THE BROOKINGS INSTITUTION

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PATHWAYS TO REDUCE CHILD POVERTY: IMPACTS OF FEDERAL TAX CREDITS

Washington, D.C.

Thursday, February 5, 2026

WELCOME AND INTRODUCTION:

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KEY FINDINGS PRESENATION:

V. JOSEPH HOTZ
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PANEL DISCUSSION:

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WATSON: Oh, welcome. Can I ask you to take your seats? I'm sorry. Welcome everyone. I am Tara Watson. I direct the Center for Economic Security and Opportunity here at Brookings, and I'm really delighted today to welcome you to a discussion of. Some key federal tax credits, the child tax credit earn income tax credits. These programs are refundable tax credits, which means you can get a, a tax transfer even if you owe little or no tax in many cases. And today we're gonna hear about a National Academy's report investigating how these credits operated during 2021 when they were expanded and the impacts on child poverty. It's important to understand this because the safety net has really changed a lot. In 1996, we passed welfare reform. Bill Clinton, you may recall some of you promised to end welfare as we know it. And in some ways that has happened. Cash transfers to families on a monthly basis in the traditional sense are all but gone. But this has been replaced by many other. Programs, expansions in food assistance, expansions in health insurance assistance.

And importantly, a lot of the cash transfers that now happen through the tax code and in particular through these two programs, the CTC and the EITC. So even though 2021 was sort of an odd time economically, socially, et cetera it's a really important and unique opportunity to learn more about how these programs function and what they do for poverty. So today I'm delighted to welcome a group that will be able to talk about this. We will be hearing first from Joseph Hotz, who will be presenting the main findings of the NAS report. I encourage you to look at the report itself for more detail, because there's more in there than he could possibly cover in the other time we've allotted him. Dr. Hotz is a Research Professor at the Harris School of Public Policy at the University of Chicago, and he chaired the committee that produced the report.

We also have several members of the committee who will join a panel after the presentation to talk more about it. It includes Marianne Bitler, who is Professor and Chair of the Department of Economics at UC Davis. Dolores Acevedo-Garcia, who is a Professor at Boston University School of Social Work, and the Director of the Institute for Equity and Child Opportunity and Healthy Development. Jim Sullivan, who is a Professor of Economics at University of Notre Dame, who also is a Co-founder and Director of the Lab for Economic Opportunities. Leo, and these three committee members will speak more about some sections of the report, but they'll also be joined by Michael Strain, who is not involved in the writing of the report, but is an expert in this area.

Michael is the Director of the Economic Policy Studies Program at the American Enterprise, institute, our neighbor up the street. The panel will be moderated by Diane Schanzenbach who is the McCourt Chair and Professor at the McCourt School of Public Policy in Georgetown. And Diane is also a former member of the Brookings staff and current Non-resident Fellow. After the panel for those of you in the room we will have a reception. So, I encourage you all to stay for that. And with that, please join me in welcoming Joe Hotz to the stage to talk about the report.

HOTZ: Thank you, Tara. This is really a pleasure to, to get this opportunity to talk about a report that a large number of people sort of spent a fair amount of time, working on over an almost two-year period. I'm gonna present the highlights of this report. Here's the committee, the names of the people in the committee Robert Moffitt, who's over in the corner, is here. And there may be some folks who are, if I missed anybody else, my apologies. And some who are watching from, from home. I want to call out a special thanks to Jen Goodman, who was a staff director for this project, and did a really amazing job in keeping us all on schedule and, and working in, I think in a really pretty harmonious way.

The report originated from a request by, from Congress to the National Academies to conduct a nonpartisan evidence-based report on the following. Four tasks. The first one was to assess the impacts that Tara briefly alluded to, and I'm gonna say more about of the impacts of the child tax credit and the earned income tax credit in 2021. And there's some policy changes that were there. And in particular its impacts on the on-child poverty in the United States and for specific populations in the us. Second task was to look at how this program was implemented and look at impact on participation in these tax credits and effectiveness of those in reducing child poverty.

The third one was really to facilitate, to look at sort of this across in, related to the other ones really to look across the impacts on different groups in the population. Particular looking at some one's, you know, looking at racial, ethnic immigrant populations and other demographic groups. And the fourth task was to look beyond the particular instance of this impact in 2021 and sort of talk about policy features, features to the EI the EITC and the CTC in particular, that which would further reduce child poverty. Today we're gonna focus mostly on task one. I'm, my remarks are gonna focus mostly on task one, three, and four, but I would call your attention to, there's a chapter on take up and important chapter on looking at some analysis that we did with focus groups to sort of understand how this actually affected the, these programs in 2021, affected populations who were affected by this program, and nonprofit organizations which were involved in trying to disseminate information about and facilitate those groups becoming you know, being able to seek the credit through the tax system.

Okay. So, I want on the next couple of slides, just do a little bit of brief background on the earned income tax credit before and after I, I'll come back to what happened in 2021. But the, to sort of focus on the, the attention of this to, to sort of understand where we're coming from the, you'll see here and on the next couple slides. These are schedules, these, this particular schedule I believe is for, well for d different types of tax filers from married joint filing, filing jointly to head of household single parent households. But important part of the story, right, is that the An ITC from its inception in the nine, late 1970s was really a program focused on providing income support wage subsidies, if you will, to low income.

Working families the, for those filing taxes that this, the EITC is fully Tara alluded to this fully refundable. And, and you can see by this schedule, there's a, you know, charter of changes in for different groups by population, by type of household pardon me, by number of children and by types of households, different schedules for the, the benefits which phase in this benefit, there's this region that sort of the maxes out in terms of the credit. And then a phase out raise. And you can see here, you know, in this particular number, the maximum credit here, phasing out for one of the particular groups is at $55,000. A large sum of money. But, but sort of in, you're gonna see in, in just a minute. Relatively this is treating low and sorry, the lower middle-income households.

Tara alluded to this, this has now become over this period of time that the EITC has become really the one of the largest federal anti-poverty programs for working families in the United States. The CTC, the child tax credit starts a little bit later in the late 1990s. And it was initially designed to reduce the tax burdens owed by low- and middle-income families in the United States for families with, you know, with children. It expanded over time and made various types of changes that were through different types of legislation. The LA latest before the one we're gonna talk about right, was the tax cuts and job jobs Act in 19 was passed in 2017, right? That act. In terms of this, this particular program increase the maximum benefits relative to a past policy, increase the maximum amount of the federal portion, the refundable portion of the credit, and third.

Dramatically increased the availability of this credit out in terms of higher income households. You can see here that sort of for families you know, with two fam, two, three children, right, that you're, the, the maximum credit extends out to 400 you know, between 400 and 400, 500 and $550,000. That's gonna come back. We're gonna have, I suspect some discussion about this in 2021. The Biden administration, the American Rescue Plan, was an act that, again, had multiple parts to it, but with respect to the provisions that we're gonna talk about here today it changed on a temporary basis one year.

And that's an important point to make about this some changes with respect to the EITC and the and the child tax credit. The changes for our per purposes of child families with children was in the EITC, were relatively small and really didn't affect directly because most of the changes that were made affected childless house, childless tax filers in, in this analysis. So, this is we'll talk a little bit about this and there's more in the report about this, but, but sort of, that's relatively small, but there were much larger changes that occurred in the form, with respect to the CTC under ARPA. And I'm gonna talk about those and show you in a minute. So. The, this is again, another one of these schedules.

This is for, again, married filing jointly, household tax filers to, too, if you will, parents. And, and here it's set up for one child that's really sort of material. But the, the bottom dotted Strat section of this is the policy that existed under the CTJA. Right? And that was the CTC. Under that schedule, what ARPA did was to extend in two, you know, in two important. Two important dimensions of this was increase the size of the benefit for the very poor, but more especially extend the benefits essentially to make it fully refundable. So, you had that, you didn't have to have any income to actually claim the credit. This is new and different with respect to sort of its impact on especially those who weren't used to filing taxes in the past.

And then the last part is it provided because of the concern during the pandemic of getting cash to people that provided so-called monthly advanced payments on the anticipated amount that you would, you, you would receive some as provision was handled by the IRS, so many have made the point that the CTC under this provision essentially looked like a child allowance. Okay. And now I wanna talk a little bit about measuring child poverty. First off, let me sort of be, be clear about what the committee was asked to do, or if you will told to do fair enough, which is that we were to use a particular measure, the supplemental poverty measure as our measure of poverty.

