

The Child Tax Credit after ARRA: How Would Expiration Affect Metropolitan Families?

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Currently, the largest provision in the U.S. tax code that benefits working families with children is the Child Tax Credit (CTC).¹ Through the CTC, eligible families can claim a credit of up to \$1,000 for each child under 17 at tax time. The credit is first used to pay down taxes owed. If the CTC exceeds the amount due, taxpayers may also be eligible to receive some or all of the remainder as a refund, supplementing their wages and boosting their take home pay.

The refundable portion of the CTC is limited to 15 percent of earnings above a specified threshold. The American Recovery and Reinvestment Act (ARRA) set that threshold at \$3,000 in tax years 2009 and 2010, and the administration's 2011 budget proposes to maintain that level in future years. However, if this budget proposal is not adopted and the ARRA threshold is allowed to expire, the earnings floor will revert to its previous level—which would have been \$12,550 in 2009—and continue to increase annually as it is indexed for inflation, further eroding the benefit each year for working families whose wages do not keep pace.

Though delivered through the tax code, the CTC is the largest of any federal cash assistance program for children.² While it provides an important work incentive for lower-income families, it also acts as the mechanism through which the federal government delivers extra financial support to families raising children. Letting the earnings threshold revert to pre-ARRA levels would exclude a significant number of lower-income families from receiving this support. If the \$3,000 threshold is allowed to expire:

- **Almost 8.9 million working families would lose part or all of their credit.**³ If the earnings floor increases to pre-ARRA levels, almost 5.7 million families would see the size of their CTC shrink, while another 3.2 million families would lose eligibility altogether.
- **Over 93 percent of families affected by the potential expiration have incomes under \$30,000.** Though families with incomes between the two thresholds (\$3,000 and \$12,750) stand to lose their credit entirely, the biggest impact would occur further up the income scale. Families with incomes between \$10,000 and \$20,000 would bear 58 percent of the total decreases in the credit, while those with incomes between \$20,000 and \$30,000 would account for 23 percent of the drop in benefits.
- **Eligible families earning between \$10,000 and \$20,000 a year would see their average credit drop by \$753—from \$1,276 to \$523.** These filers face the largest potential declines, whereas taxpayers with incomes under \$10,000 would

see an average decrease of \$205 and those with incomes between \$20,000 and \$30,000 face a drop of \$303 on average. Taxpayers in the \$10,000 to \$20,000 income range who stand to lose some or all of the CTC are primarily full-time workers who earn low wages: Over two-thirds worked the full year in 2008 (i.e., 50 to 52 weeks), and of those 88 percent worked 30 hours or more per week. These taxpayers also tend to work in industries that have been hit hardest by the recession, including retail, accommodation and food service, construction, and manufacturing.

- **Every state would feel the impact of this potential threshold change, with several facing a drop in benefits for low-income working families well above average.** States including West Virginia, Nebraska, Texas, and Mississippi lead the list for largest decline in benefits going to families with incomes between \$10,000 and \$20,000—all with decreases of \$800 or more in the average benefit. Lower-income families in these states are more likely to claim the credit for two or more dependents, resulting in larger credits on average, and thus larger declines if the threshold were to expire. In addition, several Sun Belt states that have faced particularly deep recessions following the housing market collapse would see above-average declines in credits for low-income workers—including California (\$800), Nevada (\$797), Arizona (\$788), and Florida (\$795). California, Arizona, and Florida are also among those states that would see the largest number of working families lose some or all of this work support (1.3 million, 220,000, and 520,000 families, respectively).
- **Several major metro areas would see more than 100,000 families lose some or all of this benefit.** In keeping with state estimates, the Sun Belt metro areas of Los Angeles, Riverside, Miami, and Phoenix stand to have hundreds of thousands of families affected by this potential drop in work supports (490,232, 174,209, 160,847, and 141,201 families, respectively), and the drop in average benefits for low-income families in each of these places would be well above average (in excess of \$800, with the exception of Miami). At the same time, several Midwestern and Northeastern metro areas would also see more than 100,000 working families affected, including New York (464,672), Chicago (276,963), Philadelphia (125,058) and Detroit (119,991).

