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New Survey Data Raises Questions About the Expanded Child Tax Credit



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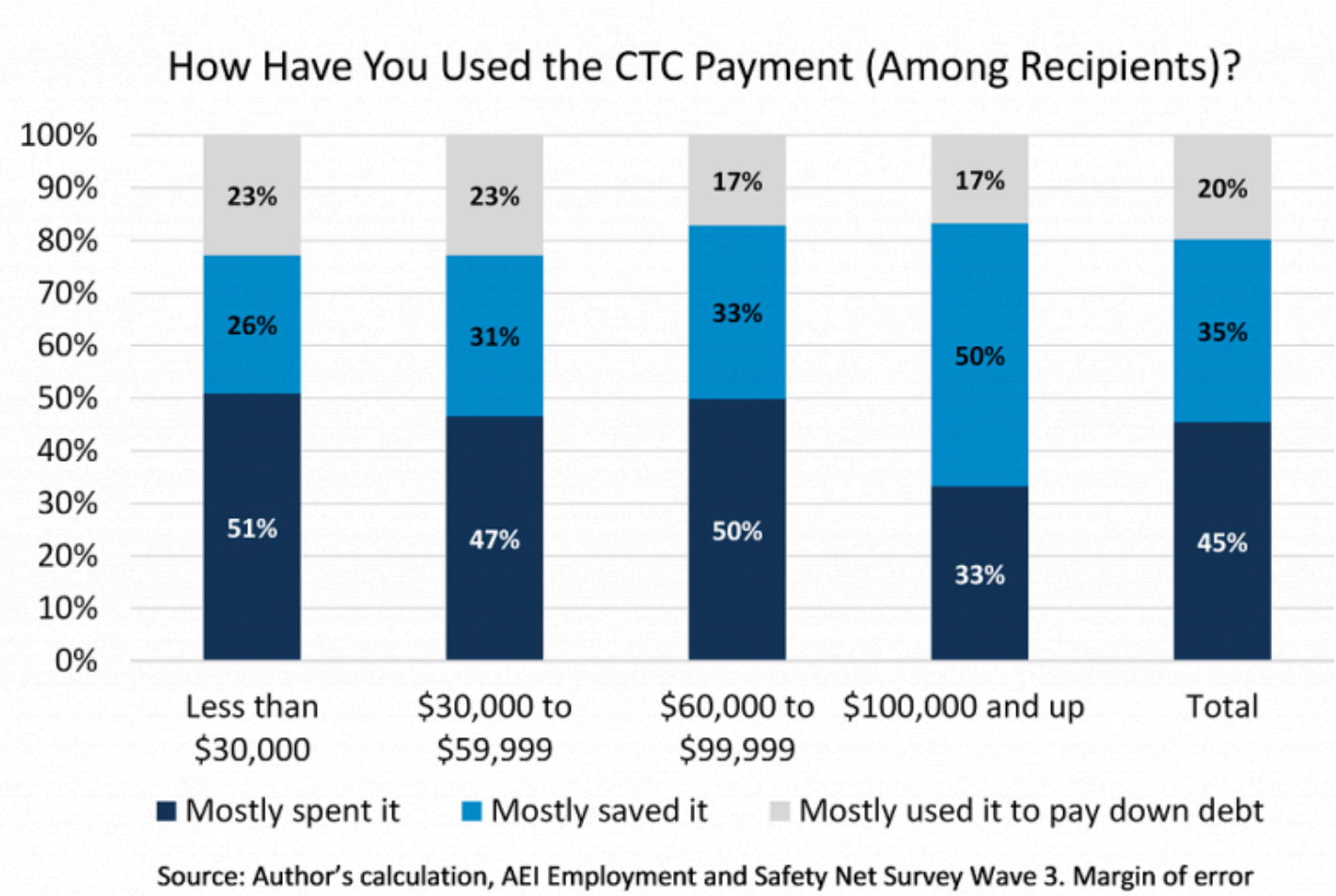
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Opportunity and Social Mobility

The American Enterprise Institute has been conducting a longitudinal survey since July 2020 tracking changes to the employment, social safety net, and family situations of a nationally representative group of working-age adults throughout the pandemic. In September 2021, we asked respondents questions about the new monthly Child Tax Credit (CTC) payments that started in July 2021. Congress originally passed the new payments as a temporary measure through the American Rescue Plan Act, but they are considering making these permanent through the budget reconciliation process.