There's a lot of reasons, good reasons for that. So, I'm not criticizing anything about the provision of this. There's discussion in the report. And this may come up in the discussion further about sort of why this is a reasonable measure to use in this particular case. Although, you know, as we discussed, it's not without controversy. And, and it is as almost anything that we do or measure. Right. And the second point I wanna make is that we were also asked to use the trim micro simulation model, trim threes micro simulation model. That's to use this to calculate the impacts of these programs or the effects of these programs.

The changes in 2021 of the CTC and EITC on child poverty. And also, to calculate. What we'll talk about, I'll briefly talk about later, which is some alternatives alternative policies to address task four in, in the list. Again, there's a discussion in the I think a, a fairly good and candid discussion of the pros and cons of using the mi, the TRIM three micro simulation model. This is an urban institute program in the staff that developed it. Okay, now this is a slide that's sort of important to, to set to, to set it a frame of reference. If you go and look for, if you were to go and look at 2021 and what the child poverty rate was based on the SPM, the supplemental poverty measure, you will find that that measure was equal to 5.2% of the children under age 18 were considered measured to be in poverty based on the, the methodology that they use, which is based on using the CPS ASAC data to be able to calculate that number.

The rate that was used in trim three, the analysis we do right, was 2.8%. So, what's the big difference? Well, the big difference is that the Trimm three is a model that has a, a longstanding tradition of measuring very well programs, you know, social and anti-poverty programs. And indeed, they've had a, you know, found, which has been well documented in the literature a good deal of under-reporting of benefits from those transfer programs. And they adjust their numbers for those differences. And that under reporting sort of adjusts down the sort of poverty. There are other things which they do dealing, for example, with other social benefits like housing benefits that, that accrue to, to households that make this, that also go into this adjustment.

But that's an important thing to keep in mind. It can be jarring to look at this and say, why are you talking about a, you know, base poverty rate for children of 2.8%. We think we know it was higher than that. Well, this just depends upon one's measure as to which one you use. The second point I wanted to make, is that right? And the, this is a diagram that sort of looks at poverty measures changed over time. And to give you a reference point, and we will come back to this reference point we look at in this slide, sort of the, what the poverty rates measures were using, again, the trim three numbers, right, that I just and methodology to calculate what the poverty rate was in this, in, in 20, in, in 20 20 18. And here you can see the difference between those. We know that poverty was higher, poverty rates did go down in in 20 2021. And part of the story is the programs, right? One presumes that we're gonna look at that story, right? Associated with these different policies.

You can also see there's a good deal of variation. This is just one dimension. And Dolores Acevedo-Garcia is gonna talk more about that in the context of this. Here's a whole set of key issues. And I'm not gonna go even state all of them but there were parts of the report and they're crucial parts of the report. Again, I don't have time to sort of go through all these again. Some of them may come up in the context of the discussion and some we may not have time to sort of cover. But there were ones and we each case where we had to make some decisions about how we were gonna deal with them. What started out to seem like a very simple report.

It'll take a couple months and you'll be done. You know, it turned out to be anything but that particular outcome. Okay, so now I'd like to turn to what impacts the CTC and EITC had on poverty in 2021, the period in which ARPA sort of made changes. It's crucial, and you'll see in the next couple of slides, we did we divided up the impacts of these programs into the, the changes into four components, right? One was what the effect is in of the AITC based on policy in 2021, I told you that the policy changed in 2021, but it isn't very different from the policy that existed before and after that for our families with children. That's one component of this. The other po, the second two parts are about the, and you saw in the previous slide there was a part of this, which is the policy that attributed to the, you know, the tax TCJA, the tax credits and Jobs Act which affected the, the CTC in the absence and then this expansion that occurred during ARPA for the CTTC.

Then the last component is taking them all and putting 'em together and sort of seeing the overall effect in 2021. Everything that's done here as with respect to the base of no tax credit. In, in, you know, present. So that's, that's what, what these comparisons are. With respect to let me start out with this slide by sort of making a point. This is about what APAC these programs have and, and what's re what's referred to in the graph here are these graphs are about reductions in child poverty.

We had to estimate what the base would would've been in the absence of these programs. 'cause that's the base that we're using in this particular case, not in the slide.

The estimate is for five, 5.7% that that counterfactual that was estimated in by the using the trim model. So, what you can see here is for the various components and leading up to the last one. Right. We estimate this is an estimate that doesn't adjust for employment effects, which I'll come to in just a second. That this, the, these combined policies of CTC and EITC in 2021 lifted two more than 2 million children out of poverty. As about half of the child poverty estimate that we pro project would've been there in the absence of these tax credits, right? That's a, you can see, you can read the percentage impact here.

The second thing to note about this is the expansion of the E-I-T-C-P. Pardon me, it's expansion of the CTC was the largest contributor to this decrease. Immediately transparent from this graph, but nonetheless the case. Okay, now what I'm gonna do is a series of very quickly going through some adjustments that we made to answer the same question, same slide, same color scheme for the for the graphs but asking what happens when we do different things. One, what happens when we account for employment effects? These policies, these tax credits may affect the employment of the, of, of parents in the households covered by this. It can go in various directions, and there's a vibrant literature about these, these employment effects or labor supply effects more generally.

This diagram sort of goes through and shows you for different estimates and may come up in the, the discussion right, about exactly how we did it. But this is for low median and high employment effects outcomes. And the finding here was that right? In fact, the impact of these adjusting for these employment effects actually slightly increases the poverty reduction that's associated with these programs. I'll leave it to the discussion to sort of talk, talk more about it. But the point is, right we did this adjustment and, and found that it, as I said, didn't reduce the poverty effects. In fact, slightly increased. We also accounted for the fact that there are impacts for, you know, this period of time, 2021.

Those of you, almost everybody in this room looks like the, I'm sure you can remember this right, but there were a lot of programs out there. Tax credits were far from the only ones that were out there. Many programs, expel existing publics, expanded their, their country their, their coverage. The, their generosity and the benefits. A number of others were you know, sort of particular to that period of time. So, you've got these other programs and so a reasonable explanation to say as well, you know, a good part of this effect that you're seeing there is due to these other programs and not the tax credit.

So, we took on this issue as well and sort of attempted to, if you, if you, in this particular case, if you had looked at what we estimated in the absence of not only tax credits, but also these other. Pandemic related pandemic programs, if they weren't neither of them there, there, we estimated that the p child poverty rate would've been 17%. Okay? That's the base that we're sort of working off of. And again, these numbers show that if you did that right now, and, and we tried the experiment to say, well, what would happen if you just change the tax credits and not, and we remove the influence of these other programs. What you see is the overall of that 17%, 9.9, almost 10% would we would have poverty reduction, a substantial reduction, or fi almost 60% of the effect of poverty reduction would've occurred.

We look at some interests of subpopulations. I'm not gonna, I'm running outta time, so I'm not gonna spend, but I think Dolores is gonna say some more about, there was variation here about what happened with respect to the impacts of these programs. Some of that has to do with the policies, which I haven't spent any time really talking about that. The provisions of these po policies with respect to the authentication that was required for, for somebody to be eligible for these programs and children to be eligible for their, of their families to be eligible for these programs. Okay. There's, this is a slide that I'm also gonna go over fairly quickly, right?

But this is, there's two points to this slide. One is looking at the fiscal cost, the fiscal outlays. This doesn't, this includes the outlays from tax credits that are estimated through trim model. It doesn't include other costs, like administrative costs associated with these programs. So, it's far from a full cost number in looking at these things. But the important message here in this, in this diagram is twofold. One, a big part of the cost the outlays are going, are not going to children in poverty, those below the poverty line or families of children, but they're going to other parts of the distribute distributions above that second right, EITC, which you can kind of see here.

The orange slides are much better targeted at that bottom part of the distribution than the CTC under existing policy or previous policy. Okay? Now, okay. We also evaluated a number of alternative policies. 16 as it turns out, quite a, quite a few to look at sort of changes in the PO policy. That's mostly the CTC, but some of the EITC to look at further things you could change to current policy that would, would, would further reduce child poverty. Right. And, and the these were, you know, range from changing the maximum benefits received, changing the, the phase in and phase out rates to, to these programs.

