. Families with little or no earnings are not required to file taxes, making it potentially more challenging for these families to access the CTC.<sup>7</sup> The 2021 reform to the CTC expanded eligibility to families with zero earnings; historically, very low-earning families were not eligible for the benefit (individuals had to have at least \$2,500 of annual

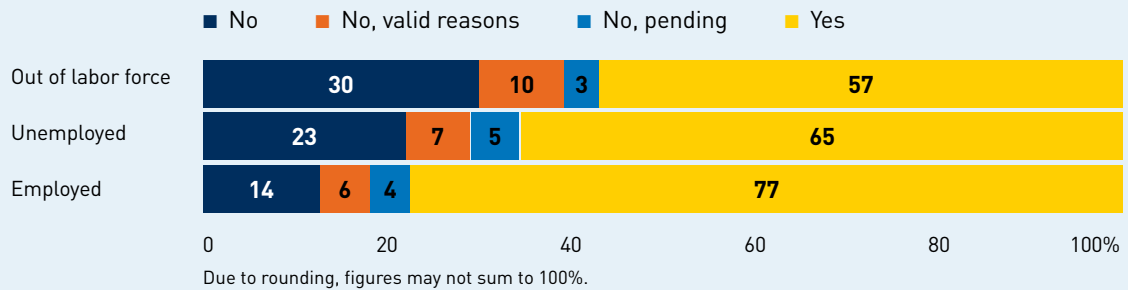


earnings to receive the benefit up until the 2021 reform). Thus, we expected to find disparities in access to the CTC by employment status, since families with little to no annual employment may not file taxes regularly.

When we examine differences by employment status ([Figure 5](#)), we find those who reported being out of the labor force were nearly twice as likely to not receive the credit for any reason (43%, reflecting the sum of 10% who reported another parent claimed the credit or that they opted for a lump sum, 3% who reported a pending payment, and 30% who reported not receiving the credit for some other reason) compared to those who were employed (24%). The rate of non-receipt for those who were unemployed (i.e., not currently working, but looking for work) fell in between, at 35%. Some of this disparity is driven by differences in the share reporting not receiving the credit for valid reasons: 10% of those who are out of the labor force reported not getting the credit for valid reasons, compared to 6% of employed respondents. This pattern might be expected if, for example, a non-working parent allowed the other parent or another working family member to claim the child on their 2020 tax return in order to receive other work-based tax credits such as the Earned Income Tax Credit. Additionally, since we only have information on child living arrangements at a single point in time, it is also possible that the child was living with the other parent during the previous calendar year or splits their time across different households, creating some confusion over which parent should receive the monthly CTC benefit.

Closely related to employment is household income. While we do not have information on annual income from the previous calendar year, respondents report

**FIGURE 5: CTC RECEIPT BY EMPLOYMENT STATUS**



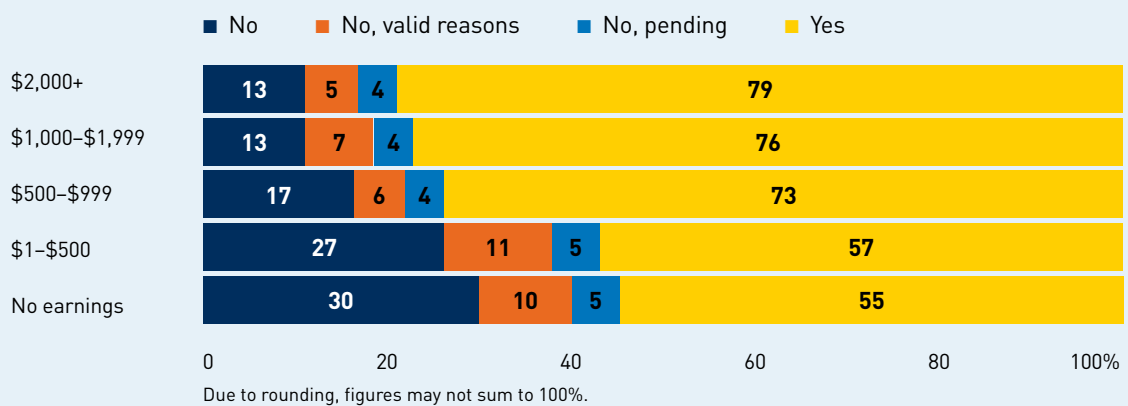
their total household income from earnings in the last month. We group these individuals into several categories: those with no earnings from the previous month, less than \$500, \$500-\$999, \$1,000-\$1,999, and \$2,000 or more in monthly earnings.<sup>8</sup>