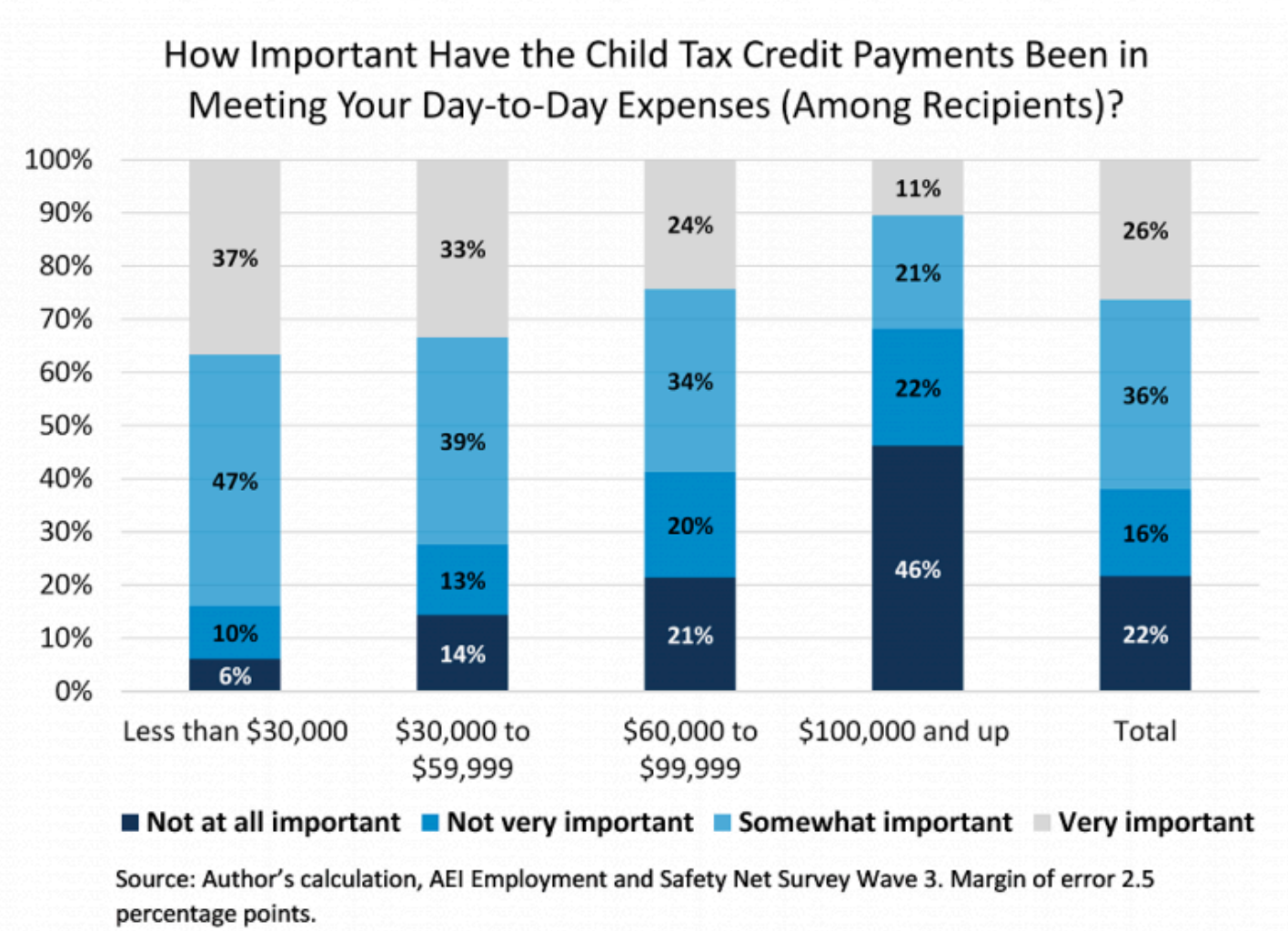
Who Received the Expanded (CTC) and How Did They Use It?