And looking at as you're gonna see in a couple in the next slide, right. Looking at different ways, especially on the phase out, at the point at which you started phasing out the income levels at which you started phasing out. These, these programs. What is shown here? Oh, sorry. The one point I would make this is first of all, we used data in 2018 before the pandemic. And relatively speaking, a period of reasonable stability in terms of the economic and other circumstances with respect to a sort of, you know, sort of policy. C-J-T-C-J-A was in place at this point, but early in this process. So, so that's an important thing to note. And the last part is I'm not gonna try to go through 16 different alternatives.

I'm gonna show you some. Yeah. So, Diane loves his charting about the large number of policies. But there, there are seven focal policies to sort of look at the trade-offs. There's a sequence to this process and that I'm not gonna talk about in terms of, there's a very decided way in which these policies were, were altered by the part of the committee that worked on this part. And, and, and it's an important for to sort of understand, these are diagrams. The orange diagram here shows you what effectively is current policy. It changed a little bit because some of the provisions of the under the big, beautiful bill changed the CTC provisions. But for all intents and purposes, we were done by the time that with our reporter was in review.

So, we couldn't really change much. We acknowledged that it passed but we didn't sort of do much more with it. So that orange one is the sort of policy, this is a policy provision for heads of households. So, this isn't the, the higher income, you know, married households where the, where these. Benefits stretch out and notice again that this particular case, right, for children of, you know, family with two children, single head of household, this stretches out benefits to $275,000. Okay? The policies we look at, with one exception, all cut back on that, right? And that's a common provision that's gonna be across all of them.

We, we, you know, our interest in the poor, right? In the low-income families. So, we didn't do a lot of concentration of this, but that's gonna affect some things in terms of fiscal costs, it'll show you later. So, these policies, as you can see, sort of change the phase in these early ones, sort of changed the phase in. They changed the, you know the last one changes the generosity of this program. So, the early ones sort of changed phase in in, in terms of the rate of phasing in doing it in, in, in different, sort of starting at different points in the distribution or start just levels of income to sort of do this in providing credits in, in this position.

The second part, right? The, the last two of the provisions that we looked at in the focal point, sort of have important reference relative to the policy that existed in 2021, which the diagram, if you remember the previous one, sort of provided benefits, you know, it was fully refundable and provided benefits to people who were households which were low income. So, with this provision, right we, one set of policies which we look at, you know, sort of this, we're gonna always look at a policy, which is not exactly like what happened in the that occurred in 2021, in part for the provision of the fact that we cut it off, right? So, it's not the point I made just a few minutes ago that, that we're focusing on the low income.

The other, but, but we looked at a more generous program. We looked at a program in this policy option 13 that's given here. Expanded the benefit expanded. Obviously you see its coverage out to higher income, but also included some, some ramping in sort of providing some work incentives according to the program. And that's what happened in a lot of these programs, right? We were, you know, these options, we were mixing together changes in, as I alluded to before, changes in the phase in rate changes in the generosity of the program in this particular context. Okay. I'm gonna go through this quickly. The kind of this is, let me do the, the, the blue lines going down or poverty rates, the orange lines going up, or number of children that are affected by these different policy options.

The policy options as it turns out, sort of are ordered towards the later latter ones are being more generous. The benefits either through higher benefits and or sort of more refundability to those, those credits. And thus, you kind of see that playing out here, greater reductions in the, in the later benefits than, than out. And I'm gonna have a con slide about that. These first ones don't take into account adjustments. These policy options with em. Employment do take into account the adjustments that occur with employ employment effects. And there was a, this is the exercise here, was to ask what effect would these credits have as a permanent change in policy.

So, the bene, so the way you adjust for employment effects is gonna be different. This is not a temporary program that affects in the parlance of economists and the income and substitution effects that are appropriately to use in terms of these calculations. So, here's what you see, right? Yeah. Employment effects mattered here and they mattered more in, in a direction some might have thought it would, which is it reduced this, these are all poverty rates, not reductions in this particular graph. It, you see that across these options, right? When you look within any one of these sort of different policies, if you look in almost all these cases, right? The policy with no employment effects. There are greater poverty, right? There are leakages, if you will, from the poverty, impact from accounting for employment effects, and the more, the higher so-called higher elasticities or higher employment effects play out in these things.

But the overall point is right. They're relatively small. That's an average, that's not necessarily true for every group, but they're relatively small in terms of their magnitude across all of these. And we made some pretty big changes and all of these programs as we were asked to do, reduce poverty relative to the current policy that we, that we simulated here. Now, to be sure when you go look and when, again, this may come up in the discussion, some subgroups have a different. Right. Sort of are differentially affected by this policy and have a bigger employment effect, right? Reduction in employment response to the incentives of the especially of those programs which provide greater coverage and refundability.

And so, the, the, you know, there are exceptions to this average story, and that's an important part of the story that we'll talk about. Okay. Fiscal costs, again, the kind of message here is the two, two messages out of this. One, there's a tradeoff. You know, you make pro, you make programs more generous in various dimensions of this, and you reduce poverty, you tend to reduce poverty by more, right? At the same time, fiscal outlays or costs go up. And I give a couple of examples here where that's true. And, and that's kind of you know, sort of in some sense inevitable. It's not magic wand that sort of says you're gonna get the benefits of both. Out of this, there are tradeoffs and they're real.

The second part of this whole point to make is right with respect to where the outlays go. Right? And again, recall, we cut off a lot of the top part of the distribution in almost all of the policies, which we evaluated nonetheless, right? What you see here is there's an awkward wording in the last bullet point, but there of the 18% of children who are in poverty, right? The benefits from the, you know, these programs on average went to 11 percentage, and then eight 89% went to people to households with children out of poverty. Now, whatever your view about that is, right, in terms of a policy matter is quite separate, distinct. Those are numbers which sort of reflect sort of how this sort of plays out.

I'm gonna finish. Some will ask, we've asked a lot about this. What are your policy recommendations? We don't have any that what we think though, what we've accomplished here is that we've provided a lot of analysis, which tell you sort of the parameters of that policy and quantify those trade-offs. In terms of the policy with respect to t both CTC and EITC, have we covered all of them? Oh, I'm surely not, but we've covered a lot of 'em, and I think they do inform that debate. But what we did do is sort of prioritize several things, which were with respect to sort of the needs for data and measurement.

We could air the dirty laundry about all the things which we had assumptions we had to make and the difficulties in doing this. And, and I won't I'm outta time anyway so I gotta get off the stage, but what we do argue is the important role that linked administrative and survey data, think the current population survey and tax records play in understanding the impacts of these tax credits. Yeah, right now there are, you know, sort of, there are very few access issues. There are real serious access issues to those data and they're real still, you know, important questions in terms of resolving them. There's a program within the Census Bureau then, the National Experimental Wellbeing Statistics Program, which is trying to address some of those, and we applaud that.

But there's important issues here, which need to be making data that's publicly available, available to researchers, and in some forms publicly available to be able to understand these policies. They're too important and they're too you know, sort of play such a big role. There's some questions about the employment responses, what are to that need to be looked at, and an area which I didn't talk about, but as important part that we found really deficiency was we need to better. Collect better information and do more studies on how are these programs actually impacting populations? How are they playing out, if you will, in the homes and, and you know, neighborhoods where poor people live in terms of these programs. Tax credit, you know, file your taxes, right? You're getting ready to do this.

This is not the easiest thing to do and it's not easy to do if you have very little familiarity with the tax system. So, with that, I'll turn this over to my colleagues. Thank you.

SCHANZENBACH: Well, fantastic. It's very great to be here with you all. It's an honor to be moderating this panel full of great experts. I also know that there's a lot of great expertise in the audience. I thought we've got about an hour, and we'd spend about five minutes deeply diving into each of the 16 policy options and then give the audience a quiz at the end. Sound good? Alright. Marianne, I'm gonna start with you. The, as Joe explained at the start reports, baseline poverty rate is very low. It's 2.8%, much lower than the rate that's estimated by the SPM by the census that year, and much lower than the committee's baseline rates and its policy simulation.

