



Thank you for joining us for today's webinar:  
Social Security Interactions with the Child Tax Credit & Related Programs

The webinar will begin promptly at Noon CT



**Center for Financial Security and Retirement & Disability Research Center**



# Social Security Interactions with the Child Tax Credit & Related Programs

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April 11, 2023, Noon – 1 pm CT

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# Social Security Interactions with the Child Tax Credit & Related Programs



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- Welcome & Introduction
- Presentations:
  - Research Overview
  - Policy & Practice Implications
- Questions & Answers
- Sign Off



# Researchers & Discussants



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Dr. Madelaine L'Esperance



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## Social Security Interactions with the Child Tax Credit & Related Programs

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Research Overview:  
Social Security Interactions with the Child Tax Credit &  
Related Programs



# Social Security Interactions with Child Tax Credit Expansion

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# Research Overview: Social Security Interactions with the Child Tax Credit & Related Programs

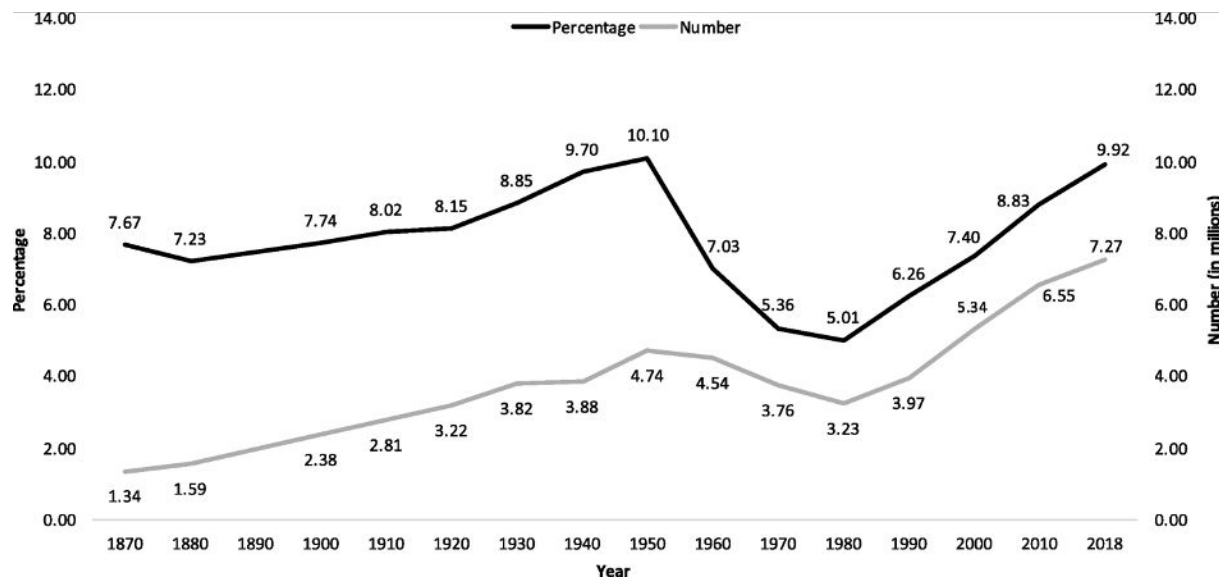


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# Research Overview: Social Security Interactions with the Child Tax Credit & Related Programs



- An estimated **12 percent** of children live in households that receive Social Security program benefits.
- Number has likely grown over several decades tracking the documented rise in household complexity (Fomby and Johnson, 2022; Pilkauskas et al., 2020; Harvey et al., 2021)



Percentage and number of children living in multigenerational households over time. (Pilkauskas, Amorim, and Dunifon, 2020).

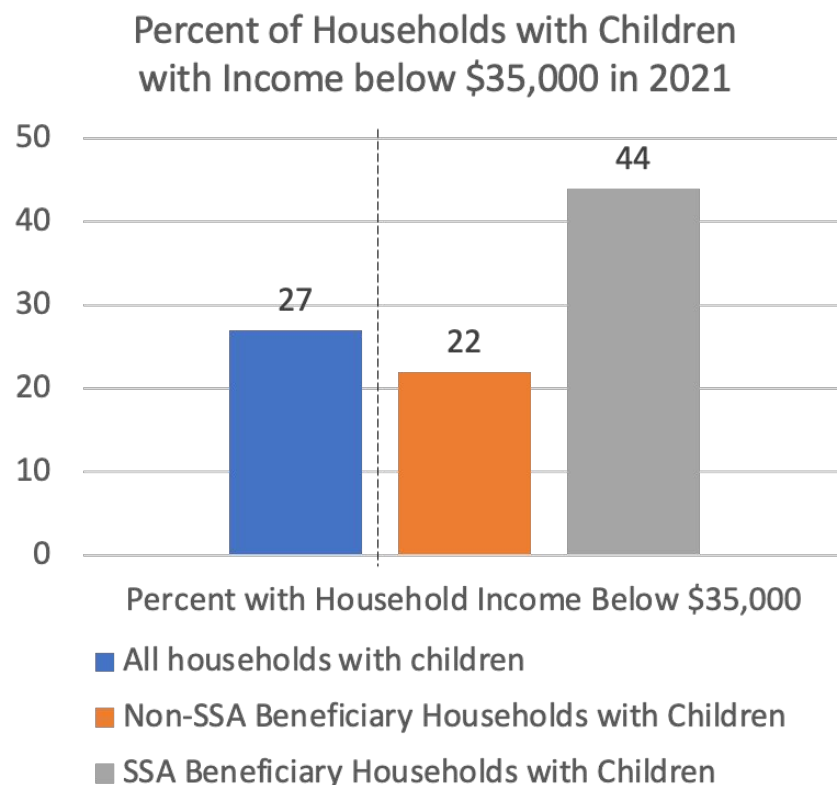


# Research Overview: Social Security Interactions with the Child Tax Credit & Related Programs



## SSA beneficiary households with children have limited economic resources

- Most of these children lived in households with incomes below the national average
- SSA program benefits are main source of income for many of these households
- Related work finds that 44 percent of children in Social Security beneficiary households had an annual income of less than \$35,000 in 2021 (L'Esperance, Grooms, Smeeding, 2023)