We find a substantial income gradient in CTC receipt (see Figure 6): 45% of individuals who report having no household earnings in the previous month did not receive the CTC in October — either due to valid reasons, a pending payment, or some other reason — compared to only 22%-24% of individuals with \$1,000 or more in monthly household earnings. Individuals with \$1-\$500 in monthly household income have similarly low rates of CTC receipt, with 43% not receiving the October payment. Again, some of these disparities are driven by differences in the share reporting not receiving the benefit for valid reasons, but income gaps remain large even if we compare those who did not receive the benefit due to some other reason (30% among non-earning households

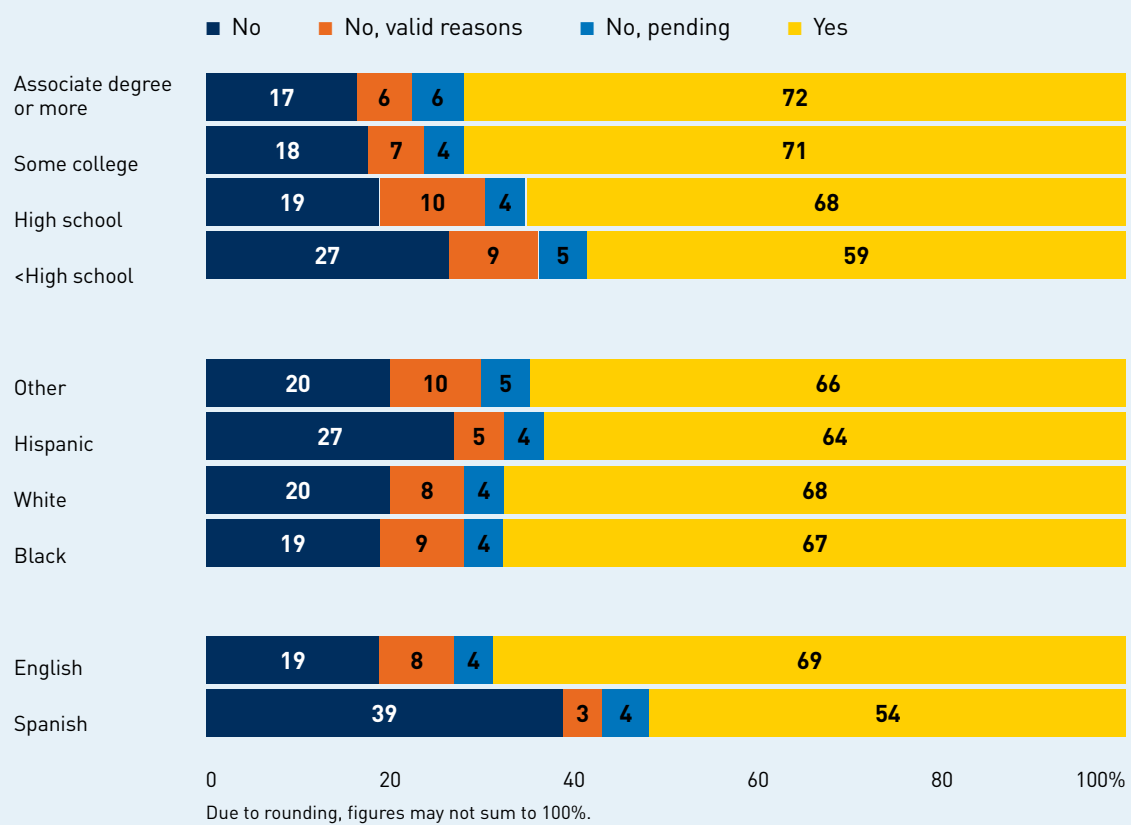
compared to 13% among households with at least \$2,000 of monthly earnings).