So, I've got, sort of got two questions about this. The first is, how do we think about changes in the impacts of these programs by the baseline poverty rate? And then what do we know about participation in these programs in the first place? Take up, barriers to take up waste, fraud, abuse, et cetera.

BITLER: Okay, so this was a much lower baseline level of poverty than the Census Bureau, which is trying its best with limited resources to estimate can get. And you know, if you look in the report, you can see the exact accounting of which of the various social safety net means tested programs makes this difference. The tax and tax credits don't play a very large role in that change in that table. So that's one thing to know. The second thing to, to think about is that you know, there was a huge change in the take-up rate likely for the CTC under ARPA because it was being delivered.

You know, not because people filled it out in their taxes, but the treasury was sending checks to people and that made a huge difference. But these are, these are programs that are, the, the take up rate is very high. In general, the ITC numbers, like 85 or 90% are not uncommon for some of these things. And I think maybe there was something else that I didn't touch on.

SCHANZENBACH: Well, I how do we think about the baseline poverty rate Oh, and the effectiveness of these programs?

BITLER: I think that, so the micro simulation model matches the control totals. So, I think there's unambiguous finding in the research community that people believe that the poverty rate on average is under its overstated in the public use. Census data. There's lots of people who've documented that. But the percentage changes that we found when we didn't adjust for employment effects were around the same with our lower baseline poverty weight as the ones that you could get from looking at the Census Bureau's P 60 reports. Okay?

SCHANZENBACH: Mm-hmm.

BITLER: And so, the magnitudes were similar for what happened. As Joe mentioned, we need better data to be able to. Do as good a job at matching control total matching the administrative totals for the ITC and the CTC because that's not what trim was built to micro simulate. So, it does less well for that.

SCHANZENBACH: Fantastic. Fantastic. Dolores, let me bring you in now. So, we know that choices and policy design really affect how much the tax credits can reduce child poverty. Can you tell us more about how these policy choices affect different groups of children, especially the groups that have particularly high poverty rates?

ACEVEDO-GARCIA: Sure. So first of all, the statement of task included looking at poverty by subgroups, by family structure family, socioeconomic status, race, ethnicity, nativity citizenship, and immigration status and location. And the reason for that, of course, is that, and there is a lot of variation or inequities in child poverty by subgroup. And just to give you a sense in our policy, one baseline 2018, and that's very similar to today the overall poverty rate was about 11% for children. But for Hispanic children it was 19%. For black children, it was about 16, and for white children it was about six. So, the rate for black and Hispanic children is about three times as large.

That is just by race, ethnicity, by family structure. The rate for kids in single head households is about 7%, sorry, 20%. And the rate for kids in married households is about 7%. So again, very, very large inequities. So obviously the statement of tasks would direct us to try to understand these differences and see what the effects of policies would be on reducing these inequities. Another thing that we know, or we knew going into the report is that the programs have differential effects by subgroup. So, they are not equally effective, and that's very important to understand. Joe talk about this. One of the questions that is very important is to what extent that the way we design the credits makes them go to the families are more vulnerable or have the highest poverty rates at baseline, right?

So, to what extent we are targeting lower income, lower earning families with, for example, the child tax credit and the things that Joe alluded to is we can think about so the benefit of course, but also the facing rate, whether families with no low earnings are eligible and also whether the, the credit is refundable. And that has a huge impact on who benefits. He also talked about the policy today, HR one or the, the big, beautiful bill is very similar to TCJA. So, we can use very similar numbers in our baseline of 2018, which is about TCJA or HR one. All the CTC benefits that we spend, only about 10% go to families, 100% below the poverty line, sorry, below 100% of the poverty line.

On the other hand, 55% of the benefits go to families over 200% of the poverty line. So, we can design the child tax credit in a different way. That's what we tried to do in 2021, and we saw as, as Joe showed large effects on reducing poverty, particularly for some of the more vulnerable groups. I think that it's very important to keep that in mind. Our colleagues from Columbia University Center on Poverty and Social Policy led by Chris Wyer, who was also a member of the committee, just published a report about HR one. And one of the things that they showed is that with HR one we are excluding even more children than with, with TCJA from receiving the full child tax credit.

And that is about 28% of children because their families have very low earnings, are not eligible to receive the full tax credit. 28% of children is 19 million children, and the effects are not equal. 45% of black children are excluded. And also, about 39% of Hispanic children are excluded. So much lower percent of Asian and white children, about 20% are excluded, or their families are excluded from receiving the full child tax credit. So, it's very important to keep in mind when we tweak design. That we are gonna affect groups very differently, and we can be very purposeful about trying to design the credit in the way that I think it should be designed, which is to help the families that have the highest poverty rates. That's just one aspect of eligibility.

Another aspect that I look like talk about later is eligibility, but by tax identification number or social security number, which targets children primarily in immigrant families, which is a very important group of children when you talk about child poverty.

SCHANZENBACH: All right, we're gonna come back to unpack more of that. But let me get Jim in as well. So, Jim, my opening question for you is that the fact that the poverty effects for the 2021 changes to child tax credit were larger when you were accounting for employment effects compared to those with no adjustments was surprising. What's going on here? What does this tell us about the debate and literature over child allowances versus tax credits that are tied to work?

SULLIVAN: Sure, and maybe I'll start by asking a question, like, why, why did we spend so much time thinking about adjusting for employment facts in the first place? And I mean, it's a standard thing that that one does when evaluating the impacts of policies that whenever the CBO scores a bill, right, it can, if that legislation might change the returns to work, it's going to, to adjust for employment effects. And so, we thought a lot about this. And, and I think a key point to make here is we were considering different tax credits, some of which actually increase the incentive to work. So, the earned income tax credit you're not eligible if you don't have any earnings. But, but was a wage subsidy if you had positive earnings.

So, it would increase, introducing that policy would increase the incentives to work. The 2021 version of the child tax credit did provide a benefit to those who were not working. So, it then changed the incentives for not working relative to working. So, so adding a, a disincentive. When you look at the results that, that Joe presented, the first main effects of, of these credits on poverty in 2021 we, we did it sequentially. So, in that presentation, so you start with, let's first take all the credits, outlets first, add the EITC, right? So, the EITC provides an income transfer, which lowers child poverty, but it also incentivizes work, which then brings people into the workforce and lowers it even more. If we didn't adjust for employment effects, we would understate the effect of the ITC, which is why you see that increase.

Same thing with the, the pre-ARPA CTC, right? Which, which you were not eligible, eligible for positive income or positive. If you had no income, you were not eligible for the credit. And again, we see that if you adjust for employment effects there, you're gonna see an even bigger reduction in poverty if you adjust for employment effects.

When you finally, when you add the, the ARPA CTC, so this is the transfer that you were eligible for. Even with zero earnings, we see that it has a significant effect on reducing poverty, but then when you adjust for employment that reduction is a little bit smaller when you add them all up together, right? The net effect, all this, it turns out the, the effect the employment effects end up of the EITC, and the pre-ARPA CTC are a little bit bigger than the, the negative employment effects of the ARPA CTC. So that's why you see the bigger effect.

SCHANZENBACH: Oh, nice. Lemme ask a follow up, which is, do these employment responses differ across demographic groups in important ways? And any particular, you know, studies you wanna shout out? Just kidding on that line.

SULLIVAN: Maybe the seminal work of the, the, you know, there's a lot of disagreement about what the exact nu number is in terms of how big the adjustment should be. And but there are some consensus takeaways. You know, one of 'em I think is that that, that the adjustment differs significantly across groups. You know we tend to believe that the response to an incentive to work is gonna be greater for the secondary earner as opposed to the primary earner. A lot of the evidence that comes out of the earned income tax credit literature, and more recently on the child tax credit indicates that single parent families are particularly low income, single parent families, low educated, unmarried mothers, for example, are particularly responsive. So, in our assessment of the literature, for example, we, we had a response rate for unmarried mothers that was more than four times greater than the one for other mothers. And that, that really is not any additional analysis we did, but, but a synthesis of, of the literature that was, you know many papers that, that have studied that impact.

SCHANZENBACH: Michael, I'm gonna bring you in to talk about the Seminole work of Johnson Bach and Strain, but you're one of the few poverty scholars in the room who was not on this committee. So, I'd love your reflections on it, please air the grievances.

