Absence of Monthly Child Tax Credit Leads to 3.7 Million More Children in Poverty in January 2022

Child Poverty Rises From 12.1% to 17%, Highest Rate Since December 2020

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The monthly child poverty rate increased from 12.1 percent in December 2021 to 17 percent in January 2022, the highest rate since the end of 2020. The 4.9 percentage point (41 percent) increase in poverty represents 3.7 million more children in poverty due to the expiration of the monthly Child Tax Credit payments. Latino and Black children experienced the largest percentage-point increases in poverty (7.1 percentage points and 5.9 percentage points, respectively).

Figure 1: Trends in Monthly Poverty Rates among Children (Jan 2020–Jan 2022)
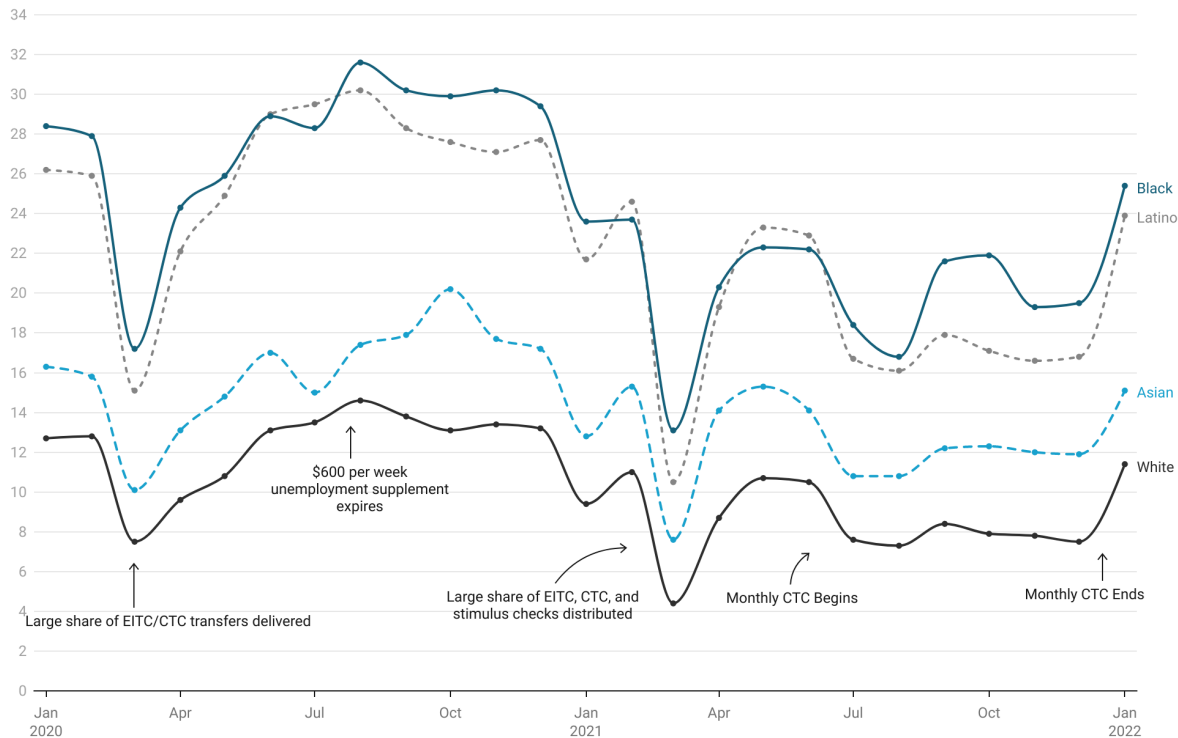
Access a version of this table and all related data at: povertycenter.columbia.edu/forecasting-monthly-poverty-data

Between July and December 2021, the Internal Revenue Service (IRS) paid out six months of advance Child Tax Credit payments worth up to $250 per child aged 6 to 17 and up to $300 per child aged under 6, reaching over 61 million children in over 36 million households. On its own, the monthly Child Tax Credit kept 3 million children from poverty in July; by December, it was keeping 3.7 million children from poverty and reducing monthly child poverty by 30 percent. A roundup of the available research reveals that the monthly Child Tax Credit payments buffered family finances amidst the continuing pandemic, increased families' abilities to meet their basic needs, reduced child poverty and food insufficiency, and had no discernable negative effects on parental employment.

