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CHILDREN LEFT BEHIND in LARGER FAMILIES:

The Uneven Receipt of the Federal Child Tax Credit by Children's Familiy Size

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Key Findings

- Children in larger families (those with three or more children) are more likely to be left out of the full Child Tax Credit than children in smaller families (those with one or two children).
- Children in larger families are disproportionately left out of the Child Tax Credit because the amount of earnings necessary to access the full Child Tax Credit increases with the number of children in the family, but larger families do not necessarily earn more than smaller families.
- Over one-third of all children under the age of 17 live in larger families. Children in larger families closely resemble the child population as a whole, but are more likely to live in two-parent families.
- Half of all children in larger families are left out of the full Child Tax Credit; the rate varies by state, but remains high throughout the country.
- Proposals to remove the earnings requirement in the Child Tax Credit would produce significant anti-poverty impacts for children in all families and make the biggest difference for children with a larger family size.

The Child Tax Credit is one of the largest public expenditures on children at the federal level. It is also an important anti-poverty tool. Together, the Child Tax Credit and Earned Income Tax Credit prevented close to 5 million children from falling into poverty in 2018[1], but a few key changes to the Child Tax Credit could see it achieve even more. The current design of the Child Tax Credit prevents it from reaching families on the lowest incomes.

Our prior research revealed how the current Child Tax Credit design excludes over one-third of all children from either accessing the full value of the credit, or accessing the credit altogether, due to the fact that their families earn too little. Disproportionately missing out are African American and Hispanic children, young children, children in single-parent households, and children in rural areas and certain states. This brief reveals that children also lose out on access to the full Child Tax Credit based on their family size, as the current income requirements necessary to access the full credit mean that children in larger families are left behind at greater rates than those in smaller families. In 2019, the National Academy of Sciences (NAS)–charged by Congress to identify evidence-based policy and programming that would cut child poverty in the United States in half in 10 years–released their findings in *A Roadmap to Reducing Child Poverty*. One of their main findings centered on the poverty reduction potential of an enhanced Child Tax Credit or national child allowance. This would reduce poverty among children in larger families.

1 Fox, L. (2018). The Supplemental Poverty Measure: 2018. Washington D.C.: U.S. Census Bureau.

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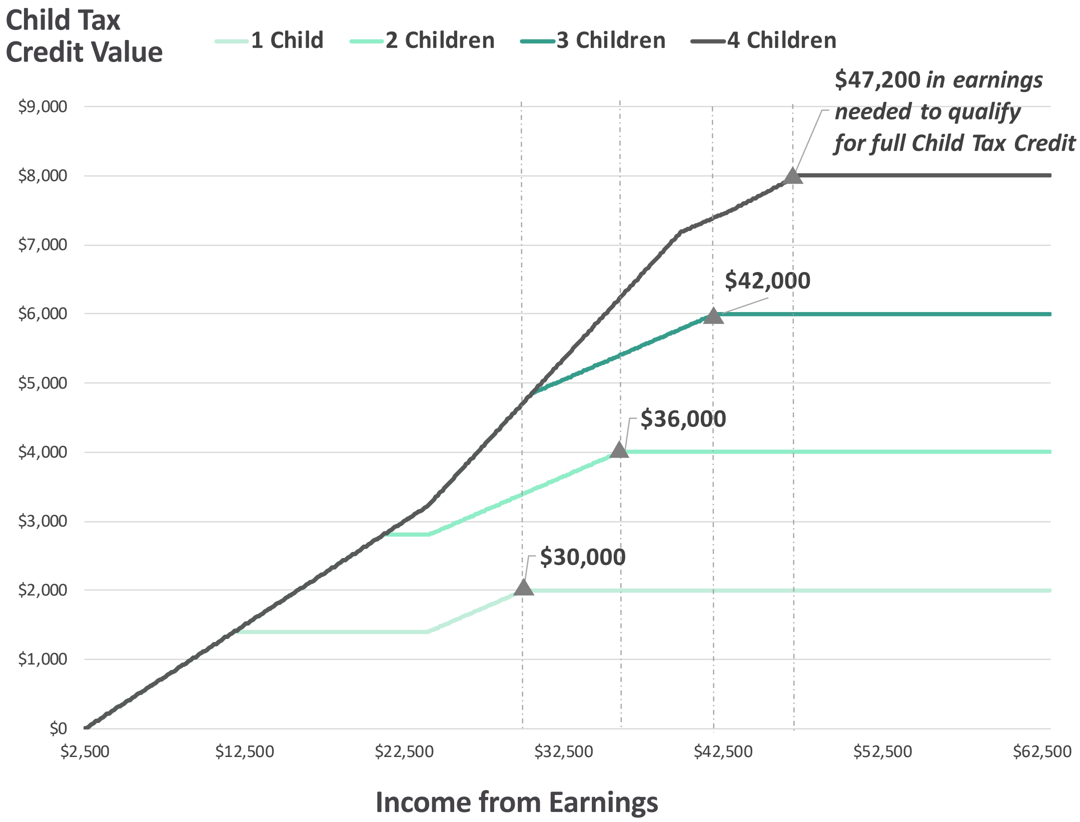
How the Child Tax Credit's Design Impacts Larger Families