STRAIN: Yes. I, I thought it was very well done. The band given the, the committee was, was quite narrow. And, and, and I think the committee had no choice, but, but to follow the band aid. And, and I think I, I think the, the committee followed the band aid, admirably and by, by kind of reading of the state of the literature corresponded quite closely to, to the committee's reading. And it looked to me like the committee really tried to take a hands above the table approach. And I think they, I think they succeeded. There were no, there were no dirty tricks.

SCHANZENBACH: Excellent. Well, thank you for all that. I'm gonna sort of open up, I've got a lot, a long list of questions, some from me, some from people that submitted them beforehand. We'll eventually go to questions from our top-notch audience here. But let me start by asking the panel and you, we can decide who wants to take the first shot is some recently have proposed separating. The worker credit from the child tax credit. What are the pros and cons, both in terms of the technocratic sense of that and also the political sense of instead of marrying together the EITC, which is bigger for people with larger families separating those? Mike, I'm going to you.

STRAIN: Well, I had thought that I was favorably inclined to that policy, and then Tara sent me her paper arguing that it may be less advisable that I had thought. And now by my does

SCHANZENBACH: do you want other than Tara's very persuasive and her fantastic co-author Sarah Game, who's about to graduate from MCC Court School of Public Policy. By the way, McCourt had three members on this committee. I just wanna state that say more about that.

STRAIN: Well, Tara at her, at her, at her excellent co-author. Help to quantify the costs that would be associated with that policy change and did a really admirable job, I think, of sorting through who would, who would win and who would lose. And it looked like that there were quite a bit of, quite a bit of losers and losers are bad. Who won winners.

SCHANZENBACH: I was gonna sort of continue to push the panel. What do we know about how much of the tax credit money that employers capture? And would that look, do you think that would look different if we separated the worker credit from the, the child tax credit? Marianne, I know you've got thoughts on this.

BITLER: I mean I think,

SCHANZENBACH: so, would you say that workers are more concentrated by their earnings types then?

BITLER: No, I think that it would be, I, I think my objection, my previously written objections to moving to a universal child credit are, it's a very expensive way to target money, not to the bottom of the distribution. And there's a lot of families where somebody's not working very much or not working. And, you know, it doesn't seem my personal view, this is not the, you know, panel's view this not Oh, yeah, no, we're asking you That's right. Is we should be targeting money to, to kids in need and kids who don't have resources.

So, I, I personally think that some of the sim I was not a very big player in the, well, I didn't have a favorite one of these potential policies. But I do think it seems unclear to me that we need to be giving large amounts of, of transfers to everyone because the only way to fund that is to take money away from the bottom.

SCHANZENBACH: Well, I know you didn't have a favorite but let me just really give a shout out to number 15 for you. Dolores, let me come to you to start and then I'd love others to weigh in in this as well. You know, we are in a moment where we're talking a lot about immigrant, immigrant families. So based on the committee's work, what'd you find out about the impacts on immigrant groups in the us?

ACEVEDO-GARCIA: Both. Those who are non-citizens and then those are who are immigrants and now citizens or have citizen children. Sure. Well, I'm a demographer by training, so I have to just give some idea of the population that we're talking about before we say anything else.

SCHANZENBACH: Please.

ACEVEDO-GARCIA: So today one in four children in the US are growing up in an immigrant family, right? The vast majority of the children are US born citizens of the US and majority of them live in what we call mixed status families. So, any way that we think about doing something to children and then hurting some types of immigrants that we consider not deserving is just impossible not to also include children, including US citizen children, right? It's just like, no it's just impossible to do. Children in immigrant families, as I said, are about one fourth of the us child population. So are, and just a coincidence Hispanic children, Hispanic children have the highest poverty rates as we show in the report, and has been shown in other reports, and they are about more than 40, like 45% of children in poverty.

Again, you can find all this information in the report. And they have a very high poverty rate, as I said earlier of 19%. Again, anything that we are doing targeting immigrants in any way that we target them in enforcement policy, in anti-poverty policy is disproportionately hurting Hispanic children, which, like all children are, also the vast majority of them citizens of the US, right?

So, the, what is really interesting is that our credits, we have to think about them in terms of all these dimensions of eligibility that affect whether they go to the lowest income families that we're talking about before. And we can also think about them in terms of how they consider immigrant families or children, immigrant families eligible. And the way this is done in tax credit policies by looking at whether families have social security numbers, right? Mm-hmm. So, the EITC starting with welfare reform in 1996 became very, very exclusionary. What I mean by that is that if a family has US citizen children who have social security numbers, but even one person on the tax return doesn't have a social security number, that family forgoes the EITC entirely, entirely, that excludes today about 5 million children.

And these children in this mixed status, families that have members without a social security number, have a poverty of rate of 30%. And again, the vast majority of them are US citizen children themselves, and they have a poverty rate. I know we should be trying to reduce, obviously. So, the EITC is extremely exclusionary. The CTC is also exclusionary, not to the same extent, but it has become more exclusionary in recent years until 2018. Children without social security numbers could get the child tax credit starting in 2018. Those children cannot get the child tax credit starting with HR one. If a child has a social security number, they are no longer eligible if don't have at least one parent that also has, has a social security number.

So, you may recognize the pattern here, and we are seeing that in other areas of immigration or immigrant policy. We are becoming more extreme. In the way we exclude people. And I think that our exclusion starts with the moment that we identified that some children, and I hesitate to say even when they're US citizen children, because I believe that our children are deserving. But anyway, even when they're US citizens that we consider them not deserving of receiving help, even if they have a working family. And by the way, immigrant families have very high work effort, even if they have earnings, even if otherwise, they would qualify, right? So, we have incentives in the EITC that kind of favor work.

Of course, that's the main purpose of the EITC. And the situation of many immigrant families is consistent with that. But at the same time, we have immigrant eligibility criteria that are going contrary to that. And with the CTC, we are going increasingly in that direction. That's my opinion. As Marianne said, that's not the committee's opinion, although we documented a lot of these things because obviously it's very important to think about them in terms of child poverty in the US in the report, and by the way, we have a policy option, policy 16 for the test later, the quiz that Diana's gonna keep everyone here that, that restore eligibility for the EITC for children that have parents without social security numbers.

And as you can imagine, other, other changes, changes to the EITC, which we consider. And they were not very large. They were increasing the EITC by eight percentage points. I mean the facing for the EITC by eight percentage point. So that didn't have a large effect for anyone. But of course, it didn't have any effect for these kids that are not eligible at all. But then when we changed the eligibility of their families in the last very last policy, their poverty rate goes down from 18% to about 10%.

SCHANZENBACH: Okay. She, you just showed us the, the great value of having a demographer around that was a demography toward a force. Mm-hmm. And that's a lot to digest. I wonder if any of team economists down the, down the road has anything to add about, about immigrants and the effects of these policies.

SULLIVAN: I'm not sure there's much to add on immigrants, but Dolores covered this as well. But, but I, I, I wouldn't mind tying together Dolores's point and something that Marianne said which is, well, well, one, the, the CTCs A in 2021 is a really expensive policy, right? $210 billion. And you know, the expanded piece of it was, was over a hundred billion. So, it kind of basically doubled the cost of it. One of the primary reasons, as Joe pointed out to show the results is that the resources go far up the, the, the income distribution they should do. And I think it's really important when thinking about like, well, what is the purpose of a, of a child tax credit?

Right? If the purpose of it really is to be fighting poverty, then we want to think about targeting it. But I think it's also in considering about, you know, how effective that would be. One of the primary motivations you're hearing about for things like a, a refundable child tax credit is all the evidence, the building evidence or compounding evidence of the positive effects of income transfers to people at the very bottom of the distribution, disadvantaged groups like immigrants, where, where Joe showed that for the Hispanic population, the poverty rates were the, were, were the highest.

If you look at income transfers, the effects of income transfers to households with high income households with children. There really isn't evidence that those, that those transfers are improving outcomes like health and education, the way that they are low income. So, I think that, that you have to ask what, like what is the purpose of the child tax credit? But if it, if it really is with the goal in mind of improving outcomes for the most disadvantaged, I think the, the case we're targeting this strengthened.

