

Executive Summary | The American Rescue Plan Act (ARPA) expansion of the Child Tax Credit (CTC) supplements the earnings of recipient families

EXECUTIVE SUMMARY



American Rescue Plan Act: Child Tax Credit Expansion

- Temporary, one-year expansion
- Signed into law on March 11, 2021
- Cost \$110 billion
- Structure: Half of total 2021 CTC benefit will be distributed as **advance direct payments** in equal installments (Jul-Dec 2021), and the other half can be claimed on 2021 tax return



ARPA expands the CTC

- ✓ Scale: +\$1,000 or +\$1,600 per child for eligible families
- ✓ Scope: Fully refundable & uncapped; No minimum income requirement



The Child Tax Credit is not reaching certain eligible recipients

- ✓ 4 million or more children are eligible but not receiving the benefit
- ✓ Maximizing distribution will require solving awareness and access issues



Case studies illuminate complexities that families may face

- ✓ Banks & CBOs have the resources to address difficulties families face
- ✓ Special topics dive into specific issues and provide the tools to solve them



Banks & CBOs can use their reach to close the distribution gap

- ✓ Messaging resources accelerate the delivery of the expanded CTC benefit
- ✓ The landscape of key CTC digital tools help to simplify CTC enrollment

Toolkit Purpose

Purpose – Banks are uniquely positioned as a connection point to both financial services and to “front-line” community-based organizations that complement and accelerate the delivery of the financial benefits associated with the Child Tax Credit (CTC). Banks function as a CTC access provider (bank accounts) and – in conjunction with community-based partners – a CTC awareness generator. Therefore, this toolkit is a resource that has a three-fold purpose:



Define the Problem

- **Distribution Gaps** – Map the multi-layered Child Tax Credit distribution gaps
- **Awareness Gaps** – Identify and address the Child Tax Credit awareness gap
- **Access Gaps** – Provide avenues to provide ease of access for non-filers



Recommend an Approach

- **Client Centric** – Recommend a methodology that directly addresses CTC hurdles that clients face
- **Delivery of CTC Resources** – Amplify and accelerate the delivery of CTC resources
- **Bank-CBO Partnerships** – Deliver CTC financial resources by trusted ambassadors



Provide Additional Resources

- **Tactics** – Document a list of tactics and approaches to reach eligible yet unenrolled CTC recipients
- **Tools** – Link to ready-to-use resources to engage eligible yet unenrolled CTC recipients
- **Talent** – Offer a compendium of in-person and virtual talent to assist IRS non-filers to access CTC benefits

The American Rescue Plan expands the Child Tax Credit (CTC) for eligible families¹



Scale

- Credit amount has been increased for income-eligible families:

	Standard CTC (per child)	Expanded CTC (per child)
Children 0 - 5	\$2,000	\$3,600
Children 6+	\$2,000	\$3,000



Scope

NEW:

- Children 17 years old and younger will now be covered by the Child Tax Credit (previously: 16 years old and younger)
- Fully refundable and uncapped tax credit, even for those with no income
- Low-income parents will qualify for the full benefit (most impact to the lowest-income children).

The American Rescue Plan expands the Child Tax Credit (CTC) for eligible families¹



Eligibility²

Adjusted Gross Income Limits*	Joint	Head-of-Household	Single
	Standard CTC	\$400,000	\$200,000
Expanded CTC	\$150,000	\$112,500	\$75,000

Children	• Must be U.S. citizens, national or resident aliens, and have a Social Security number
	• Must be claimed as a dependent on parent/guardian 2021 tax return
• Must be related to and live with parent/guardian minimum six months during the year	

*The credit is reduced by \$50 for every \$1,000 over these income thresholds.

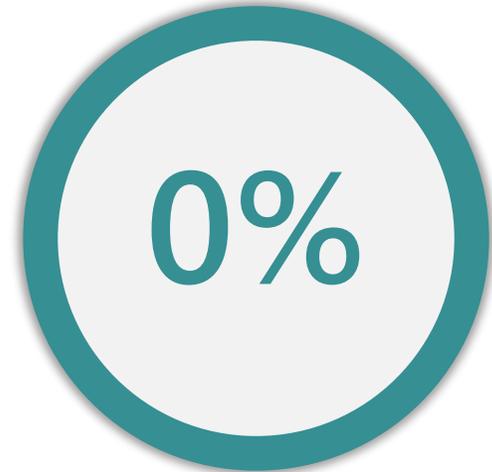
The Child Tax Credit (CTC) expansion introduces significant changes for 2021



90% of American families with children will receive an **average benefit of \$4,380** under this new law.¹



Half of total 2021 child tax credits will be distributed as **advance direct payments** in equal installments starting in July 2021. IRS to leverage **direct deposit** for payments.