In effect, allowing the CTC's \$3,000 earnings threshold to revert to pre-ARRA levels next year would cut an important work support for millions of families at a time when communities across the country continue to struggle with the economic fallout of the Great Recession, the weak jobless recovery that has followed, and worries of a "double dip" into another downturn. As these numbers demonstrate, by extending this ARRA provision past 2010, policymakers would preserve a needed income supplement and work incentive for lower-income working families in communities and industries hit particularly hard by the latest downturn.

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¹ Elaine Maag and Adam Carasso, "Taxation and the Family: What is the Child Tax Credit?" in *The Tax Policy Briefing Book*. (Washington: Tax Policy Center, 2010).

² Leonard Burman and Laura Wheaton, "Who Gets the Child Tax Credit?" (Washington: The Urban Institute, 2005).

³ These estimates come from the Brookings MetroTax model, and are based on tax year 2009 tax law adjusted for use with 2008 American Community Survey microdata. For more information on the MetroTax model, see "Technical Appendix: Building the MetroTax Model" (Washington: Brookings Institution, 2008).

Table 1. Impact on States

State	Total Number of Families Impacted if ARRA Provision Expires		# Who Will Lose Eligibility		Decline in Average Credit for Families with Incomes Between \$10,000 and \$20,000
		# With Smaller Credits			
Alabama	135,949	84,119	51,830		\$759
Alaska	22,322	12,536	9,786		\$734
Arizona	221,110	148,685	72,425		\$788
Arkansas	101,864	57,681	44,183		\$712
California	1,271,440	910,454	360,986		\$800
Colorado	122,746	82,568	40,178		\$802
Connecticut	71,573	40,767	30,806		\$692
Delaware	26,583	18,081	8,502		\$700
District of Columbia	8,587	4,667	3,920		\$466
Florida	524,741	348,327	176,414		\$755
Georgia	310,939	205,130	105,809		\$799
Hawaii	33,658	20,934	12,724		\$733
Idaho	49,114	29,303	19,811		\$754
Illinois	361,354	231,329	130,025		\$768
Indiana	181,329	107,384	73,945		\$746
Iowa	76,819	47,017	29,802		\$702
Kansas	75,405	50,135	25,270		\$714
Kentucky	123,458	73,142	50,316		\$716
Louisiana	153,096	88,952	64,144		\$703
Maine	36,071	22,197	13,874		\$689
Maryland	118,007	70,849	47,158		\$657
Massachusetts	125,443	78,829	46,614		\$651
Michigan	284,474	154,674	129,800		\$717
Minnesota	119,517	71,682	47,835		\$663
Mississippi	117,719	69,025	48,694		\$803
Missouri	174,769	100,813	73,956		\$754
Montana	24,107	11,013	13,094		\$580
Nebraska	46,688	30,161	16,527		\$809
Nevada	75,323	52,897	22,426		\$797
New Hampshire	21,286	13,824	7,462		\$783
New Jersey	183,976	120,037	63,939		\$716
New Mexico	78,078	51,132	26,946		\$775
New York	512,425	326,436	185,989		\$735
North Carolina	277,406	169,809	107,597		\$724
North Dakota	14,376	7,629	6,747		\$609
Ohio	304,182	170,148	134,034		\$749
Oklahoma	124,489	76,333	48,156		\$736
Oregon	118,098	76,364	41,734		\$785
Pennsylvania	280,166	161,606	118,560		\$688
Rhode Island	21,570	12,777	8,793		\$703
South Carolina	135,424	78,587	56,837		\$683
South Dakota	19,800	11,358	8,442		\$723
Tennessee	197,142	122,728	74,414		\$740
Texas	952,309	662,631	289,678		\$803
Utah	77,955	48,559	29,396		\$740
Vermont	14,781	8,970	5,811		\$641
Virginia	190,364	121,022	69,342		\$731
Washington	158,695	102,655	56,040		\$724
West Virginia	50,489	31,845	18,644		\$810
Wisconsin	131,026	81,869	49,157		\$669
Wyoming	12,719	8,164	4,555		\$613
U.S. Total	8,870,961	5,687,834	3,183,127		\$753