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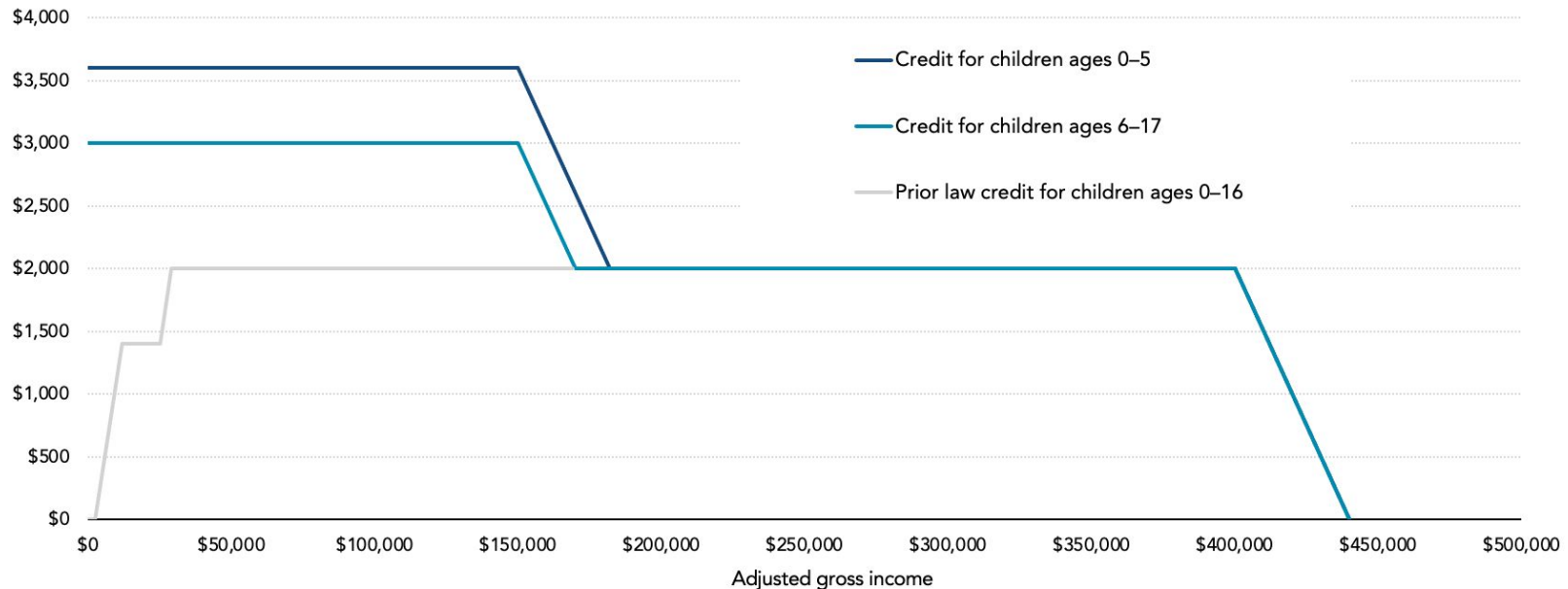
Many SSA beneficiary households with children were eligible for the expanded Child Tax Credit

- In July 2021, the American Rescue Plan Act (ARPA) significantly expanded the Child Tax Credit (CTC)
- Many Social Security program participants were newly CTC eligible
- Benefits significantly increased for newly and previously eligible tax filers, up to maximum \$3600 per child
- CTC payments do not reduce any Social Security program benefit amount (OASDI, SSI)
- Social Security and monthly CTC have significant antipoverty effects

# Research Overview: Social Security Interactions with the Child Tax Credit & Related Programs



**FIGURE 2**  
**Child Tax Credit, Married Parents One child 2020-2021**



**Source:** Urban-Brookings Tax Policy Center calculations.

**Notes:** Assumes all income comes from earnings, and child meets all tests to be a CTC-qualifying dependent. \$3,000 and \$3,600 credits are fully refundable; prior law limited refunds to \$1,400 out of the maximum \$2,000 credit. Credit for married parents first phases out at \$150,000 of income until credit reaches pre-2021 level; begins second phase out at \$400,000 of income. Only citizen children qualify for the \$3,000 and \$3,600 credits for children under 18. Noncitizens under age 18 who meet the dependency tests of eligibility can qualify for other dependent credit.

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## Key CTC differences in 2021 tax year

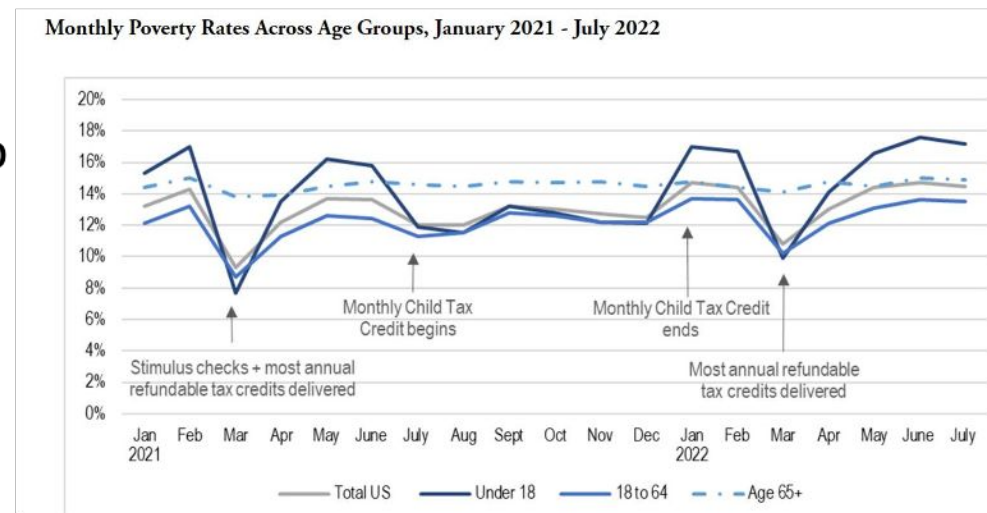
	2020 (and current) Tax Year	2021 Tax Year
Maximum Benefit Amount	\$2000 per child	Up to \$3600 per child (depends on age)
Maximum Child Age	16	17
Refundability Cap	\$1400	Fully refundable
Minimum Earned Income Threshold	\$2500	None