Monthly child poverty rate spiked in January 2022

The overall monthly child poverty rate rose sharply between December 2021 and January 2022, from 12.1 percent to 17 percent – an increase of 41 percent. This means that 3.7 million more children are living below the poverty line in January 2022 than they were in December 2021. For the first half of 2021 (before the rollout of the monthly Child Tax Credit), additional forms of COVID-19 economic relief were available at various points – including stimulus checks, expanded unemployment benefits, and increased food assistance. After the expiration of the stimulus checks and expanded unemployment benefits, the new monthly Child Tax Credit payments and increased food assistance represented the central components of economic relief available to families with children in the second half of 2021. In June 2021, just prior to the rollout of the new monthly Child Tax Credit, the child poverty rate was 15.8 percent. By July 2021, there was a sharp drop in the child poverty rate – from 15.8 percent to 11.9 percent – that accompanied the first payments.

Heading into 2022, the primary form of continuing pandemic economic relief is the Supplemental Nutrition Assistance Program (SNAP) emergency allotments still in place in most states. This continuing food assistance kept 1.6 million children from poverty, resulting in a January monthly poverty rate for children that was 2.2 percentage points, or 11 percent, lower than it would have been without the remaining SNAP emergency allotments.[1] The absence of the monthly Child Tax Credit payments in January 2022, however, resulted in the highest number of children living below the poverty line since December 2020.

Monthly poverty also increased between December 2021 and January 2022 for the whole US population, rising from 12.5 percent to 14.7 percent (an increase of 17 percent). Our detailed set of monthly poverty results from January 2020 to the present can be found at povertycenter.columbia.edu/forecasting-monthly-poverty-data.

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[1] As of October 1, 2021, recipients of SNAP also saw an increase in their SNAP benefits with the new adjustments to the Thrifty Food Plan; our analysis accounts for these new additional benefits as part of the permanent social safety net, rather than as part of temporary COVID-19-related relief.

Table 1: January 2022 Monthly Child Poverty Rates by Children's Race and Ethnicity

		SPM CHILD POVERTY RATE (%)		
Children	December 2021	January 2022	Percentage Pt. Change	Percent Change
All	12.1%	17.0%	4.9 p.p.	41.1%
White	7.5%	11.4%	3.9 p.p.	52.3%
Black	19.5%	25.4%	5.9 p.p.	30.4%
Latino	16.8%	23.9%	7.1 p.p.	42.5%
Asian	11.9%	15.1%	3.2 p.p	26.9%

		NUMBER IN POVERTY	
Children	December 2021	January 2022	Increase
All	8,912,000	12,574,000	3,662,000
White	2,750,000	4,189,000	1,438,000
Black	2,175,000	2,837,000	662,000
Latino	3,165,000	4,509,000	1,344,000
Asian	519,000	659,000	140,000

Parolin, Collyer, and Curran (2022), Center on Poverty and Social Policy at Columbia University, Monthly SPM Poverty for January 2022. *Numbers rounded to the nearest thousand.*

Table 1 breaks down the changes in child poverty between December 2021 and January 2022 by race and ethnicity. One in four Black children in the US lived with a monthly income below the monthly poverty line in January 2022, an increase of more than 600,000 Black children from the month prior (a 30 percent rise). Latino children experienced the largest percentage point increase, seeing a 7.1 percentage point (43 percent) increase in child poverty from December 2021 to January 2022; this increase amounted to over 1.3 million additional Latino children in poverty in January 2022 compared to December 2021. Asian children experienced a 27 percent rise in their child poverty rate.