The federal Child Tax Credit currently offers an annual maximum of $2,000 per qualifying child to families who meet the earnings requirements. If the credit exceeds the amount of taxes a family owes, families receive a tax refund of up to $1,400 instead (the Additional Child Tax Credit); this refund is calculated at a rate of 15 percent of earnings above $2,500, creating the phase-in structure in Figure 1.

Figure 1. Phase-in of Child Tax Credit Value by Income and Family Size: Joint Tax Filers



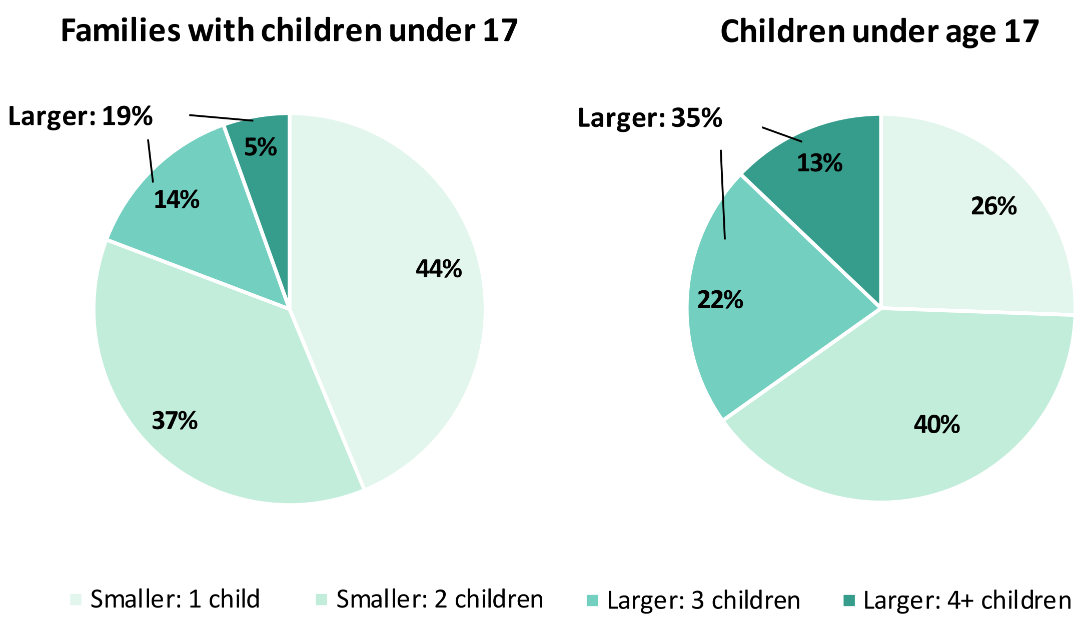
Note: Families earning below $2,500 are not eligible for the Child Tax Credit or Additional Child Tax Credit. At higher income levels, the credit is reduced by 5 percent of adjusted gross income over $200,000 for single filers and $400,000 for joint filers, until it phases out completely.