# Research Overview: Social Security Interactions with the Child Tax Credit & Related Programs



## Advance CTC Reduced Child Poverty Quickly and Substantially

- CTC reduced child poverty by 30% (Parolin, et al, 2022a)
- In January 2022, child poverty shot up by 41% as monthly CTC payments ended (Parolin, et al, 2022b)
- Low-income, parent/guardian not working, and Hispanic households less likely to receive CTC (Burnside, 2021; Pilkauskas and Mitchelmore, 2021a; Pilkauskas and Cooney, 2021)



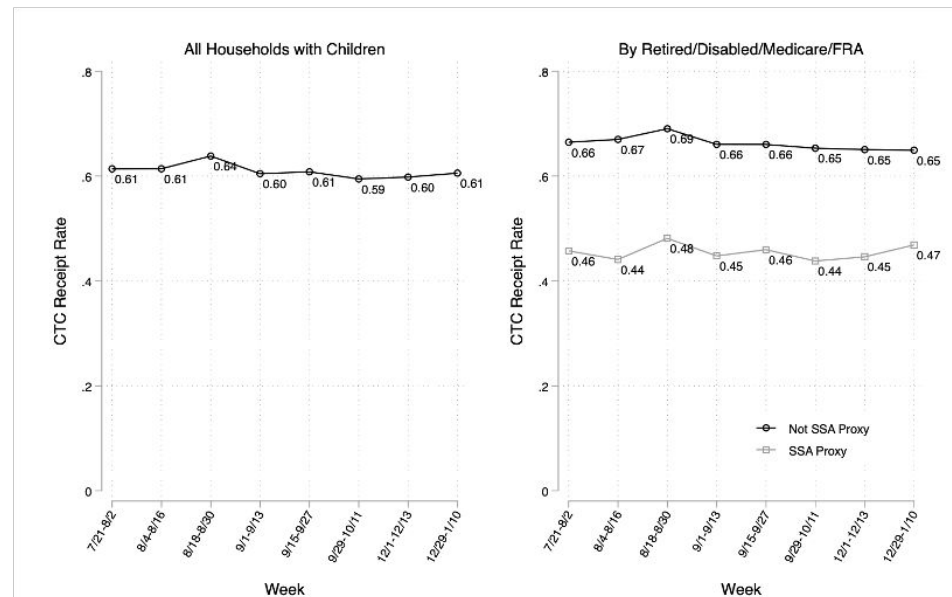
Source: Center on Poverty & Social Policy

# Research Overview: Social Security Interactions with the Child Tax Credit & Related Programs



## Receipt Rate Lower for SSA Beneficiary Households

- Lower tax credit benefit receipt for children living in households with socioeconomic disadvantage as well as immigrant, multigenerational, and complex families (Landers, CRS, 2021)
- Social Security beneficiary households with children receive CTC at lower rate



Data are Household Pulse Survey Phase 3.2 July 21, 2021 – January 10, 2022. Sample restricted to households with children under age 18. Child Tax Credit receipt reported at household-level. Retired status, disabled status, Medicare receipt, and age reported at individual-level for household respondent. Receipt rate calculated at household level.

# Research Overview: Social Security Interactions with the Child Tax Credit & Related Programs



## Our Study

- Simulate CTC Receipt and CTC amount using 2020 March CPS ASEC
- Estimate effects on household income and Supplemental Poverty Measure
- Examine heterogeneous effects by
  - Social Security program
  - Race and ethnicity
  - Living arrangements
- Map changes in child poverty rate by state

# Research Overview: Social Security Interactions with the Child Tax Credit & Related Programs



## Summary Statistics by SSA Beneficiary Household

	All	Social Security
Child Age	8.9	9.45
Child Under Age 6	0.30	0.24
Child Age 6-17	0.70	0.76
White	0.77	0.69
Black	0.11	0.17
Asian	0.05	0.05
Multiracial	0.05	0.05
Hispanic	0.23	0.21
Child Female	0.51	0.51
Household Income	\$118,512	\$95,531
SPM Poverty	0.13	0.19
Observations	39,444	4,827