The potential impact of the second half of the Child Tax Credit on monthly child poverty in 2022

Congress has not currently acted to extend monthly Child Tax Credit payments into 2022.[2] However, families are still due to receive the balance of their 2021 Child Tax Credit at tax-time. The six months of monthly payments were considered an advance of half the value of the annual credit; because the payments began mid-2021 the remaining half of the credit will be paid to families when they file a federal return in early 2022. This could be a maximum of $1,800 per child under the age of 6 or a maximum of $1,500 per child aged 6 to 17, depending on family income.

In a monthly poverty framework, monthly poverty rates often decline during the tax season, when families file for and receive their annual tax refunds – including important tax credit payments such as the Earned Income Tax Credit (and pre-2021, the annual value of the Child Tax Credit). Because these funds are delivered in one-time, lump-sum payments, they contribute to large reductions in poverty in the months they are delivered (see Parolin, Curran, Matsudaira, Waldfogel, and Wimer 2022 for more on methods). You can see the impacts of annual tax refunds in the March poverty rates for 2020 and 2021, which had the lowest poverty rates of any month in those years (Figure 1).

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[2] A continuation of the expanded Child Tax Credit and its monthly delivery schedule is part of the proposed Build Back Better package, a version of which was passed by the US House of Representatives in November 2021.

Over the next few months, as we enter the 2022 tax season, monthly poverty rates will be impacted by the receipt of annual tax refunds – in particular, the delivery of the second half of the 2021 expanded Child Tax Credit because it will be a larger lump sum overall for many families than in prior years and millions of families are also newly eligible. The delivery of the second half of the Child Tax Credit is likely to result in substantial, but temporary, dips in monthly child poverty rates for children in February, March, and April 2022. Following the conclusion of tax season, however, it is likely that monthly child poverty rates could be persistently high through the rest of 2022 absent the continuation of an expanded Child Tax Credit, further policy interventions, or strong improvements in labor market outcomes.

Methods

In 2020, we established a novel method of forecasting poverty to provide monthly projections of poverty using the Supplemental Poverty Measure (Parolin, Curran, Matsudaira, Waldfogel, and Wimer, 2020). Using a monthly framework, we are able to track poverty amid changing economic circumstances as the COVID-19 pandemic and federal policy responses continue to unfold. Our monthly poverty estimates for the US population, including by race/ethnicity and age groups, will be regularly updated at: povertycenter.columbia.edu/forecasting-monthly-poverty-data.

Our monthly poverty framework estimates monthly child poverty rates based on the income a family unit (as defined by the Supplemental Poverty Measure) receives in a given month. Other estimates of the poverty reduction effect of the CTC focus almost exclusively focus on annual poverty rates (see Acs and Werner, 2021; Parolin, Collyer, Curran, and Wimer, 2021; Wheaton, Minton, Giannarelli, and Dwyer, 2021; Marr, Cox, Hingtgen, and Windham, 2021). In the annual framework, estimates (including our own past annual poverty estimates estimating a Child Tax Credit expansion on its own, or as part of the broader American Rescue Plan) generally assume 100 percent coverage among eligible family tax units; the assumption of perfect coverage matches the US Census Bureau's approach when estimating annual poverty rates in the CPS ASEC. Our analysis of monthly poverty rates, in contrast, does not assume perfect coverage of the Child Tax Credit. In an annual poverty framework, many families in 2021 would also receive benefits from the Earned Income Tax Credit (EITC), stimulus checks (also known as Economic Impact Payments), unemployment benefits, and other transfers (including food and housing assistance and more) that lift families closer to the poverty line. As a result, the effect of the Child Tax Credit often appears stronger when examined in conjunction with these other income transfers. Our focus on monthly poverty may, in most months, understate the poverty reduction effect of the CTC compared to its effect on annual poverty. For full methodological details on our framework for measuring monthly poverty rates, please see Parolin, Curran, Matsudaira, Waldfogel, and Wimer 2022.

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Acknowledgments

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