An important strength of the Child Tax Credit is that it operates on a per-child basis–as a result, benefit levels increase with the number of children. But the earnings required to realize the full credit also increase with the number of children even though larger families do not necessarily earn more than smaller families (*see Appendix A for the national distribution of earned income by family size*). The phase-in depicted in Figure 1 is specific to joint filers, because children in larger families are also more likely to live in two-parent families, but a similar phase-in exists for single-filers. Eighty percent of children in larger families are in two-parent households.

As seen in Figure 1, a family with two adults and two children needs at least $36,000 in earnings to qualify for the full Child Tax Credit. If another child was added, the family would receive more from the Child Tax Credit than they would otherwise, but would need to earn at least $42,000 in order to receive the full credit. In other words, with the birth of their third child, a family would need to increase their earnings by close to 20 percent in order to maintain access to the full Child Tax Credit. A family with two adults and four children needs to earn even more–$47,200 at minimum –in order to access the full credit for their children. As a result, larger families are excluded from accessing the full credit for their children at greater rates than smaller families.

This bias against larger families is an under-acknowledged drawback of the current earnings phase-in structure of the Child Tax Credit because larger family size is a more common family feature for children than is often realized. Of all families with children age-eligible for the Child Tax Credit–those with children under the age of 17–approximately one-fifth (19 percent) are larger families. But family-level figures understate the number of children impacted by larger family size. Of all children under the age of 17, more than one-third (35 percent) live in larger families.

Figure 2. Larger Family Size is a Common Family Feature for Children



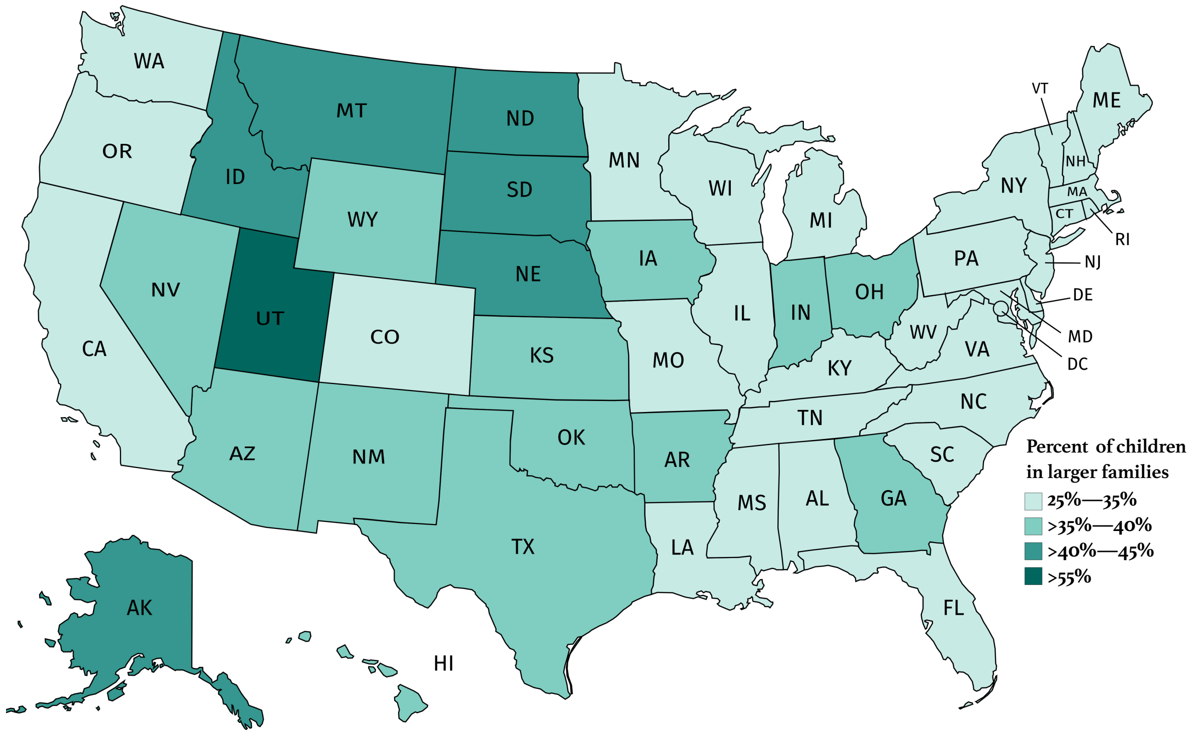
Note: In this analysis, 'families' represent tax units.