SCHANZENBACH: I think that brings me to some new questions that some were mine, some were from the audience submitting beforehand. But I'm gonna start with, it's not that the poverty threshold is some sort of magic number and once you get above that, everything else is smooth sailing. If you haven't been aware, there's a lot of talk about an affordability crisis in the United States, and people above the poverty line feel pretty stretched as well. So how do you think about the distributional impacts of these policies, let's say going up to 200 or 300% of the poverty threshold and not just below the poverty threshold? Like, how do we think about that? Either from these policies or from, you know, what do we know about the impact of poverty reduction on the groups or, you know, income support, the groups above poverty? And I would love everybody on the panel's take on that, and we could figure out who's who, who, to who we should start with.

STRAIN: Well, I am drawn, not to answer your question, I was not surprised to, but to focus on, on part of the framing of your question, which is that the poverty rate is not a, a magic threshold. And this is not in any way a criticism of, of the report because the, the committee had very specific instructions to, to look at how those policies affected the, the shares of the population above and below that threshold. But, you know, I think a lot of the debate around. Certainly, the child credit expansion of the American Rescue Plan. But, but also these, these credits more generally, I think does kind of have the feel of, you know, if you, if you give people money sufficient to knock them above the threshold, then you've kind of accomplished something important.

And, you know, I, I, I don't, I don't for a minute wanna downplay the importance of material provision for low-income households, but the debate around the CTC in 2021, you know, we had this big expansion, millions and millions of people out of poverty, then the expansion went away. Millions and millions of people back into poverty. I think the nature of that debate in particular was overstating the importance of the poverty threshold. And was, was taking kind of a, a too narrow, too materialistic. View of what, of what we mean by poverty and of what, at least I hope that policies like the CTC or the EITC are designed to achieve, which is some broader notion of self-sufficiency, some broader notion of upward mobility.

The goal should be to alleviate hardship. Another goal should be to set low-income Americans on a path to self-sufficiency and, and, and to expand upward mobility. It's very hard, and again, this is not a, a criticism of, of the committee. It's, it's particularly hard to evaluate how the 2021 expansion of the CTC fared on that score because it was temporary. Everybody kind of knew it was temporary. There was a bunch of other weird stuff happening with it. But I think thinking about the policy lessons that could be drawn from the analysis of the report, I think, I think it would be really. Beneficial to, to focus less on the narrow question of how many people went above that rather arbitrary threshold.

SCHANZENBACH: Marianne?

BITLER: I'll jump in. I think one thing you know, this, this view that this is a political decision, were to set the thresholds that a lot of people have articulated in discussing poverty. You know, the, the committee was aware of that, and that's part of the reason Joe showed a little bit of it. But we didn't just look at extreme poverty. We looked at a hundred percent of poverty, 150% of poverty, 200% of poverty to try to get a sense of things across the distribution and not whether this thing happens to be like the IDC has been in the past, particularly targeted right at the poverty threshold.

SULLIVAN: I...

go ahead.

I was just gonna say, I, I remember having these discussions in the, in with the committee and we were debating, should we call the threshold arbitrary. Should we call it socially determined? Or should we call it scientific? And

SCHANZENBACH: yeah, I think I'm pushing you to maybe think more broadly. Like I get that your mandate was to look at poverty, but more broadly, when we are thinking about opportunity and income support for low-income families, we know that that's just an arbitrary trade question.

SULLIVAN: Yeah, no, I was, I, I kind of wanna build off something that Michael said, which is I was explaining to my teenagers what I was doing in DC and how this, there's this child tax credit that gives income to people and, you know, low-income families. And then, and then we're looking at what happens to poverty. And my, my teenage son's like, so if you give income to people below the poverty line, they are not poor anymore. He's like, isn't that obvious that I, you get paid for this? And, you know, I stop and saying, yeah, it took us two years, you know, to, to say that.

STRAIN: But we have to count how many.

SULLIVAN: Yeah. But I think it's a really, it's a really important point in terms of like the. You know, this, this notion of like poverty being just, just an issue of low, low resources, I think is an oversimplification of, of, of the issue. And as is just trying to get somebody over a particular line in the sand. And, and you know, so I think it that although those resources are critically important and, and as I mentioned earlier there, there's a lot of evidence that it could have this positive impact on economic mobility for very low-income households. Whether you see these, these long run intergenerational effects on children, there's even seminal work on the effect of food stamps on the long run effect of that's what I hear of kids and, or even, even their birth weights. But I think that if you want to, if you really think about taking seriously address addressing poverty and promoting economic self-sufficiency, upward mobility it, it takes more than just that financial resources.

ACEVEDO-GARCIA: But I, I think that we're also oversimplifying how much we can do with the tools that we have. 'cause I think we have really great tools. So, the EITC is definitely a program that I really, really like. I love the emphasis on work, and I think that's important to have. Also, you think about and the way it's structured out again, citing some of the, I think the figures that Joe had talked about before with the EITC and about the policy that we have now like 40% of the benefits go to people under 100% of the poverty line, and only about 9% go to people over 200% of the poverty line. So, it is much more targeted in terms of lower earning families than the CTC.

And it encourages work. And there is a huge gap in its design, which I just talked about, which is that families or children in families that should be eligible because the kids have, citizenship and have social security numbers, and they work and they file taxes in many cases using another form of identification that is not a social security number, they are being completely excluded. Right. So, we can tweak a program that is great for encouraging work to make it truly more universal, right? Which is not right now. And then we have the CTC that could go to families with no earnings. But again, I'm completely, you know, in agreement with Marianne, not with people that make a lot of money.

That makes no sense to me. But also, I think that we, one of the things that we didn't talk about, that we explore in the report is that we, what if we accepted some types of families or caregivers from these requirement of earnings and the exemptions that we consider make a lot of sense, and we show them to have an effect. So, what, what if we accept, accept except, sorry, caregivers that have they have disabilities. Yeah. Right. Or yeah, so, and I will say also if their children have disabilities, even if they themselves don't have disabilities, because those families are in a completely different situation. So, we can do a lot with both tools to try to do something that protects families more in terms of, I agree, not only economic or material hardship or wellbeing, but also how they function as parents, as families, such as having more time to care for your children if they have special needs. Just to give one example,

SCHANZENBACH: thank you

BITLER: and I, no one's mentioned it yet, but I think also there's a lot of evidence that the ITC does have, you know, these longer running effects on a whole variety of the outcomes you're discussing beyond just poverty, absolute, and, and, and getting people to work.

SCHANZENBACH: Expand a little bit more on those.

BITLER: So, it'd be great if our other. Panel person Catherine Mitchell Moore were here to discuss her work, but she has a lot of work with Jacob Bastion, showing effects on children's education, children's earnings, if they're exposed. There's other work about, you know, how exposure to the ITC improves birth weight for, for moms by Hillary Hoynes and David Simon and Doug Miller. I mean, there are just lots of things that the, that that these more targeted things, school comms Exactly. Things, things that'll set you up for Yeah. A lifetime, which, which is a complimentary statement to the comments about, you know, more transfers to, to, to families, much higher up the income distribution. You know, do not seem to have these kinds of effects.

SCHANZENBACH: Alright, my next question, y'all are gonna wanna go on too long about this and I'm not gonna let you. Okay. But your committee called for the need for more and better data. So, give us some concrete improvements that better data will make. Not just for measurement, but also for, for policy. And how can we do that given the situation federally and with the staff cutbacks and whatnot at statistical agencies. I know that each of you is gonna wanna talk about more and better data. I'll, I'll give it to Jim first.

SULLIVAN: Oh, thank you. So, the, there the committee discussions highlighted so many areas where we needed better data. Joe, Joe highlighted two of, probably the most substantive one is just who is actually receiving the credits. And so like, so we can understand who's taking it up and who's not receiving it and why. We don't have great data on that. The other is that, you know, you saw this starkly when he showed the, the baseline poverty rate that we, we look at versus the census number that doesn't adjust for under reporting and surveys. The, but, but let me just like highlight the magnitude of this. So, in 2021, we had $323 billion in unemployment insurance, and only 28% of that was captured by the current population survey. We gave out $107 billion in, in SNAP benefits, and only 42% of those benefits were captured in the surveys. And so just those two programs alone, if we, you know, very simple version of trim is we're just gonna allocate mm-hmm.