None of these payments are **taxable**, and are considered a **tax credit**. Must indicate payment on 2021 taxes, however.

1) Urban-Brookings Tax Policy Center Microsimulation Model (March 2021)

The expansion of the Child Tax Credit — especially the inclusion of advance direct payments — is impacting the household budgets of most American families

1



A single parent working full time & making minimum wage (\$15,000/year)

- Three children – ages 2, 6, and 10
- Total 2021 payment - **\$9,600**:
 - CTC increase to \$9,600 (previously \$6,000)
 - \$4,800 of CTC payments between Jul – Dec 2021

2



Head of household making \$114,500/year

- Four children – ages 1 (twins), 5, and 11
- Total 2021 payment - **\$13,700¹**:
 - CTC increase to \$13,700 (previously \$8,000)
 - \$6,850 of CTC payments between Jul – Dec 2021

3



A married couple working full time & making \$40,000/year

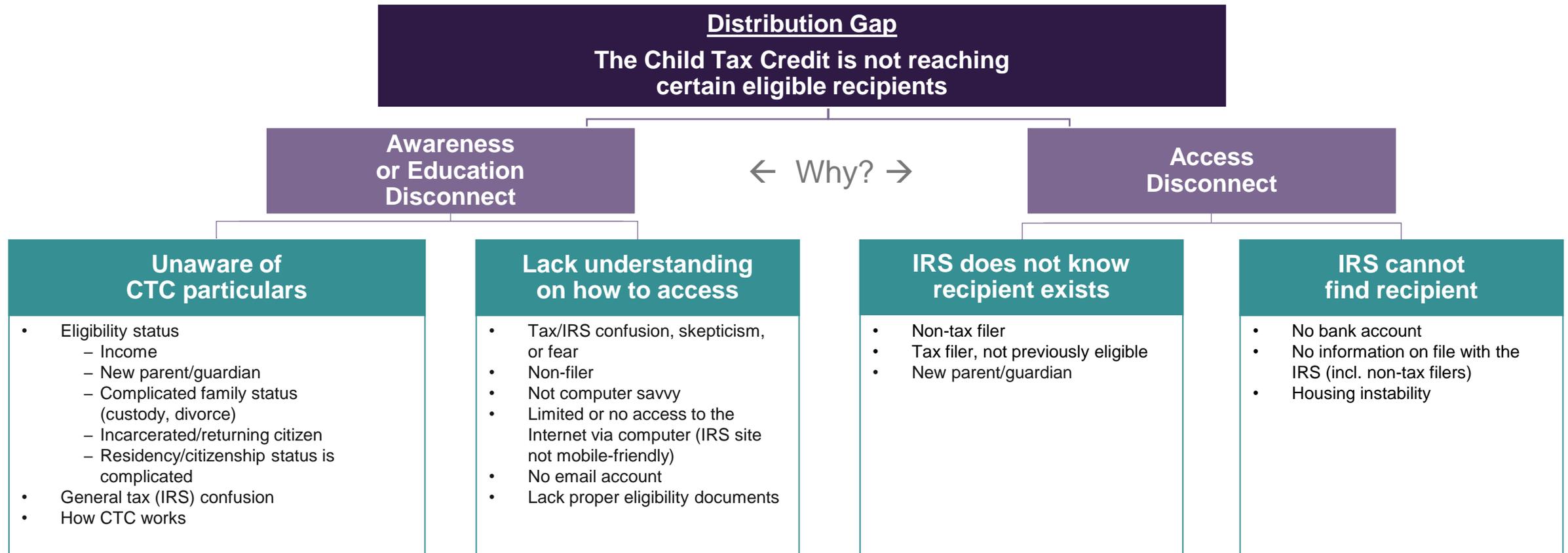
- One child - age 15
- Total 2021 payment - **\$3,000**:
 - CTC increase to \$3,000 (previously \$2,000)
 - \$1,500 of CTC payments between Jul – Dec 2021

1) Family is \$2,000 above the Adjusted Gross Income threshold. Therefore the \$13,800 credit is reduced by \$100. See [Slide 6](#)
2) Photo Credit: [Image 1](#)
3) Photo Credit: [Image 2](#)
4) Photo Credit: [Image 3](#)

There are multi-layered gaps that prevent those who are eligible for the Child Tax Credit from receiving it

What are we solving for?