Overall, 62 percent of parents in our sample (n=1,434) reported receiving the expanded CTC payment, below the roughly 80 percent of households with children who were eligible for the expanded payments. (The full payment is available to married-couple households with children earning under $150,000 and single parent households bringing in less than $75,000). Less than half of these respondents said they mostly spent their payments, although another 20 percent reported using it to pay down debt. Parents in lower-income households were more likely to spend their CTC payments, while higher-income households were more likely to save the money.



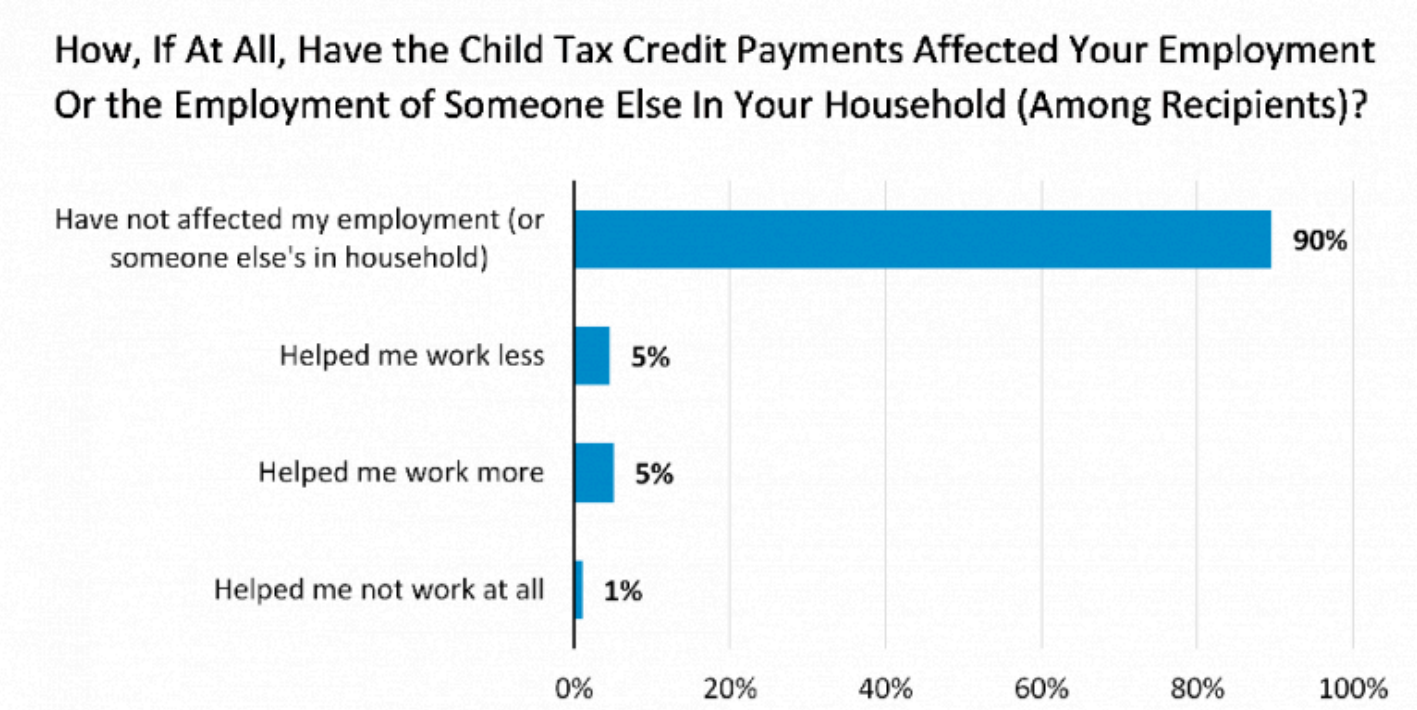
Source: Author's calculation, AEI Employment and Safety Net Survey Wave 3. Margin of error

We also asked about the importance of CTC payments in meeting day-to-day expenses. Unsurprisingly, the payments were less important for households with higher incomes than they were for lower-income households. Two-thirds of households with annual incomes above $100,000 said the payments were not at all or not very important.