Those missing dollars, right? So now that's, we're, we're, we're doing three, that's over $300 billion that we're all allocating, not all to the bottom of the distribution, but, but, but in, in large part understanding you know, the magnitude of these, these missing dollars in surveys and who for whom they're missing will enable us to do a much better job of one, understanding the impacts of, of programs and, and to, to Dolores's point is the, the disparate impacts across groups.

SCHANZENBACH: Marianne?

BITLER: So, I'm so I would argue that more investment in a micro simulation model that can combine adjusting these issues with the means tested safety net and social insurance programs and the tax system you know, when you sort of, mm-hmm. Urban Institute's been paid for a long time to do this, and it did a reasonable, and this is not an ad for them, but just, you know, like investments in this, have created something where you can match the control totals to a reasonable extent.

One extra big challenge with these tax credits though is lots of times the people that are claiming the tax credit are not the place where the kid shows up in the survey data. And so that makes it impossible to do a good job of measuring this in survey data and you know,

SCHANZENBACH: and also contributes to error rates.

BITLER: Yeah. So, you know, Matt UN and add a b and others in the news group that I think Joe mentioned earlier have been trying to work to, to, to figure out, you know, what are these families like, where you sort of combine the tax data with data about where people are living in order to understand what these, what these patterns are. And, and there's, there's lots of evidence that there are people who you know, are legitimately, you know, it's not that it's non-compliance. There are people who are not going to be in the place where you are when the ASEC comes and, and, you know, you know, asks, asks you about your stuff that may not be where the kid was living during half of the previous year or a little more than half of the previous year, which entitled someone else to claim an amount of the tax credit.

SCHANZENBACH: I gotta get that straightened out too. Dolores, do you have favorite improvements to the data collection system?

ACEVEDO-GARCIA: Yes. And I also think that it's a, this is a very hard time to think about that. Yes.

SCHANZENBACH: We're not gonna be here forever.

ACEVEDO-GARCIA: Yeah, right. No. So a couple of things. I mean I, I think even myself when I, when I teach, you know, some of these issues I have to remind myself and tell my students the way we do this poverty calculation is by estimating, right? That seems obvious, but if you think about what we ask on surveys, we ask people whether they receive snap, for example, but we don't ask them whether they received the EITC or the CTC. So, we have to impute that, right? So, if you think about that, the number of steps are involved in being able to do that is not trivial, right?

So, in addition to that, we have very, very steep decline in the response rates for national surveys like the CPS, the ACS, and that's only gonna get worse, right? So, you are in the first-place kind of guessing, estimating, and also you have lower response rates. And those response rates are lower, are also not equally distributed. Some groups are more differentially, like deciding not to respond to surveys, right? That includes families with children, that includes Hispanics, that includes immigrants. But anyway, they're groups important to consider because we're trying to measure poverty. So, I'm worried about that. And I also think that part of the effort is not only the data, but the, the simulation methods.

One thing that I, I was on a different committee on video poverty a few years ago, and one of the things that I was shocked about when I realized how TRIM does this, which they do a good job, and how the census and I agree with Marianne, and they do a great job with limited resources, so I'm not criticizing them. But they are not going when they estimate the, the tax credits, for example, the census, they're not taking into account this question of social security numbers. Right. For, so I'm trying to go from who's an immigrant, who's a citizen, who has this status, who has that other status? Do they have a social security number?

Do they have something else? Are they eligible? Right? So, TRIM goes with the trouble of doing that, but what they do is proprietary, right? I mean, right. So, the urban know has whatever, whatever. That's, I'm not questioning that, but we have to have methods that are better and are accessible and are transparent for everyone. Right. And finally, just this is again, an obvious point. Right Now, if you think about, well, no, we have obviously we can capture some of these things because we have the tax data, right? So, but right now also people are deciding not to participate in the tax system, in our fiscal system because no, among other reasons, data sharing with other agencies that should not have this information, right? So, we were not in a good place. Now, that's one of the, you know, really long discussions and interesting discussions that we had as a committee about data. And I think we are in a direction that we, you know, we are gonna end up with worth data for estimating poverty.

SCHANZENBACH: Well, that's not the direction we wanna go. Mike, do you wanna add to this or do I get to ask my sort of last question before I open it up to the, to the audience?

STRAIN: I agree with everything that was said. Yeah. I would like to take $50 billion out of the CTC. From the high-income recipients, and I would like to give 10 billion of that to the statistical agencies and 40 billion to depend on the debt. Who agrees?

SCHANZENBACH: I have other pots that I might start, start with, but yeah. Yeah, that, that, that, that sounds good. Okay. So, my last question, and this really comes back to even where Tara started us, which is in 1996, we fundamentally changed. We ended welfare as we know it, and we introduced and ex well expanded, not introduced the EITC subsequently introduced the child tax credit. Economists have long loved policies like this because they're efficient, you know, they can be you know, in induce work, et cetera, but. Some of the language that I've heard on this panel today seems to talk about it in the same way as, as old welfare programs, right? Like there's this notion that being on the EITC or the refundable part of the child tax credit is not self-sufficient.

I also note that there's been recent discussion of adding the use of these tax credits to the public charge rule. So basically, my question for you is, you know, is this just the same? Is this just the modern like 2.0 version of cash welfare or should we be thinking about the EITC and the CTC as something that's different?

STRAIN: Yeah, I, I think of it as totally different. When I think about the kind of old, old system, A FTC, pre-96, I think of that as being characterized by a couple of things. One is benefits that are really solely based on income. And a second is huge disincentives to work and huge implicit marginal tax rates. Huge, huge barriers to getting off those programs and onto a path to self-sufficiency. I think the EITC kind of does exactly the opposite, where the program is structured to encourage you to earn an extra dollar rather than discouraging you from doing that and where the program is structured to move you from non-participation in the workforce into employment.

The, the CTC, I think prior to the American Rescue Plan had a similar design. The American Rescue Plan was I think a step in the direction of returning to the 1980s, but, but that design has since expired. And I know you don't wanna talk about the, the 16, the 16 proposals.

SCHANZENBACH: Oh, I do, but I think, are you kidding? I'm dying to talk about 16 proposals.

STRAIN: I know, I'm sorry. I bet I know you're dying to talk about the 16 proposals, but I think there is a way to accomplish the goals of many progressive advocates of offering a benefit to households with children regardless of their earnings, while also retaining the incentive effects. They kind of look like an EITC where the CTC can be structured to incentivize employment and to incentivize earning, earning the next dollar of income. The problem is that that's, that's really expensive. And then I think we have to ask ourselves. You know what, you know, a question Jim asked earlier, what are these programs for?

And conversations in this community I think are divorced about the purpose of the CTC from conversations in other communities. My, my sense of the kind of first time the CTC became a national issue was as part of the Contract for America by Newt Gingrich in, I believe in the run up to the '94 midterm elections. And the point was to give tax relief to families that would not go to households without kids. And the original CTC signed by President Clinton was, had no refundability component because the point was to give tax relief to families that were that incurred tax liability. Is that the point of this policy, or is the point of this policy to help offer material provision to low-income Americans to pull low-income Americans out of poverty and to put low-income Americans on a path to self-sufficiency?

You know, it depends on who you ask, but I think the view of this community is, I think the minority view of the purpose of that policy.

SCHANZENBACH: Others wanna weigh in? Yeah, Jim?

SULLIVAN: Well, that, that was well said. So, but let me, let me just add a couple of things. One, like if you think about, I might go back to like the tax reform Act in the late 1980s. Since then, what's happened to the social safety net is, you know, there was a clear, sharp move towards promoting work in our, in our social safety net. Not just EITC work requiring welfare, but now, now you see work requirements in snap in, you know, proposed to Medicaid or, and, and introduce Medicaid. So. It's...

SCHANZENBACH: can I just like to add to that more than work requirements? Just more and more of these dollars are going to people who are working Yes. Whether or not there's a requirement.

SULLIVAN: Yeah. That, that, that is true. And the, you know, fully refundable child tax credit, even for those with zero earnings, I, I have a sense there's a little bit of a swing back in the pendulum and, and part motivated by some of this evidence that's been talked about already, which is just the, the growing evidence of the impacts of having increased dollars for, for very low-income households in terms of outcomes for kids.