In an [earlier brief](#), we found differences in receipt by education, survey language (Spanish vs. English), and by race/ethnicity. In Figure 7, we examine whether those differences remained two months later. In July and August, we found those without high school degrees were 8-13 percentage points less likely to have received CTC payments. We continue to see a similar gradient in October. Those with at least some college and those who completed an associate degree or more have similar rates of non-receipt (29% did not get the credit). The rate of non-receipt increases slightly for those with only a high school degree (33%), though this increase is largely driven by a higher share of respondents who did not receive the payments for valid reasons. As we found in earlier surveys, we continue to find that those without high school degrees were much less likely to receive the October CTC payment (41% report not receiving the benefit for any reason).

**FIGURE 6: CTC RECEIPT BY HOUSEHOLD MONTHLY INCOME**



**FIGURE 7: CTC RECEIPT BY EDUCATION, RACE/ETHNICITY, AND SURVEY LANGUAGE**



Our earlier brief also noted that those who took the survey in Spanish were 15 percentage points less likely to have gotten the August CTC payment compared to those who took the survey in English. In October, we continue to find a 15 percentage point gap. Approximately one-third (31%) of parents who took the survey in English reported not receiving the credit for any reason, compared to nearly half of those who took the survey in Spanish (46%). This discrepancy is especially troubling as 39% of the Spanish language parents did not receive the credit for some other reason.<sup>9</sup>

When we look at differences by race/ethnicity, we find Hispanic respondents were more likely to report not getting the October CTC payment for any reason (36%) compared to parents of other races/ethnicities (roughly 32%) and much more likely to report not receiving the credit due to some reason besides another parent claiming the credit, opting for a lump sum, or a pending payment (27% compared to roughly 20% among other race/ethnicities).<sup>10</sup> It is also notable that Hispanic

parents are less likely to report they didn't get the credit for valid reasons (e.g., another parent claimed the child) than all other racial/ethnic groups.

### ARE THESE DIFFERENCES ALL DRIVEN BY DIFFERENCES IN TAX FILING?

In [Table 1](#), we examine differences in tax filing among the groups examined in this brief to consider whether this might explain some of the observed discrepancies in receipt. Note, we only asked respondents about their 2020 tax filing, but the IRS uses the 2019 tax filing status if 2020 is not available.

Although we do not have data on 2019 tax filing, because the CTC is administered through the tax system, we examined whether there were differences in receipt by 2020 tax filing status. A few key findings stand out. Consistent with our findings on receipt, those who are out of the labor force (55%), those with no (55%) or very low earnings (67%), and those without high school degrees (64%) are far less likely to report that

**TABLE 1: 2020 TAX FILING BY DEMOGRAPHIC GROUP**

	% who filed taxes
<b>Employment Status</b>	
Employed	78
Unemployed	69
Out of labor force	55
<b>Household monthly earnings</b>	
No earnings	55
\$1-\$500	67
\$500-\$999	72
\$1,000-\$1,999	77
\$2,000+	79
<b>Education</b>	
<High school	64
High school	70
Some college	71
Associate degree or more	75
<b>Language</b>	
Spanish	71
English	69
<b>Race/Ethnicity</b>	
Black	68
White	70
Hispanic	73
Other	63

Sample is restricted to parents with children under the age of 18 who responded to questions about the Child Tax Credit.

they filed taxes in 2020 compared to those who are employed (78%), have higher earnings (79% among those with at least \$2,000 of monthly earnings), or more education (75% among those with associate degrees).