Table 2. Impact on Metropolitan Areas

Metro Area	Total Number of Families Impacted if			Decline in Average Credit for Families with Incomes Between \$10,000 and \$20,000
	ARRA Provision Expires	# With Smaller Credits	# Who Will Lose Eligibility	
Akron, OH	18,246	9,317	8,929	\$638
Albany-Schenectady-Troy, NY	14,849	8,174	6,675	\$632
Albuquerque, NM	23,120	17,179	5,941	\$802
Allentown-Bethlehem-Easton, PA-NJ	19,732	12,730	7,002	\$757
Atlanta-Sandy Springs-Marietta, GA	152,775	105,594	47,181	\$834
Augusta-Richmond County, GA-SC	17,314	9,171	8,143	\$715
Austin-Round Rock, TX	49,158	37,662	11,496	\$867
Bakersfield, CA	37,273	23,270	14,003	\$768
Baltimore-Towson, MD	51,961	31,445	20,516	\$640
Baton Rouge, LA	26,675	16,202	10,473	\$732
Birmingham-Hoover, AL	26,906	18,185	8,721	\$777
Boise City-Nampa, ID	16,503	10,511	5,992	\$645
Boston-Cambridge-Quincy, MA-NH	79,201	50,085	29,116	\$654
Bridgeport-Stamford-Norwalk, CT	17,174	12,287	4,887	\$770
Buffalo-Niagara Falls, NY	30,281	16,261	14,020	\$633
Cape Coral-Fort Myers, FL	14,259	8,641	5,618	\$691
Charleston-North Charleston, SC	21,565	14,394	7,171	\$674
Charlotte-Gastonia-Concord, NC-SC	50,516	31,772	18,744	\$668
Chattanooga, TN-GA	14,854	9,582	5,272	\$582
Chicago-Naperville-Joliet, IL-IN-WI	276,963	185,930	91,033	\$786
Cincinnati-Middletown, OH-KY-IN	51,811	31,160	20,651	\$771
Cleveland-Elyria-Mentor, OH	55,833	30,956	24,877	\$785
Colorado Springs, CO	15,833	10,331	5,502	\$698
Columbia, SC	15,513	8,066	7,447	\$682
Columbus, OH	39,910	22,873	17,037	\$786
Dallas-Fort Worth-Arlington, TX	231,619	174,388	57,231	\$823
Dayton, OH	20,259	10,954	9,305	\$627
Denver-Aurora, CO	62,041	40,447	21,594	\$797
Des Moines-West Des Moines, IA	11,660	6,807	4,853	\$761
Detroit-Warren-Livonia, MI	119,991	64,542	55,449	\$731
El Paso, TX	37,483	24,426	13,057	\$787
Fresno, CA	50,460	34,707	15,753	\$831
Grand Rapids-Wyoming, MI	28,512	17,398	11,114	\$740
Greensboro-High Point, NC	24,283	15,147	9,136	\$585
Greenville, SC	18,534	11,079	7,455	\$601
Harrisburg-Carlisle, PA	12,687	7,820	4,867	\$750
Hartford-West Hartford-East Hartford, CT	22,534	12,033	10,501	\$673
Honolulu, HI	22,154	13,198	8,956	\$789
Houston-Sugar Land-Baytown, TX	219,192	164,280	54,912	\$827
Indianapolis-Carmel, IN	44,765	28,490	16,275	\$760
Jackson, MS	19,734	10,114	9,620	\$884
Jacksonville, FL	32,352	20,673	11,679	\$750
Kansas City, MO-KS	47,017	28,078	18,939	\$810
Knoxville, TN	16,326	9,492	6,834	\$647
Lakeland, FL	20,053	11,593	8,460	\$737
Las Vegas-Paradise, NV	56,662	40,643	16,019	\$785
Little Rock-North Little Rock, AR	22,234	11,295	10,939	\$696
Los Angeles-Long Beach-Santa Ana, CA	490,232	379,143	111,089	\$824
Louisville-Jefferson County, KY-IN	30,727	18,422	12,305	\$640
Madison, WI	8,661	4,922	3,739	\$628
McAllen-Edinburg-Mission, TX	42,035	22,020	20,015	\$703
Memphis, TN-MS-AR	47,845	30,440	17,405	\$779
Miami-Fort Lauderdale-Miami Beach, FL	160,847	113,320	47,527	\$791
Milwaukee-Waukesha-West Allis, WI	40,751	24,918	15,833	\$757