# Research Overview: Social Security Interactions with the Child Tax Credit & Related Programs



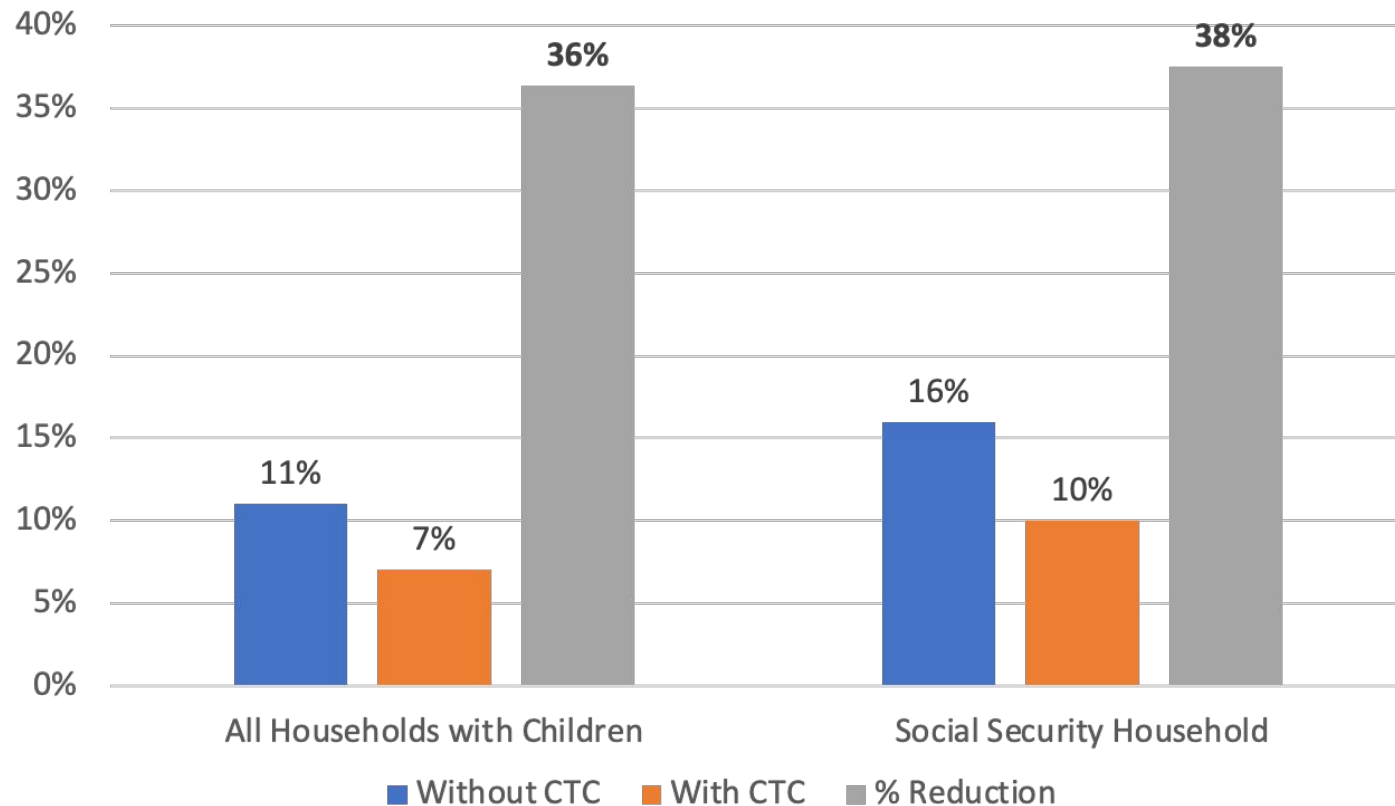
## CTC Eligibility and Tests by SSA Beneficiary Household Status

	All Households with Children	Social Security Beneficiary Households with Children
Eligible	0.99	0.97
Pass Relationship Test	0.99	0.97
Pass Residency Test	-	-
Pass Support Test	0.99	0.97
Full Credit Eligible	0.73	0.79
Partial Credit Eligible	0.23	0.18
Observations	39,444	4,827

# Research Overview: Social Security Interactions with the Child Tax Credit & Related Programs



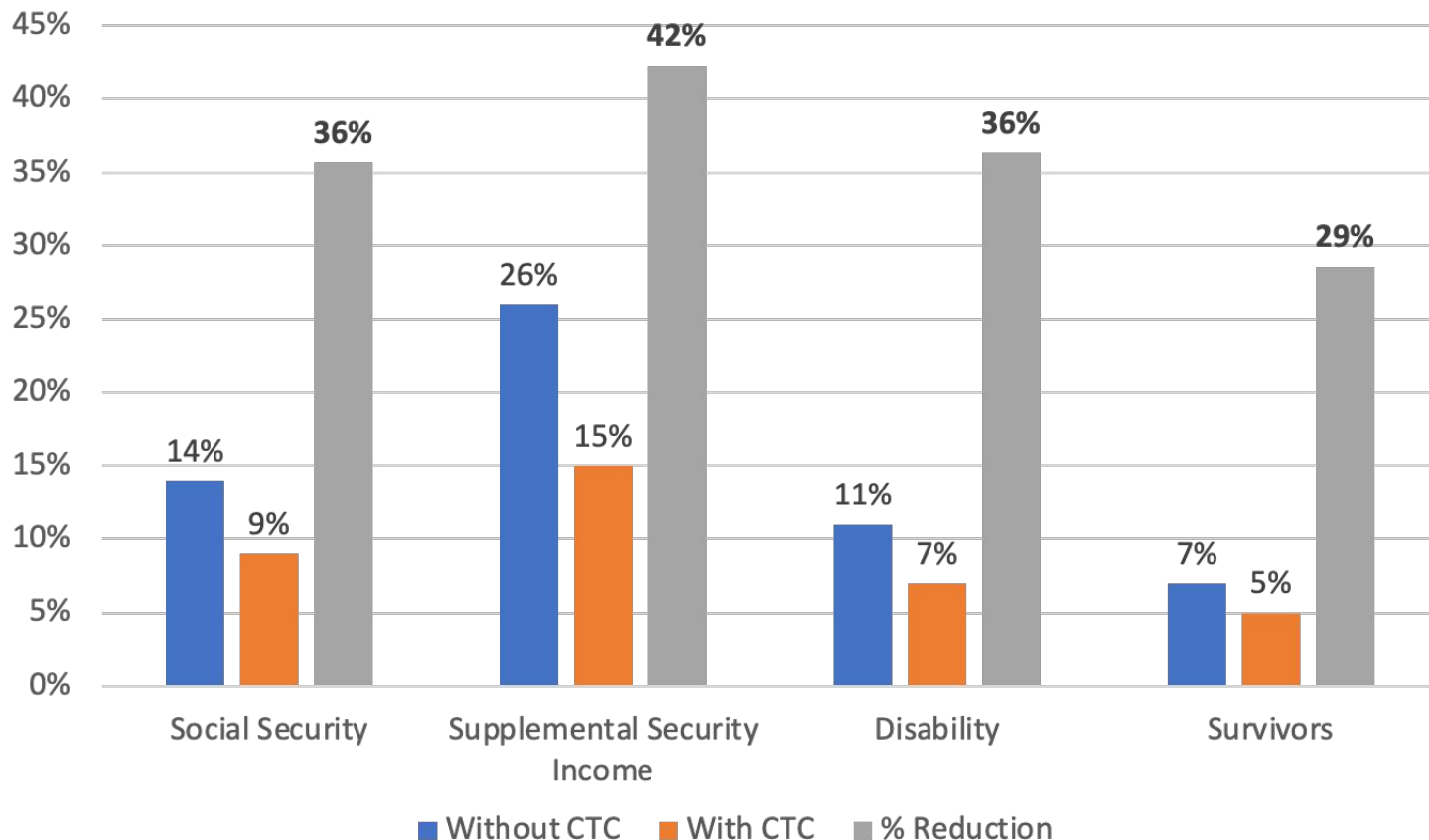
Large Poverty Reduction Overall and Among SSA Beneficiary Households with Children



