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SOCIAL SECURITY INTERACTIONS WITH CHILD TAX CREDIT EXPANSION

Jevay Grooms, Howard University

Madelaine L'Esperance, The University of Alabama

Timothy Smeeding, University of Wisconsin-Madison

September 2022

About 10 percent of children live in households with a Social Security program beneficiary or are beneficiaries themselves. Many have low incomes limiting the resources available to spend on caring for these children. The Child Tax Credit (CTC) expansion in 2021 increased income for many households and reduced poverty dramatically for children. Children in Social Security beneficiary households stood to gain as CTC benefit receipt did not affect Social Security payments. In fact, poverty fell substantially for these children, however, there were disparities based on demographic characteristics, geography, and Social Security program type.

Child Tax Credit Expansion Eligibility and Effects on Income and Poverty

We simulate CTC eligibility and effects on income and poverty for children following the American Rescue Plan Act of 2021 expansion using two nationally representative datasets, the Current Population Survey March 2020 Annual Social and Economic Supplement and 2019 Survey of Income and Program Participation. In 2021, nearly all children were eligible and received higher CTC benefits than in prior years of the program. We compare how the expansion affected children living in Social Security beneficiary households relative to children overall. We also explore effects by Social Security program and demographic subgroup, including race and ethnicity, sex, living arrangements, and geography.

Children in Social Security Beneficiary Households Experience Significant Poverty Reduction

Children in households with Social Security program beneficiaries experience a 37 percent reduction in poverty from receiving expanded CTC benefits. The poverty rate for these children, measured by the Supplemental Poverty Measure, falls from 16 to 10 percent.

Disparities in Child Poverty and Barriers to Child Tax Credit Receipt Persist

The expansion of the Child Tax Credit reduced child poverty substantially, however, there remain persistent gaps in poverty by race and ethnicity, geography, and Social Security program benefit type. CTC eligibility



criteria, like the residency test and filing taxes, appear to be barriers to CTC reaching more children, especially for those in Social Security beneficiary households.

Implications

- Social Security administered programs reach many children with about 10 percent of children living with a Social Security program beneficiary or who are beneficiaries themselves.
- The expanded eligibility and benefits for the Child Tax Credit in 2021 reduced child poverty substantially, including among children in households that receive Social Security benefits.
- Understanding the interactions between income support programs, like the Child Tax Credit and Social Security program benefits, will improve design, access, and administration of these programs.

The research reported herein was performed pursuant to a grant from the U.S. Social Security Administration (SSA) funded as part of the Retirement and Disability Consortium. The opinions and conclusions expressed are solely those of the author(s) and do not represent the opinions or policy of SSA or any agency of the Federal Government. Neither the United States Government nor any agency thereof, nor any of their employees, makes any warranty, express or implied, or assumes any legal liability or responsibility for the accuracy, completeness, or usefulness of the contents of this report. Reference herein to any specific commercial product, process or service by trade name, trademark, manufacturer, or otherwise does not necessarily constitute or imply endorsement, recommendation or favoring by the United States Government or any agency thereof.