However, the differences in receipt that we observe by survey language and for Hispanic respondents do not appear to be driven by tax filing. In fact, both Spanish language survey respondents and Hispanic respondents are somewhat more likely to have filed their 2020 taxes, despite lower overall receipt of the tax credit. This finding is perplexing and suggests tax filing does not explain the differential we observe among these populations.

This finding is also consistent with new research by Propel, which suggests that the majority of families with low incomes who have not received a monthly CTC payment filed taxes (in 2020 or 2019), but are still facing challenges receiving their CTC for unknown reasons.

## HOW DID FAMILIES WHO GOT THE OCTOBER CTC USE THE PAYMENT?

These economic and racial disparities in monthly CTC benefit receipt are concerning for several reasons. Recent evidence suggests the monthly benefits are already reducing child poverty substantially and reducing the incidence of material hardships such as food insecurity.<sup>11</sup> Thus, eligible families that are not receiving these monthly benefits are missing out on a potentially vital source of income. To provide more insight on what these families might be missing, we now examine how families receiving the CTC are spending their monthly payments.

As reported in an earlier brief, parents continue to report using their CTC payments to pay for basic needs and child-related expenses (consistent with other surveys).<sup>12</sup> As shown in [Table 2](#), 75% reported using the money to pay bills. The share of parents who said they used the money on rent or mortgage increased slightly from 9% in September to 12% in October. Although 4% of parents reported using the October money for school supplies and clothes, this was a decline from the September survey, where 11% reported spending money on school-related expenses. Open-ended responses also showed parents reporting a shift in the type of clothing they were buying kids, away from school clothes and toward buying children winter clothes, boots, and coats.

## CONCLUSION

Our findings suggest the CTC is reaching the majority of families with low incomes. Each month, about two-thirds of respondents report receiving a CTC payment, and as of November, approximately three-quarters of respondents reported receiving a payment in at least one month between July and October. While these rates are somewhat lower than those reported elsewhere<sup>13</sup>, the respondents in our survey are much more economically disadvantaged than the population overall. Additionally, many of those who report not receiving the CTC in October state they did not receive the credit for some other valid reason, such as another parent claiming the child or opting for a lump sum payment (7%), and another 4% report their credit is pending, which may represent a payment in progress or another potential issue we cannot observe. Together, this suggests that about 75%-80% of families either received the benefit in October, are waiting to receive it, or did not receive the credit for valid reasons.

**TABLE 2: HOW DID YOU USE THE CTC?**

%	
<b>Bills and living expenses</b>	
Paid bills	75
Paid rent/mortgage/for housing	12
Bought food	8
Bought household necessities (e.g., toiletries, cleaning supplies)	6
Paid for gas or car expenses	5
Paid loans/debts	4
<b>Child related expenses</b>	
Bought child necessities (diapers, wipes, other)	9
Bought child clothes	9
Paid for child care	5
Bought school supplies	2
Bought school clothes/uniforms	2
<b>Other</b>	
Put money in savings	1
Clothes (not specified kid/adult)	2
Holiday/birthday gifts	1
Other	2
<b>N</b>	<b>1,982</b>

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%.

## ABOUT THE AUTHORS

Natasha Pilkauskas and Katherine Michelmore are associate professors of public policy at the Gerald R. Ford School of Public Policy at the University of Michigan.

The authors would like to acknowledge Propel for its partnership in fielding the survey and sharing results for analysis. We would also like to thank [U-M Poverty Solutions](#) associates Samiul Jubaed for his assistance with the data cleaning and Patrick Cooney and Luke Shaefer for their input.

Nonetheless, this high overall rate of receipt masks significant economic disparities in who receives the benefit within this low-income sample. Although we cannot determine why families are not yet receiving the credit, it is clear that employed individuals and those with higher family income were substantially more likely to report receiving the CTC in October, suggesting the monthly credits are still not reaching the most vulnerable families.