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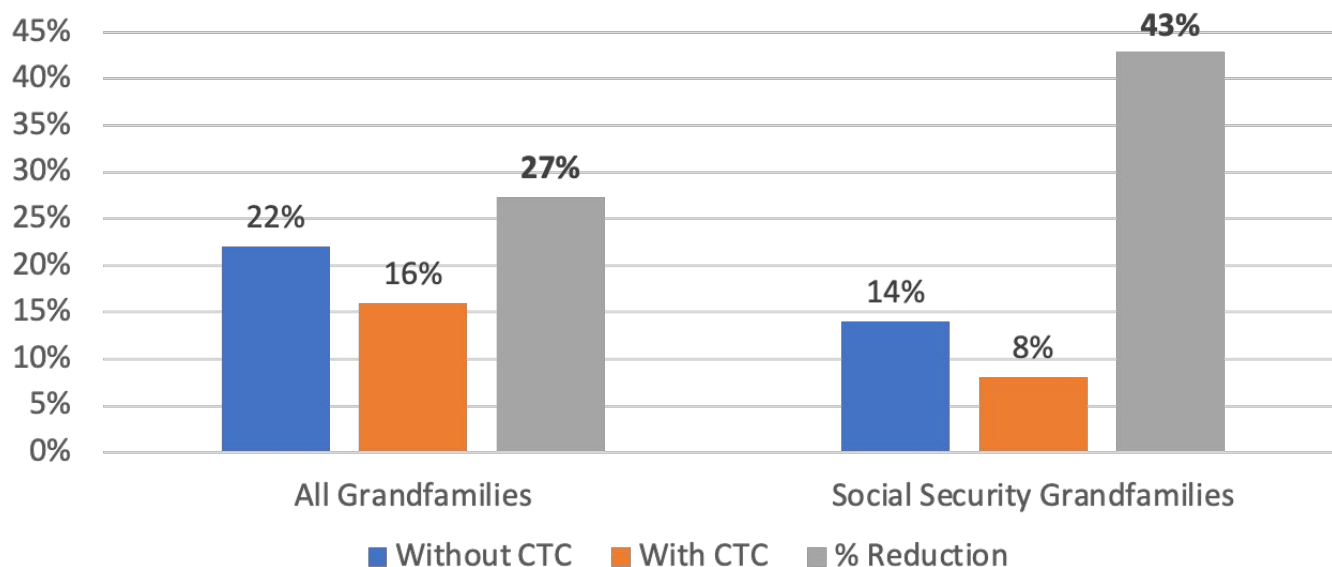
## SSI Households Experience Largest Poverty Reduction



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Grandfamilies who Receive SSA Benefits Experience 43% Poverty Reduction

