The Shallow Bipartisanship of the Child Tax Credit

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Despite the enormous toll of the COVID-19 pandemic, child poverty in the United States declined. According to the government’s supplemental poverty measure, which is more accurate than the official measure, child poverty rates dropped almost by half from 2020 to 2021.

A temporary expansion of the Child Tax Credit (CTC) was a big reason why. Millions of low-income families benefitted as the refundable portion of the CTC became available to all. (These families typically owe little in income taxes, so nonrefundable tax credits are not much help.) These changes were not extended beyond 2021, largely due to congressional Republicans. Low-income families are now experiencing more hardships, and valuable progress against child poverty has been lost.

Advocates have been trying, so far unsuccessfully, to revive the expansion. Much of the debate has focused on the impact of a larger CTC on work effort and the federal budget deficit. While those issues are important, advocates should also pay attention to party politics. According to many observers, support for a child tax credit has long been bipartisan. Everyone wants to be “pro-family.” What, then, explains the unwillingness of Republicans to preserve the CTC expansion? Their recent behavior is part of a larger pattern. Since the mid-1990s, Republicans have consistently embraced a child tax credit—as long as middle-and upper-income families were the main beneficiaries.

Creating the Child Tax Credit

The National Commission on Children recommended a refundable $1000 Child Tax Credit in 1991. This money was intended to help a wide range of families. The commission, created by President Reagan, was truly bipartisan. Nevertheless, this proposal stalled under President George H. W. Bush.

Then came Newt Gingrich and the “Republican Revolution.” Republicans took control of Congress and pushed for a $500 nonrefundable Child Tax Credit. They also wanted to make it difficult for low-income families to claim both this tax credit and the Earned Income Tax Credit—a strategy that favored tax cuts for the haves, not income support for the have-nots.

To win Republican votes, President Clinton and congressional Democrats agreed in 1997 to make the new Child Tax Credit nonrefundable for most families and to link eligibility to the Earned Income Tax Credit. Among all taxpayers who claimed the Child Tax Credit in 2000, just 18 percent had incomes below $30,000, and they received 10 percent of the total benefits.

Expanding the Child Tax Credit
Initially, President George W. Bush appeared to be an exception to the Republican trend of constraining the CTC. He increased the maximum Child Tax Credit benefit and made it partly refundable for low-income families in 2001. Even so, taxpayers with less than $30,000 of income received just 15 percent of the total benefits in 2004; this suggests that Bush's CTC increases were part of a larger political objective to disguise the regressive nature of his other tax cuts.

Low-income families fared better under President Obama. The Child Tax Credit was modified twice in 2009, once in 2010, and again in 2012. By 2016, taxpayers earning less than $30,000 accounted for approximately one-third of CTC recipients and benefits. Republicans in Congress tried to reverse those gains, to no avail.

President Trump's biggest domestic policy victory was the Tax Cuts and Jobs Act, enacted in 2017 without Democrats' support. Trump took credit for a major expansion of the Child Tax Credit, which doubled in size. This fact alone, however, obscures the biggest winners of this policy shift. By 2020, taxpayers earning less than $30,000 represented 23 percent of CTC recipients and collected just 15 percent of the benefits—a big drop compared to 2016. Over this same period the share of benefits going to taxpayers with incomes above $100,000 jumped from 18 to 41 percent. This result was predictable given that the income limit for eligible families increased significantly (e.g., from $110,000 to $400,000 for married couples filing jointly). The strong tilt in favor of affluent families was widely noted at the time. Republicans, who expressed the belief that low-income families could get help from other government programs, appeared to view this change as a feature, not a bug.

The historic expansion of the Child Tax Credit in 2021 happened despite Republican objections. As the Associated Press noted at the time, “Republicans charge the move amounts to an expansion of the welfare state that will disincentivize parents from seeking work.” They also worried about budget deficits, taxpayer fraud, and subsidizing single-parent families. Republican officials were a lot less concerned about these issues when expanding the CTC for upper-income families.

The Bottom Line

Although the Child Tax Credit has enjoyed bipartisan support for three decades, Democrats and Republicans have often disagreed over which families should benefit. Those differences did not disappear with the pandemic. The history of this benefit reveals that Republican officials have cared more about cutting the taxes of affluent families than reducing child poverty.

Unless Democrats have unified control of government (or the country experiences another crisis), it is unlikely that the Child Tax Credit will be restored to its 2021 condition. Advocates looking to help low-income families under divided government might need instead to pursue incremental changes to the CTC or the EITC or look to legislation at the state level.