Children in larger families closely resemble the child population as a whole. In terms of race and ethnicity, approximately half of children in larger families (47 percent) are White, non-Hispanic, 29 percent are Hispanic, 15 percent are Black, non-Hispanic, and 9 percent belong to other racial/ethnic groups. Poverty rates are higher among children in large families: 18 percent of children under the age of 17 in larger families live in families with incomes below the poverty line compared to 13 percent of those in smaller families[2] *(see Appendix A for a full table on poverty by family size).*

2 *SPM poverty rates for children under the age of 17, 2014-2018.*

Larger family size is a common family feature for children in all areas of the country. As seen in Figure 3, every state has at least one-quarter of its children under the age of 17 living in larger families; in many states, it is between one-third and one-half of children.

Figure 3. Where is Larger Family Size More Common?



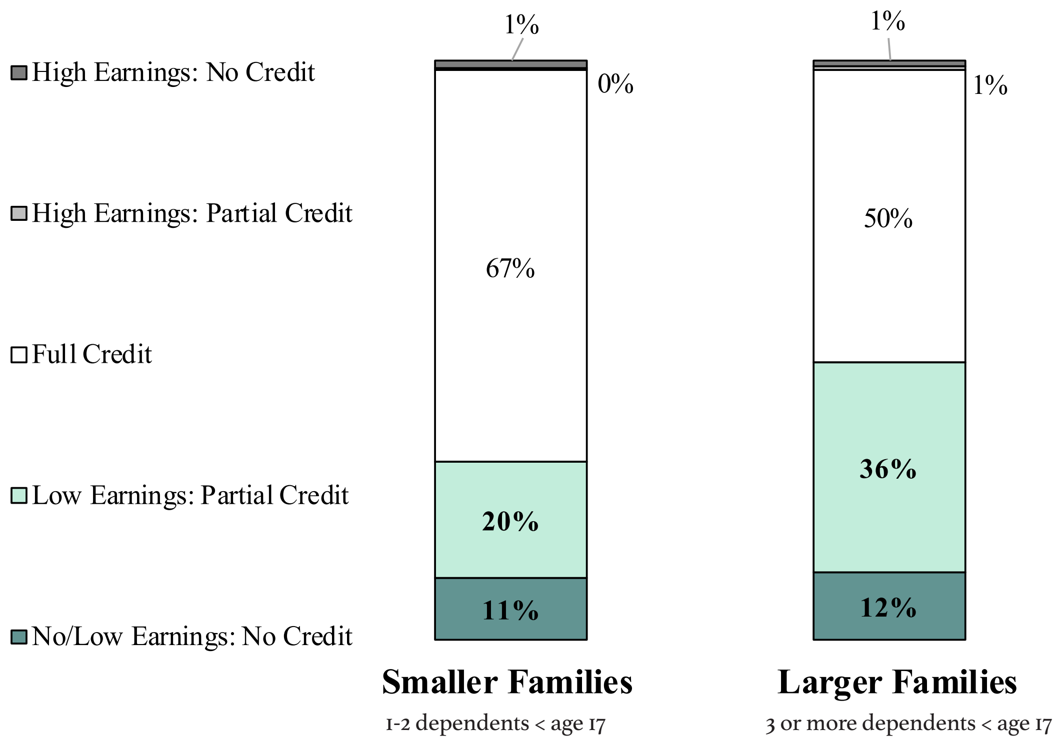
Note: Larger families consist of three or more children under 17 years of age.

Children in larger families comprise the greatest share of the child populations in Utah (56 percent), South Dakota (45 percent), Idaho (45 percent), Nebraska (44 percent), and Alaska (41 percent), but children in larger families make up sizeable portions of even states with the smallest shares: Rhode Island (25 percent), Vermont (26 percent), and Massachusetts (27 percent).