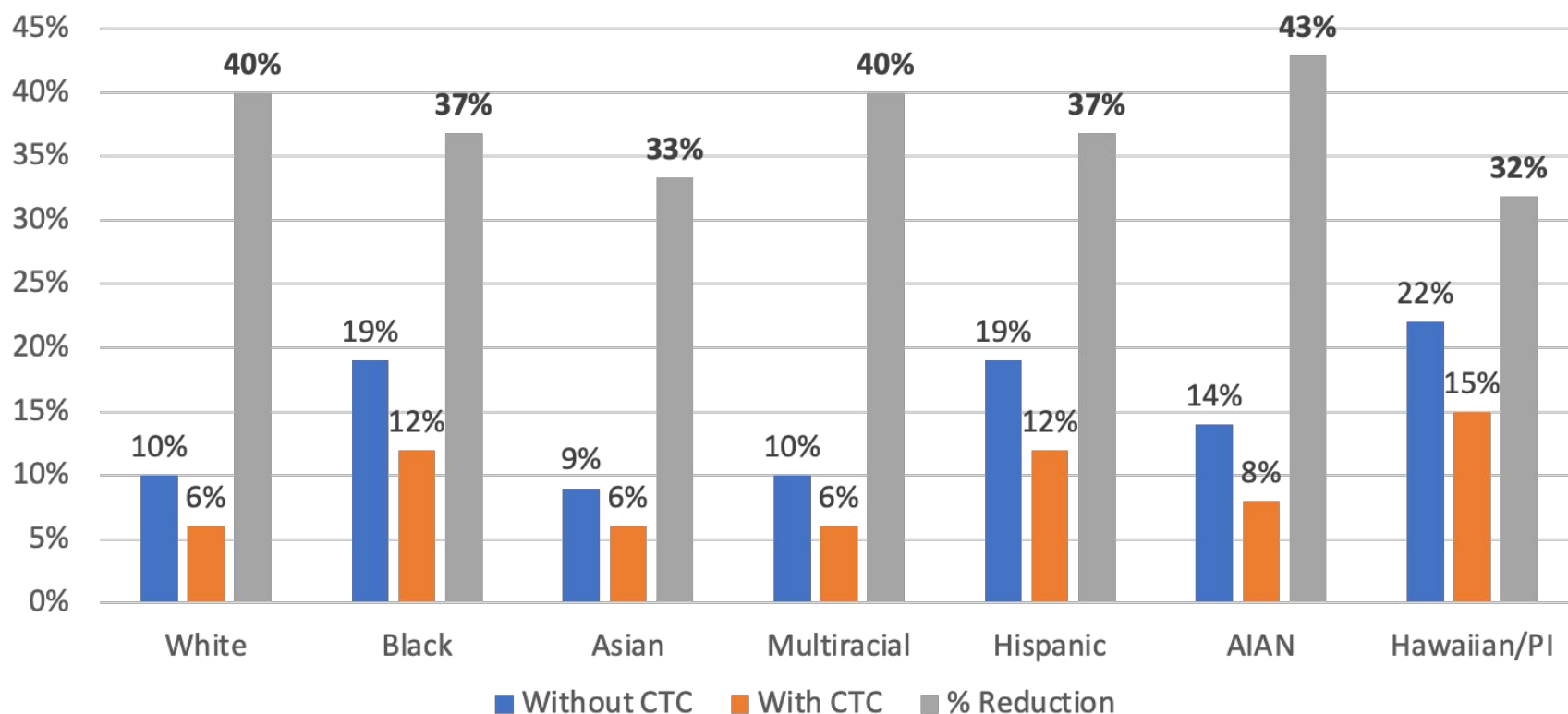


	All	Social Security
Parent-Child	0.90	0.64
Grandparent-Child	0.02	0.11
Multigenerational	0.04	0.16

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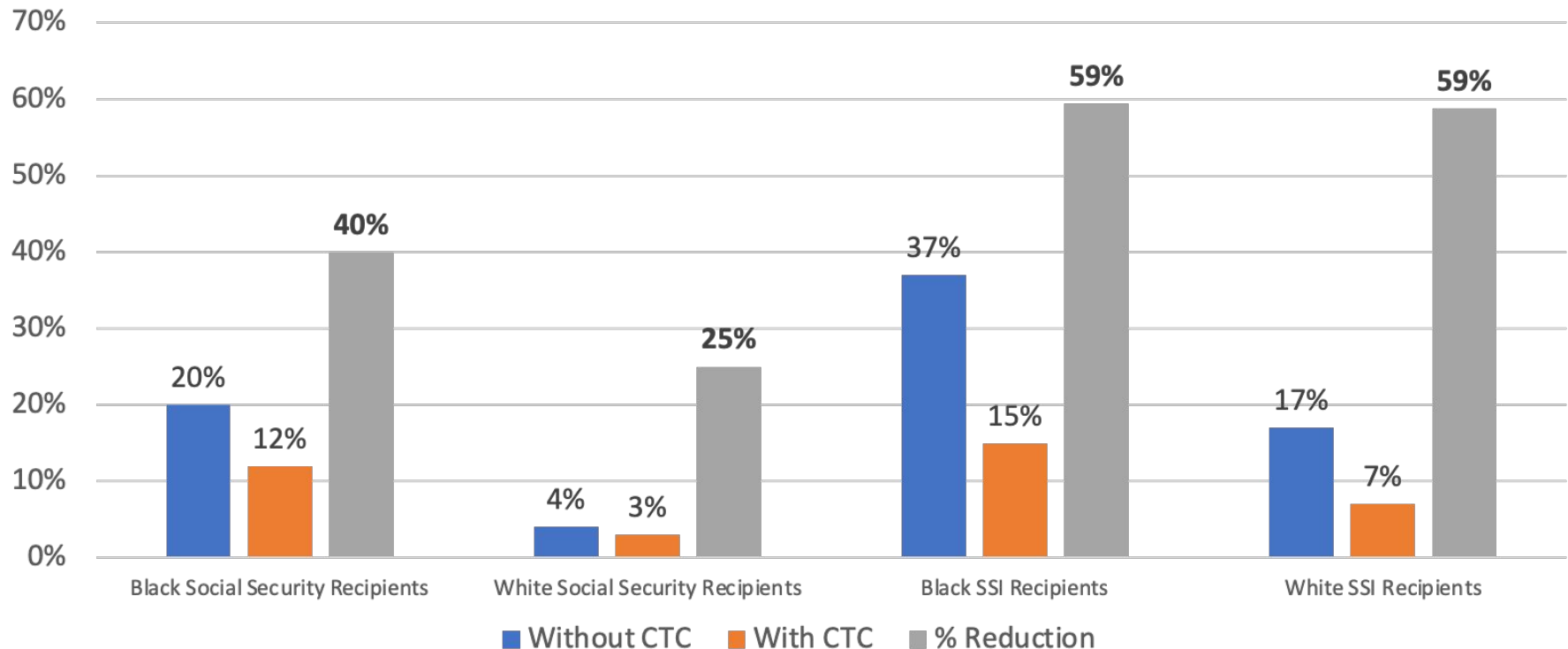
## Poverty Reductions Across Racial and Ethnic Groups, but Disparities Remain