Opportunity – Create a system that solves awareness, education, and access issues in order to maximize CTC distribution



Special Topic: Characteristics of IRS Tax Non-filers¹

States, SNAP and Medicaid Agencies, Community Groups Well-Placed to Reach Families Who Need to File for Child Tax Credit

✓ Receiving automatic payments

Roughly 60 million children have already received payments

- Families who filed taxes in 2019 or 2020
- Families who used the EIP non-filer portal to claim an EIP for their dependent child

⊘ Not receiving automatic payments

Roughly 4 million or more children

- Roughly 2.3 million children who do not appear on an existing tax return but have health insurance
- Approximately 1.6 million children expected to be born in 2021 with Medicaid coverage
- **Uninsured children** who do not appear on an existing tax return

The groups above include, among others:

- **Immigrant parents** whose children have SSNs but have been hesitant or unable to file their tax returns
- Recipients of Social Security, Supplemental Security Income, Veterans Affairs pension or disability, or railroad retirement benefits who did not use the EIP non-filer portal to claim an EIP for their dependent child

Notes: IRS issued automatic payments to 59.3 million children in July; that number is expected to rise in subsequent payment months. In addition to approximately 1.6 million newborns with Medicaid coverage, other children expected to be born in 2021 will also not receive automatic payments. EIP = Economic Impact Payment. SSN = Social Security Number.

Source: Data from U.S. Treasury, Medicaid and CHIP Payment Access Commission; see <https://www.cbpp.org/research/federal-tax/state-and-local-child-tax-credit-outreach-needed-to-help-lift-hardest-to-reach>

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The following groupings are useful in prioritizing outreach for eligible outreach for CTC parents and caregivers:

- Very low incomes, including those who are self-employed
- Lower education levels
- Persons with disabilities
- Limited or smartphone-only internet access
- Housing-insecure
- Demographic: Underrepresented people of color
- Lack SSNs but whose children have SSNs (immigrant families)
- English as a Second Language families

Special Topic: How Community-Based Orgs. Can Address Non-Filer Challenges^{1,2}

01

Many non-filers think they cannot file taxes, and thus cannot access CTC benefits

Individuals and couples earning less than the tax filing thresholds are generally *not required* to file taxes. They *should* file if they want to claim the CTC.

- Provide guidance to families that they can indeed file, no matter how little they earn

02

Despite IRS outreach there is variability in Child Tax Credit awareness

Although the IRS mailed notices to non-filers alerting them of possible eligibility, many learned of CTC from the news or word of mouth

- Leverage client data to provide IRS-informed guidance to families regarding their potential CTC eligibility

03

Skepticism regarding unconditional nature of CTC payments

Many subsidies come with “strings attached” regarding eligibility qualifications or tests, or spending constraints. CTC is different.

- Promote the real-life client success stories of CTC recipients to help skeptics overcome doubts and fears



04

Accessing IRS CTC portal can be daunting for exclusive users of smartphone

A recent study³ shows that 37% of Americans go online mostly using a smartphone, a reason cited for not having a high-speed internet service provider at home

- Encourage use of the mobile-friendly [GetCTC tool](#) for eligible tax filers

05

Unavailability of documents required ID and income verification for digital portals

For many LMI households, ID verification and accessing tax documents is one of the biggest barriers to completing the tax filing process.

- Provide step-by-step guidance to federal and state agencies for accessing needed tax filing documents

06

Complicated experiences regarding previous “stimulus” checks has led to CTC uncertainties

There was significant ambiguity in the distribution of a previous government stimulus (EIP). Some families received some payments, others did not. This translates into uncertainties about CTC.

- Guidance provided by CBOs must be specific, tangible, and helpful with special-case troubleshooting. Consider becoming [CTC Navigator](#)

07

Filing taxes can be intimidating or costly for individuals that have not recently filed

Complicated IRS tax jargon, the fear of making mistakes, being audited, or perceived loss can be intimidating. The cost of soliciting professional help can also be a barrier for many non-filers.

- Refer clients to the [IRS's Volunteer Income Tax Assistance \(VITA\)](#) and [the Tax Counseling for the Elderly \(TCE\) programs](#) that offer free tax help for taxpayers who qualify

1) Adapted from [Talking to Non-Filers](#). New America (July 2021)
2) Adapted from [More Government Assistance Is Coming Soon, But Will It Reach Those Who Need It Most?](#) Code for America (March 2021)
3) [Mobile Technology and Home Broadband 2019](#), Pew Research Center (June 2019)
4) Photo Credit: [\[Image 1\]](#)