The Child Tax Credit is Leaving Children in Larger Families Behind

When larger families are excluded from the Child Tax Credit, many children are impacted by non-receipt. Figure 4 reveals that, at the national level, half of all children in larger families–48 percent of those under the age of 17 living in families with three or more children age-eligible for the Child Tax Credit–do not receive the full Child Tax Credit because their family earnings fall below the income thresholds for their family size. This is compared to 31 percent of those under the age of 17 living in smaller families, still a significant exclusion in its own right.

Figure 4. What Share of Children Under the Age of 17 Receive a Partial or No CTC, by Family Size?



Note: See Appendix C for a more detailed breakout by family size.

Previous research charted the geographic distribution of the one-third of all children in the US losing out on the full federal Child Tax Credit. The distribution of children in larger families left behind also varies by state, but remains high throughout the country. Fifteen states see over 50 percent of their children in larger families excluded from the full Child Tax Credit. In order of highest rate of non-receipt, they are: District of Columbia (64%), Mississippi, Louisiana, West Virginia, South Carolina, Arizona, Arkansas, Georgia, Kentucky, New Mexico, North Carolina, Texas, Florida, California, New York (51%). No state sees their rate of non-receipt for children in larger families below 26 percent *(see Appendix D for the full state table)*.

Eliminating the Earnings Requirement Reduces Child Poverty in Larger and Smaller Families

Reforms have been proposed–among them, the American Family Act (S.690/H.R.1560), the Working Families Tax Relief Act (S.1138/H.R.3157), the Economic Mobility Act (H.R.3300), and the Bennet-Romney child allowance proposal in the 116th Congress–to ensure families with low to no earnings are able to access the full Child Tax Credit for their children.

Removing this phase-in requirement would move 4 million children out of poverty, doing more to reduce child poverty than increasing the value of the credit itself. This policy change would benefit children in all family types, making the biggest difference for children with a larger family size.

Table 1 reveals the significant anti-poverty impact of this proposed reform for children in larger families: removing the phase-in earnings requirement would reduce poverty among children in larger families by 37 percent. In doing so, it would lower the poverty rate for children in larger families to a level on par with children in smaller families, removing family size as a contemporary source of economic disparity among children.

Table 1. Impact of Improving the Child Tax Credit by Removing the Earnings Requirement on Children from Larger Families

Child SPM Poverty Rates	Without Child Tax Credit	Current Law	Proposed Reform	Impact of Proposed Reform on Child Poverty
Child SPM Poverty Rate (all children<17)	21.4%	14.5%	10.7%	↓26.2%
Child SPM Poverty Rate Smaller Family Size (1-2 children <17)	18.5%	12.8%	10.4%	↓18.8%
Child SPM Poverty Rate Larger Family Size (3 or more children <17)	26.9%	17.8%	11.3%	↓36.5%

Note: Proposed reform removes the current earnings requirement of the Child Tax Credit, enabling families on lower incomes who receive only partial or no credit to access the full credit for their children.

Conclusion

Previous research revealed that one-third of children are left out of the full federal Child Tax Credit due to the fact their families earn too little to qualify. African American and Hispanic children, young children, children in single-parent households, and children in rural areas and certain states are disproportionately affected. This brief reveals that children in larger families are also affected at higher rates. Larger family size is an often-overlooked element of children's family circumstances, but more than one-third (35 percent) of all children live in larger families and half of these children receive no, or only a partial, Child Tax Credit due to the fact that their family incomes do not reach the higher earnings thresholds required for larger families to access the full credit.

As noted in a recent geographic analysis, the current phase-in structure of the Child Tax Credit results in children being left behind in areas where, on average, incomes are lower and poverty rates are higher. A similar pattern plays out for children in larger families, who see a disproportionate impact from the inequities in the current credit structure that sets higher earnings requirements for larger families. The earnings requirement effectively makes it more difficult for families to access the full credit when they add an additional child and penalizes children with more siblings. Proposals that make the full Child Tax Credit accessible to children in families on the lowest incomes—including those at the federal, state, and local level[3]–would produce a significant anti-poverty impact for children in all families, making the biggest difference for children with larger family size.