# Research Overview: Social Security Interactions with the Child Tax Credit & Related Programs



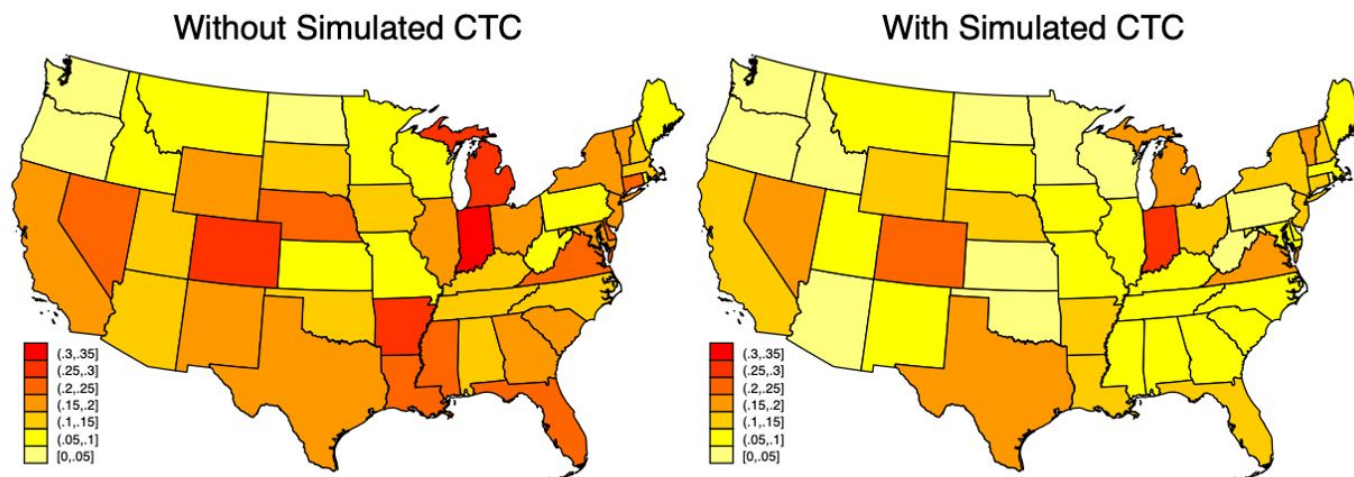
## Black Social Security Recipients More Likely to be in Poverty and Experience Substantial Reduction



# Research Overview: Social Security Interactions with the Child Tax Credit & Related Programs



## State-Level Changes in SPM Poverty Rate



Source of data is 2020 ASEC. State layers: United States Census Bureau.

# Research Overview: Social Security Interactions with the Child Tax Credit & Related Programs



## Now what for the CTC and SS Recipients?

- Generous monthly 2021 CTC is no longer
- Full refundability of the current \$2000 CTC would also have a substantial effect on the incomes of SSA beneficiary households with children
- SSA offices have reopened after COVID-19 related closures
- Currently, estimating how CTC affected income and poverty for Social Security households with children using March 2022 CPS
- Also, examining interactions with other income support programs, like EITC, SNAP, housing assistance



# Research Overview: Social Security Interactions with the Child Tax Credit & Related Programs



Thank you



# Implications: Social Security Interactions with the Child Tax Credit & Related Programs

- Children are our future
  - 1 in 8 children live in poverty (SPM)
- The costs of raising children are increasing (Sawhill, Welch, and Miller, 2022):
  - 2017 (~2.2 %inflation): \$284,594
  - 2021 (~4% inflation): \$310,605
- Pregnancy and infancy are the origins of inequality (see e.g. Almond, Currie, & Duque, 2018)



## Average U.S. income growth over the past two decades has been stronger for incomes in the top 10 percent

Average annual growth in disposable personal income for each decile of income, 2000-2019, in 2012 dollars



Source: U.S. Bureau of Economic Analysis, "Distribution of Personal Income" [2021], available at <https://www.bea.gov/data/special-topics/distribution-of-personal-income>.



# Early evidence on the expanded CTC

- Large increases in spending in first week (Wheat, Deadman, & Sullivan, 2022)
- The expanded CTC:
  - Reduced child poverty by up to 46% (see e.g. Parolin, Collyer, and Curran 2022)
  - Food insecurity, food insufficiency, and hunger (see e.g. Roll et al., 2021)
  - Parental mental health and stress
- Disproportionate effects for Black and Hispanic children and families
- Pac and Berger, forthcoming: CTC led to insignificant employment response



# Cash is imperative to healthy development

- Education (Akee et al., 2010)
- Emotional and behavioral health (Akee et al., 2018)
- Longevity, education, physical health, adulthood income (Aizer et al., 2016)
- EITC (work-conditioned tax credit) → Improved infant and childhood health, test scores, educational attainment, intergenerational mobility (see e.g. Hoynes et al., 2015)
- Baby's First Years: Child-centered spending (e.g. Gennetian et al., 2022; Troller-Renfree et al., 2022)


# Poverty is correlated with maltreatment and CPS involvement



- Poverty → Increased **surveillance** by mandated and voluntary reporters
- Poverty → Increased parental **stress** and (sometimes) toxic stress, reduced parental responsiveness, poor supervision
- Poverty → Decreased parental **investments** → increased rates of physical and mental health conditions, learning difficulties, and cognitive ability

# Maltreatment is associated with a host of adversities



- 
- Poor physical and mental health, altered biological stress response, other neurological abnormalities (e.g. executive functioning disorders)
  - Chronic health conditions, early death
  - Debilitating mental health and substance use disorders
  - Adulthood earnings reduced by \$9k/year, employment by 14%
  - \$592 billion cost for a single-year caseload