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Metro Area	Total Number of Families Impacted if			Decline in Average Credit for Families with Incomes Between \$10,000 and \$20,000
	ARRA Provision Expires	# With Smaller Credits	# Who Will Lose Eligibility	
Minneapolis-St. Paul-Bloomington, MN-WI	60,545	37,770	22,775	\$643
Modesto, CA	20,981	12,239	8,742	\$723
Nashville-Davidson--Murfreesboro, TN	37,368	23,217	14,151	\$764
New Haven-Milford, CT	18,480	9,010	9,470	\$610
New Orleans-Metairie-Kenner, LA	30,584	14,139	16,445	\$500
New York-Northern New Jersey-Long Island, NY-NJ-PA	464,672	313,702	150,970	\$747
Ogden-Clearfield, UT	15,625	9,328	6,297	\$769
Oklahoma City, OK	39,157	23,874	15,283	\$742
Omaha-Council Bluffs, NE-IA	28,295	17,761	10,534	\$840
Orlando-Kissimmee, FL	66,081	46,865	19,216	\$773
Oxnard-Thousand Oaks-Ventura, CA	23,363	17,397	5,966	\$681
Palm Bay-Melbourne-Titusville, FL	13,840	9,569	4,271	\$762
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	125,058	79,707	45,351	\$696
Phoenix-Mesa-Scottsdale, AZ	141,201	99,314	41,887	\$827
Pittsburgh, PA	41,670	21,526	20,144	\$664
Portland-South Portland-Biddeford, ME	11,704	7,909	3,795	\$645
Portland-Vancouver-Beaverton, OR-WA	61,948	41,917	20,031	\$787
Poughkeepsie-Newburgh-Middletown, NY	13,330	9,189	4,141	\$684
Providence-New Bedford-Fall River, RI-MA	37,238	22,256	14,982	\$691
Provo-Orem, UT	12,905	7,031	5,874	\$848
Raleigh-Cary, NC	23,052	14,927	8,125	\$699
Richmond, VA	26,415	17,702	8,713	\$697
Riverside-San Bernardino-Ontario, CA	174,209	122,692	51,517	\$821
Rochester, NY	26,311	14,748	11,563	\$663
Sacramento--Arden-Arcade--Roseville, CA	57,781	34,242	23,539	\$705
St. Louis, MO-IL	63,769	36,598	27,171	\$744
Salt Lake City, UT	30,749	21,033	9,716	\$682
San Antonio, TX	77,054	49,612	27,442	\$767
San Diego-Carlsbad-San Marcos, CA	80,631	58,869	21,762	\$818
San Francisco-Oakland-Fremont, CA	89,169	61,507	27,662	\$788
San Jose-Sunnyvale-Santa Clara, CA	40,342	28,612	11,730	\$778
Sarasota-Bradenton-Venice, FL	17,050	12,495	4,555	\$808
Scranton--Wilkes-Barre, PA	16,327	8,640	7,687	\$774
Seattle-Tacoma-Bellevue, WA	62,040	38,326	23,714	\$678
Springfield, MA	17,901	10,450	7,451	\$741
Stockton, CA	27,678	18,940	8,738	\$755
Syracuse, NY	16,691	8,204	8,487	\$699
Tampa-St. Petersburg-Clearwater, FL	67,089	42,232	24,857	\$698
Toledo, OH	17,100	9,238	7,862	\$661
Tucson, AZ	31,439	19,429	12,010	\$668
Tulsa, OK	28,871	16,788	12,083	\$687
Virginia Beach-Norfolk-Newport News, VA-NC	45,938	28,210	17,728	\$754
Washington-Arlington-Alexandria, DC-VA-MD-WV	98,078	63,218	34,860	\$684
Wichita, KS	17,400	11,550	5,850	\$732
Worcester, MA	12,029	8,678	3,351	\$602
Youngstown-Warren-Boardman, OH-PA	14,130	7,579	6,551	\$713
100 Metro Area Total	5,543,163	3,670,806	1,872,357	\$760