Methodological Notes:

This analysis draws on a 5-year sample of Current Population Survey data, 2014-2018, accessed through IPUMS-CPS (Flood, S., King, M., Rodgers, R., Ruggles, S., & Warren, J. Robert. (2018) Integrated Public Use Microdata Series, Current Population Survey: Version 6.0 [dataset]. Minneapolis, MN: IPUMS, 2018. https://doi.org/10.18128/D030.V6.0). The sample is inflation-adjusted to 2018 dollars and applies the Tax Cuts and Jobs Act 2017 (TCJA) tax policy to all years, using TAXSIM Version 27. The national and state-level estimates of all children left behind differ slightly from the estimates reported in previous research (see Collyer, S., Harris, D., & Wimer, C. (2019) "Left Behind: The One-Third of Children in Families Who Earn Too Little to Get the Full Child Tax Credit", Poverty & Social Policy Brief, Vol. 3, No. 6 and Collyer, S. (2019) "Children Losing Out: The Geographical Distribution of the Federal Tax Credit", Poverty & Social Policy Brief, Vol. 3, No. 9) due to the different sample size and data sources used.

Acknowledgements:

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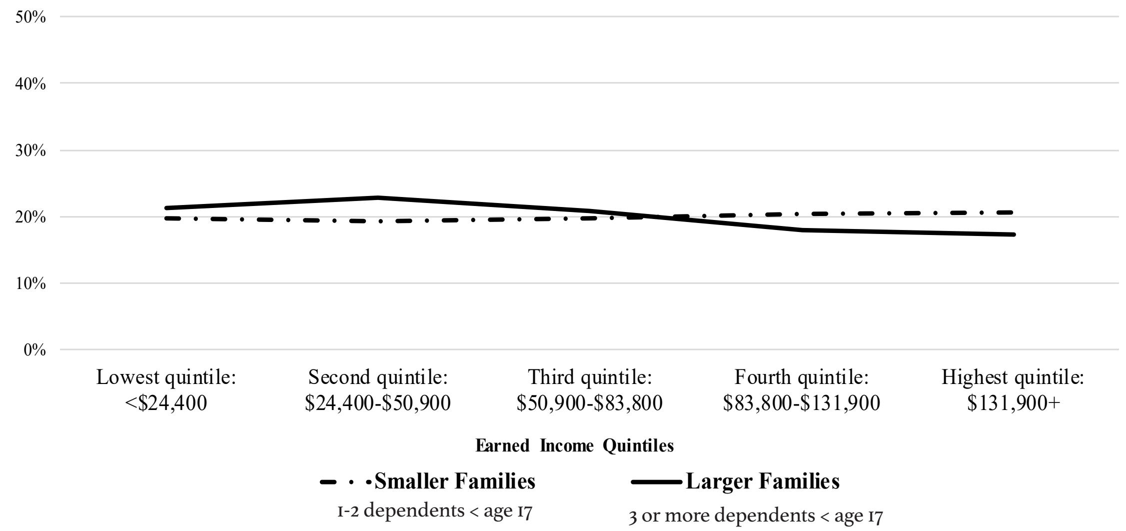
3 See, for example, the National Academies of Sciences, Engineering, and Medicine (2019). A Roadmap to Reducing Child Poverty. Washington D.C.: The National Academies Press; Wimer. C., Collyer, S., & Harris, D. (2019) The Economic Mobility Act as Antipoverty Policy, Columbia University Center on Poverty and Social Policy; Collyer, S., Wimer, C., & Harris, D. (2019). Earnings Requirements, Benefit Values, and Child Poverty Under the Child Tax Credit, Columbia University Center on Poverty and Social Policy; Garfinkel, I., Harris, D., Waldfogel, J., & Wimer, C. (2016) Doing More for Our Children: Modeling a Universal Child Allowance or More Generous Child Tax Credit. New York: The Century Foundation; Collyer, S., Davis, A., Harris, D., Wiehe, M., & Wimer, C. (2019) The Case for Extending State-Level Child Tax Credits to Those Left Out: A 50-State Analysis. Columbia University Center on Poverty and Social Policy and the Institute on Taxation and Economic Policy.