As Congress debates a potential extension of the expanded CTC, it is essential we continue to search for ways to reach families who have not yet gotten the CTC to reduce the disparities we discuss here. Additionally, we continue to find relatively low rates of CTC receipt among Hispanic parents and households that took the survey in Spanish, despite similar rates of tax filing between these groups and other respondents. This finding suggests Hispanic and Spanish language parents face additional barriers in receiving their monthly CTC benefits, an area that requires further research to understand why this differential might occur.

**APPENDIX TABLE 1:  
CHARACTERISTICS OF FAMILIES WITH CHILDREN IN THE STUDY SAMPLE**

	%
Employment Status	
Employed	42
Unemployed	29
Out of labor force	29
Filed taxes	69
Age	
18-24	8
25-34	42
35-44	37
45-54	10
55+	3
Household Structure	
Partner/spouse	28
Extended family (parents, siblings, aunts/uncles)	11
Other (friends, roommates)	4
Gender	
Woman	95
Geography	
Rural	33
Urban	47
Suburban	20
Race/Ethnicity	
Black	36
White	32
Hispanic	23
Other	8
Education	
<High school	25
High school	41
Some college	25
Associate degree or higher	9
Household monthly earnings	
No earnings	23
\$1-\$500	18
\$500-\$999	19
\$1,000-\$1,999	24
\$2,000+	12
Prefer not to say	3
Survey Language	
Spanish	10
English	90
Public Assistance	
SNAP	86
SSI	15
WIC	21
TANF	9
UI	1
Section 8 housing	11

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



## ENDNOTES

<sup>1</sup>About 90% of families are eligible for the larger credit, as the larger CTC benefit phases out for single filers with income above \$112,500 and married filers with income above \$150,000. Additionally, only children with valid Social Security Numbers and who live with at least one qualifying relative can receive the benefit.

<sup>2</sup>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).

<sup>3</sup>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.

<sup>4</sup>Respondents are asked to report their current employment status, including whether they work full or part-time, whether they are not working but looking for work, not able to work, or are retired. For simplicity, we group individuals into one of three categories: employed (full and part-time), unemployed (not working but looking for work), or out of the labor force (not working and not looking, not able to work, or retired).

<sup>5</sup>Though initially the IRS said parents who had a child in 2021 would be able to report that new dependent through an IRS update portal, it is not clear that this functionality was ever added to the website.

<sup>6</sup>Respondents who had not heard of the CTC were not asked this question. These estimates mirror almost exactly the share of parents who reported receiving the CTC in the surveys we ran in previous months. The estimates are slightly lower than those obtained by Propel through an in-app pop-up survey. The brief nature of the pop-up survey means we cannot assess if differences are driven by sample characteristics, the timing of the surveys, or the methods of distribution.

<sup>7</sup>Single filers with income below \$12,400 are not required to file taxes, unmarried filers with children are not required to file taxes if their income is below \$18,650, and married filers are not required to file taxes if their income is below \$24,800 in 2020. The IRS designed an online portal for families who did not file taxes in 2020 to input their information, but just 25% of parents in our survey report having used the portal. If 2020 filing information is not available, the IRS uses tax information from 2019.

<sup>8</sup>Respondents may also opt not to disclose their income; only 3% did so.

<sup>9</sup>An additional analysis examining the number of months of receipt (range 0-4) shows similar discrepancies. Only 32% of Spanish language survey respondents received all four CTC payments compared with 55% of English language parents.

<sup>10</sup>Note, 36% of Hispanic respondents took the survey in Spanish.

<sup>11</sup>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.

<sup>12</sup><https://www.cbpp.org/blog/9-in-10-families-with-low-incomes-are-using-child-tax-credits-to-pay-for-necessities-education>

<sup>13</sup>In July of 2021, the IRS reported that nearly 60 million children received the CTC payment in July, which corresponds to roughly 80% of all children under the age of 18. <https://home.treasury.gov/news/press-releases/Treasury-and-IRS-Announce-Families-of-Nearly-60-Million-Children-Receive-%2415-Billion-Dollars-in-First-Payments-of-Expanded-and-Newly-Advanceable-Child-Tax-Credit>