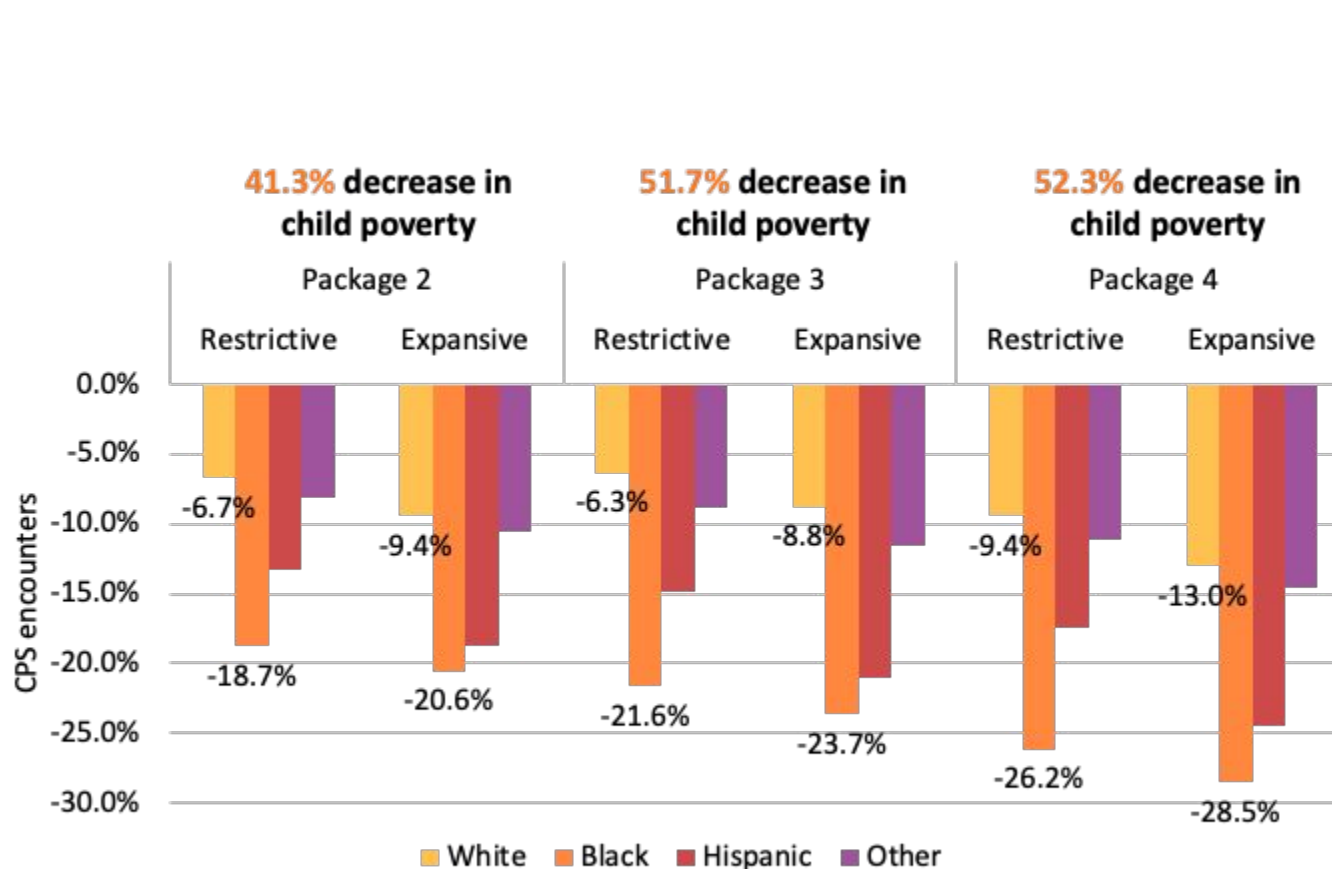
# Implications for prevention

- NAS packages of policies → Reductions in CPS reports, substantiations, and foster care entries (Pac et al., 2023)
- Expanded CTC → Reductions in CAN-related ED visits (Bullinger and Boy, 2023)
- Previous EITC/CTC → Reductions in CPS reports, CAN-related injuries, foster care entries (Berger et al., 2017; Kovski, 2022; Rittenhouse, 2022; Rostad et al., 2019; Rostad et al., 2020)
- Abundance of evidence linking concrete economic supports to child maltreatment and CPS reports





# NAS simulation study



## EITC

Increase payments from the refundable earned income tax credit by up to 40%.

## CDCTC

Convert the child and dependent care tax credit to a fully refundable tax credit.

## MINIMUM WAGE

Raise the current \$7.25 per hour federal minimum wage to \$10.25 and index it to inflation after it is implemented.

## CHILD ALLOWANCE

Pay a monthly benefit of \$166 to \$255 per month (\$2,000 to \$2,700 per year) per child to the families of all children under age 17.

*Pac, Jessica, Sophie Collyer, Lawrence M. Berger, Kirk O'Brien, Elizabeth Parker, Peter Pecora, Whitney Rostad, Jane Waldfogel, and Christopher Wimer. (2023) "The Effects of Child Poverty Reductions on Child Protective Services Involvement" Social Service Review*



# Implications for child wellbeing

- Grandparents caring for grandchildren
  - Formal: Kinship care arranged by court for children with CHIPS order
  - Informal: Courts/DCF not initially involved, often require POA
  - Adoption and subsidized guardianship
- Grandparents and other relatives typically preferred over non-relative kin
  - Dampens the effects of trauma
  - Improved placement stability
  - Preserved cultural heritage
- Finances are the most significant barrier to initial placement and stability thereafter (e.g. Doyle, 2007; Pac, 2017)



# Implications for permanency

- Support for formal kinship caregivers is more generous
  - If child has CHIPS order, placement with a kinship caregiver is often preferred over non-relative foster care
  - Kinship care grant requires basic training and core requirements for placement
    - \$300/month = Level 1 (basic rate), 6 hours of training
    - \$420/month = Level 2+ (foster care), 46 hours of training
  - Children who are IV-E eligible qualify for additional support (e.g. Kin GAP after 6 months in care), as do those with CS order
- Support for informal kinship caregivers is more limited and funding is complicated to access
  - Tax credits, TANF child-only grant, SSDI (grandparent qualifies), SSI (child qualifies), SNAP, WIC, CHIP, and Section 8
  - As of 2018, dedicated federal funding stream (Family First) supports Kinship Navigator programs → safety and stability



# Why do we care about the CTC?

- Immediate coverage of goods needed to care for children
- Reduce time tax and need-based reasons for CPS involvement
- Facilitate care and treatment outside the auspices of CPS
- Support family autonomy and dignity



# Questions & Answers



Please post your questions in the Q&A Box.





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Please remember that today's webinar was recorded and will be posted  
on our website: **cfs.wisc.edu**  
within two business days.

Questions? Please contact Jonathon Ferguson at  
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