Appendix A:

Figure A1: Distribution of Earnings by Family Size



Note 1: The universe is all tax units with children under the age of 17
Note 2: Earned income values are rounded to the nearest hundred

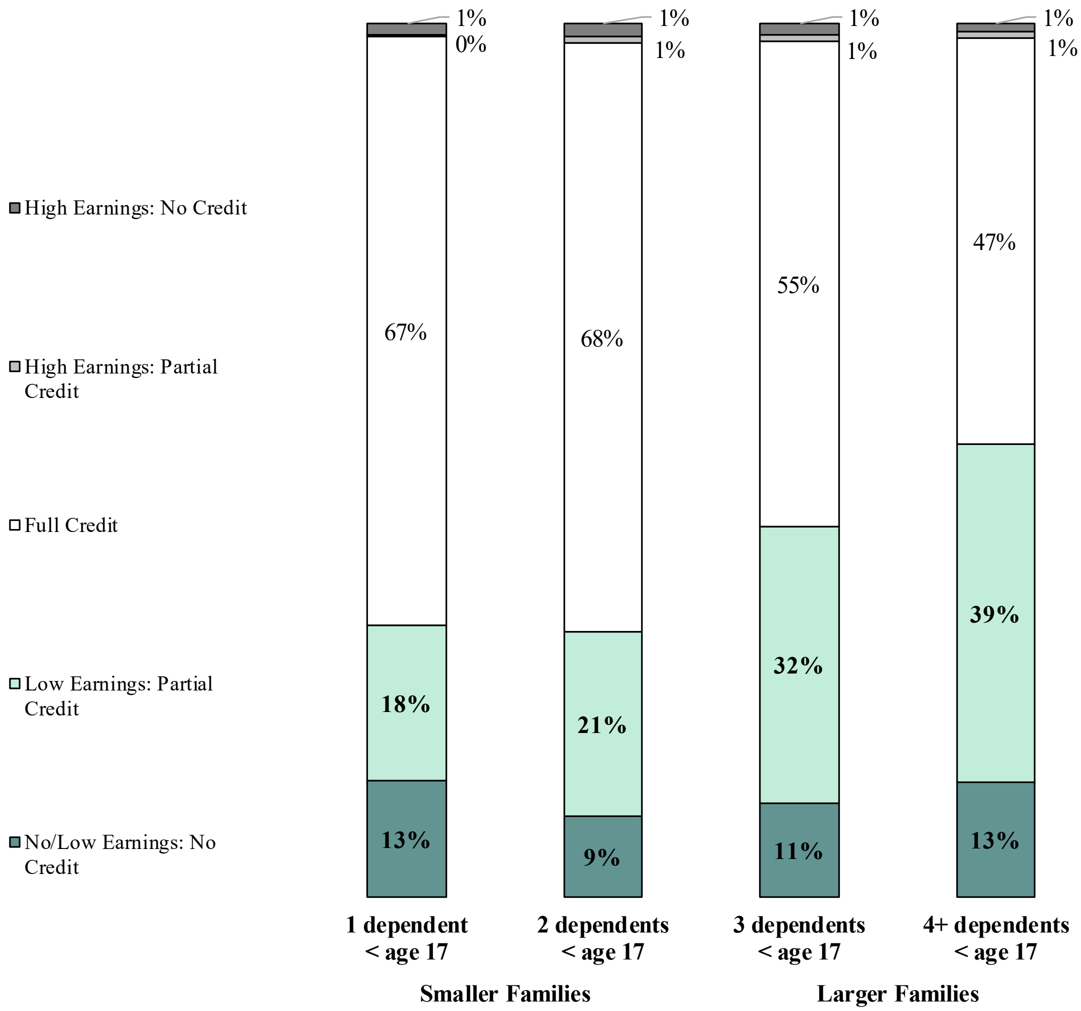
Appendix B:

Table B1: SPM Poverty Rates of Children Under the Age of 17

Children's Family Size by # of Children:	1-2 children	3 children	4+ children	All Larger Familes (3 or more children)	All Families (with children)
SPM Child Poverty Rate	12.8 %	15.4%	22.0%	17.8%	14.5%
Note: children are < age 17 in SPM unit					

Appendix C:

Figure C1: What Share of Children Under the Age of 17 Receive a Partial or No Credit Tax Credit, by Family Size?