But, but you know, I think it's a, it's a big leap to say, go back to, to, you know, pre prewar and

SCHANZENBACH: nobody's saying that,

SULLIVAN: but two point, even 2.0 because, because I think that you know, the evidence is pretty compelling when you look at poverty rates. Since then, the late eighties till today they've been declining sharply declining for children and particularly for children that live in, in unmarried parent families. And so, I don't think that there's a compelling case for going back to the, to the, to beforehand.

SCHANZENBACH: But I think I, I, I think the, the question was really, I think we hear people talk about these as if they're welfare programs. And what I think I hear you both saying is that's inappropriate. Is that a fair summary?

STRAIN: Certainly, it's inappropriate to call the E-I-T-C-A welfare program. I think, you know, the, the, the 2021 version of the child tax credit, we looked a lot like a welfare program.

SCHANZENBACH: But in current law, you'd say it, it's not

STRAIN: that, that the 2021 version expired.

SCHANZENBACH: Right. That's what's,

STRAIN: because it was wildly unpopular with the American people.

SCHANZENBACH: I'm sorry. Yes, Dolores. And then I'm coming to questions.

ACEVEDO-GARCIA: So, think you're smart things. I don't think that either is a welfare program, right? So, the CTC, again, we talked about how only about 10% of what we spend on the CTC goes to families below the property. 100% of the poverty line, even with policy 12 which is similar to our policy in 2021. So, the expansion only about 20% of the CTC goes to families below 100% of the poverty line. So how is that a welfare program? Right? So, unless we redefine welfare, which has always had a connotation that is really not nice. So, in terms of the, I think the characterization of these programs as welfare. I agree with you that that is being done. My opinion for political reasons, right? So, the EITC, again, we go back to welfare reform, we often forget that welfare reform was about two main things. One was this question of work requirements, right? Eliminating cash assistance without work, et cetera.

And then the other side of that very powerful side of that, that also had very significant effects was excluding a lot of immigrants, right? So right now, there is a conflation of these programs talking about them as welfare because the target is also to be, become more exclusionary of children and immigrant families. You said the EITC and the CTC, they're, they're having discussions about including them in consideration for deeming someone a public charge. And there is a memo from the Treasury Department, I think from November of last year, in which they're talking about considering the refundable part of the, these tax credits and other tax credits not as tax credits, but as public benefits, which would exclude not only families without social security numbers, but families are not qualified immigrants under welfare.

Right? So, this conflation is not because these programs are welfare programs. They require work. They don't go primarily to families without be below the poverty line. But the construction of them as welfare programs is being done for reasons that have to do with excluding more groups or fairly excluding more groups. And I, that's my, my, take my opinion.

SCHANZENBACH: Can I just say I got them to talk more about that than about data needs? I think that was expert. So, I know there are questions. Yes. Yes. Oh, you've got a mic right now. Right there.

AUDIENCE MEMBER: Yeah. Carl Polzer Inequality Inc. INK. I just have a question. I mean, kind of in tune with Michael. This is a lot better than the old welfare, but there's still, by subsidizing wages, you're still creating a disincentive, sort of a plantation effect on the people in that it improves survivability, but they lack the incentive that they would have to try to improve, you know, organized unions switch jobs, take a risk, and I said if that, if there is some kind of a measurable effect of that, along with all the good things. If one was, to the second question, there's a limited pie, would, would you tend to, to give more money to the child tax credit for, as opposed to the earned income tax credit? Especially for, you know, for the single people should have, be able to take risks if they don't have kids or dependents. Anyhow, I hope that made sense.

SCHANZENBACH: Yeah, I was gonna maybe try to collect a couple because I know we're running short on time. Are there other questions from the audience? Yes.

AUDIENCE MEMBER: Hi Lisa Minoff at the Center for the Study of Social Policy. So, I was hoping you could talk, you all just talked a lot about how it should phase out earlier and I saw in the report that you're suggesting phase outs for your proposed policies of at 75,000 for head of households and 110 for married filing jointly. And I'm curious if you could talk a little bit more about that and your reasoning behind it. And especially tying it back to this question about welfare. That seems really important to think both about, you know, not wasting money on people who don't need it, but making sure people feel secure and it doesn't phase out before people are really financially stable.

And one thing in from the qualitative research in 2021 is that I think there's a fair amount of evidence from families who are at like twice the poverty line or higher that having that additional, and I know this comes out a little bit in the report but having that additional money did provide the buffer that helped them make decisions about looking for better jobs and things like that. So, I'm hoping you could talk more about the, the sort of weighing those factors when thinking about how to phase it out.

SCHANZENBACH: Is there one more? If not so I hear questions about phase out the CTC versus the EITC and what I would describe as the insurance value of these programs. It was in.

SULLIVAN: I'll take, take a shot at, at phase out, but, but hopefully others will wanna chime in. Because you may have sensed that Diane thinks 16 policy prop options is too many. I think it's to put it in a report. It's, are you kidding? But, so, but I think it's worth talking about like, why did we do 16 and, or maybe it should be, why didn't we do all 30 that we originally talked about it only report to 16. And, and I'll make one, one caveat to the question is, is we weren't suggesting any of these policies. Of course, we were considering of all these policies, analyze that and what we tried to do was look at the landscape of proposals that are out there. So, there's existing policy, there was a policy in 2021.

There were all sorts of policy briefs out there saying, how about, you know, doing something that's a bit of a hybrid. And then we were, and then we were interested in different components of the, of the program and the, and the impact that had. So, so the phase out got a lot of attention, right? So that's why we considered different, different phase outs primarily 'cause we, we were highlighting this key trade off, right?

So obviously the more generous the, the CTC is the low, the bigger impact you're gonna have in reducing child poverty. The flip side is the more expensive it is. And so, one way to kind of offset that, that the, the higher expense was to phase it out sooner. So that so that it didn't go for as far up to distribution. And we wanted to, we wanted to lay it out that way, characterize different options so people could really see what the, the pros and cons were on the face out.

SCHANZENBACH: And I'll just add to that, of course, you know, when you're turning up and down all the different dials that you've got, you know, you've gotta be able to trace it out and what, you know, what happens here. Of course, you needed 16 or 30 or 150 different policy proposals and like, no. And of course, you know that's correct because each thing has a spill on effect. I, you know, it just makes it a little hard to read the, read the report.

SULLIVAN: I get your point. It shouldn't be on a graph in a presentation.

SCHANZENBACH: Others who wanna answer either phase outs, CTC versus EITC. How do we think about, you know, the optimal combination of those, or the insurance value of these programs? And what is, what's the pros and cons of like, having a, a baseline that you can't fall below?

ACEVEDO-GARCIA: I think the phase out, you know, being faster. I mean, just a, an issue of like you're being more generous towards the learning households, then obviously something has to happen because we don't have infinite resources. That for me makes a lot of sense even with the faster pay rates. If you look at one of our many, many cables that shows the distribution of the fiscal outlays across different parts of the income distribution a lot of the resources still go to relatively higher income households, right?

So, it's not that we are not considering those households that are kind of like on the cost of some threshold and they need help as well, but it's just less emphasis on that part of the distribution. I think it's, it's fair to characterize the, the way we did the phase out like that. And I mean, your comment obviously that no require like not an entire panel just on that question.

I think it's very fair to say that yeah, we could have, a different kind of minimum wage policy. And we still have opted for having these policies that subsidize the fact that we don't have higher wages. For sure, but I'm not an economist, but just again that would be fascinating to do a report on that and the very question that you post.

BITLER: I guess one thing I would say is you know, it depends which poverty line you're thinking about. I mean, prices are not constant across places. The cost of living is much higher in some places than others. And so, you know, two times the poverty line for the SPM is a very, it, it, it is going to be a very different number in a rural place where prices are lower than it is and in a very expensive place. California looks really bad on the SBM because prices are really, the cost of living is very high there. And yet most of our safety net is denominated in relatively constant terms with the exception of some of the rental and housing stuff. And then there's slightly higher SNAP benefits. You know, that's something that's sort of behind, I think is a little behind some of what you, you were saying.

SCHANZENBACH: I'm gonna close this out. I'm really grateful to the committee for all your hard work. And we have limited resources to combat child poverty. And it takes a lot of technical know-how to understand the details of the policy, the details of the measurement. And we are very fortunate as a nation to have you know, such smart, hardworking, dedicated people working on these, these policies. So, thank you very much. Thanks for being here today, and we've got a reception.