Appendix D:

Table D1. What Share of Children Under the Age of 17 Receive a Partial or No Credit Tax Credit, by Family Size and by State?
(See Table D2 for these results organized alphabetically by state name.)

	Percent 'Left Behind' in Federal Child Tax Credit		
	in Smaller Families (1-2 children under the age of 17 in the home)	**in Larger Families** (3 or more children under the age of 17 in the home)	**of All Children** (under the age of 17)
DC	35	64	43
Mississippi	40	62	47
Louisiana	40	61	47
West Virginia	38	58	44
South Carolina	34	57	41
Arizona	37	57	44
Arkansas	35	57	43
Georgia	35	55	43
Kentucky	36	55	43
New Mexico	43	54	47
North Carolina	34	54	40
Texas	33	53	41
Florida	34	53	40
California	32	52	39
New York	30	51	37
Oklahoma	35	50	41
Tennessee	35	50	40
Delaware	31	50	37
Alabama	38	50	42
Ohio	30	49	37
Maine	30	48	36
Nevada	34	48	40
Rhode Island	28	48	33
Illinois	27	47	34
Indiana	30	46	36
Pennsylvania	29	45	34
Hawaii	28	44	34
Oregon	29	44	34
Montana	29	43	34

Percent 'Left Behind' in Federal Child Tax Credit			
	in Smaller Families (1-2 children under the age of 17 in the home)	**in Larger Families** (3 or more children under the age of 17 in the home)	**of All Children** (under the age of 17)
Washington	27	42	32
Michigan	30	42	34
Wisconsin	24	42	30
Iowa	22	40	29
Missouri	28	40	32
Idaho	27	40	33
Kansas	28	40	32
Colorado	24	39	29
Vermont	22	39	27
Virginia	24	39	29
New Jersey	24	39	29
Nebraska	26	39	31
Alaska	27	38	32
North Dakota	22	37	28
Maryland	24	37	28
Massachusetts	25	35	28
Wyoming	26	35	29
South Dakota	28	34	31
Minnesota	19	33	24
Connecticut	26	31	28
New Hampshire	22	30	24
Utah	26	27	27

Table D2. What Share of Children Under the Age of 17 Receive a Partial or No Credit Tax Credit, by Family Size and By State?
(See Table D1 for these results organized by rate of non-receipt.)

	Percent 'Left Behind' in Federal Child Tax Credit		
	in Smaller Families (1-2 children under the age of 17 in the home)	**in Larger Families** (3 or more children under the age of 17 in the home)	**of All Children** (under the age of 17)
Alabama	38	50	42
Alaska	27	38	32
Arizona	37	57	44
Arkansas	35	57	43
California	32	52	39
Colorado	24	39	29
Connecticut	26	31	28
Delaware	31	50	37
DC	35	64	43
Florida	34	53	40
Georgia	35	55	43
Hawaii	28	44	34
Idaho	27	40	33
Illinois	27	47	34
Indiana	30	46	36
Iowa	22	40	29
Kansas	28	40	32
Kentucky	36	55	43
Louisiana	40	61	47
Maine	30	48	36
Maryland	24	37	28
Massachusetts	25	35	28
Michigan	30	42	34
Minnesota	19	33	24
Mississippi	40	62	47
Missouri	28	40	32
Montana	29	43	34
Nebraska	26	39	31
Nevada	34	48	40
New Hampshire	22	30	24
New Jersey	24	39	29
New Mexico	43	54	47

Percent 'Left Behind' in Federal Child Tax Credit			
	in Smaller Families (1-2 children under the age of 17 in the home)	**in Larger Families** (3 or more children under the age of 17 in the home)	**of All Children** (under the age of 17)
New York	30	51	37
North Carolina	34	54	40
North Dakota	22	37	28
Ohio	30	49	37
Oklahoma	35	50	41
Oregon	29	44	34
Pennsylvania	29	45	34
Rhode Island	28	48	33
South Carolina	34	57	41
South Dakota	28	34	31
Tennessee	35	50	40
Texas	33	53	41
Utah	26	27	27
Vermont	22	39	27
Virginia	24	39	29
Washington	27	42	32
West Virginia	38	58	44
Wisconsin	24	42	30
Wyoming	26	35	29