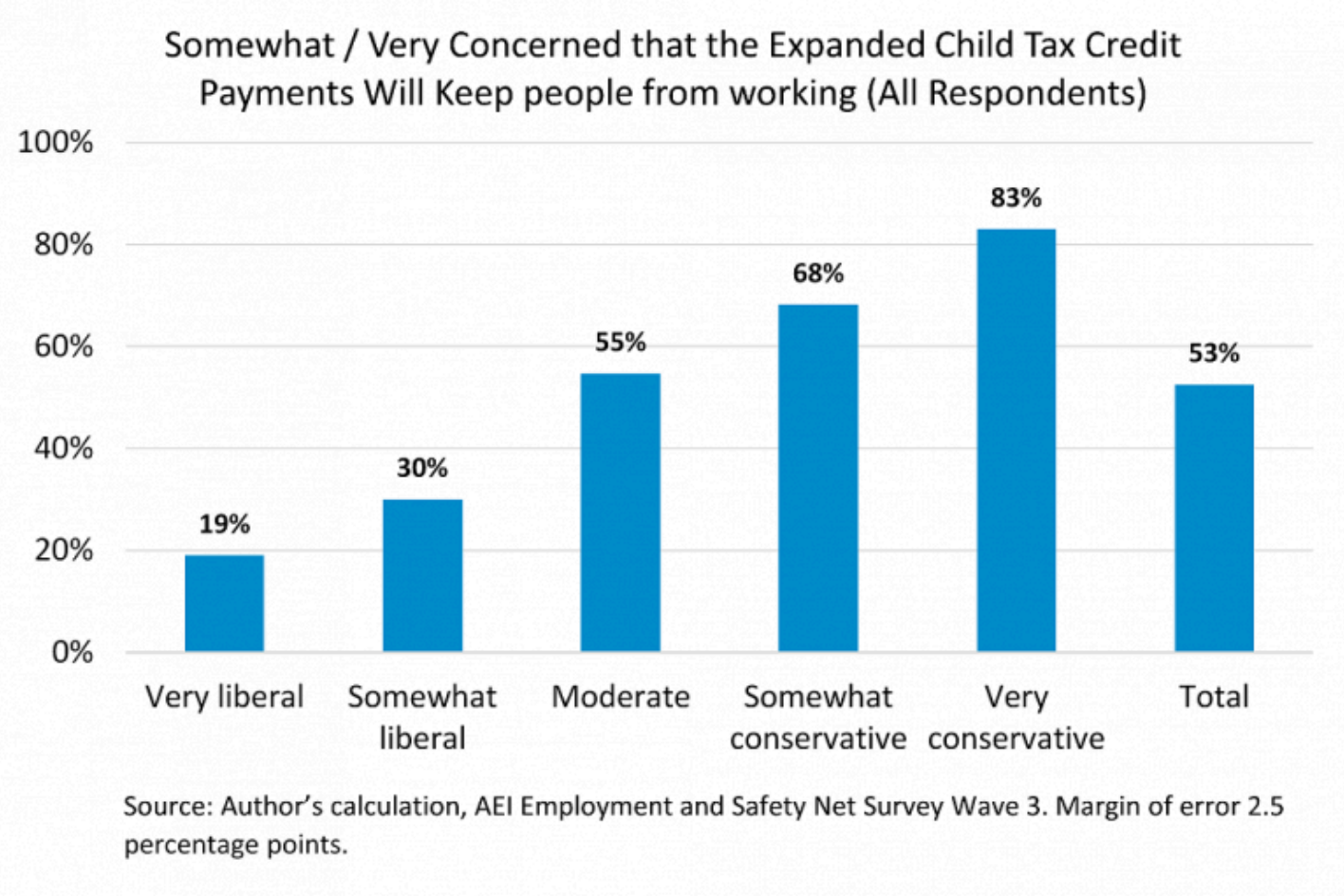
Source: Author's calculation, AEI Employment and Safety Net Survey Wave 3. Margin of error 2.5 percentage points.

Did the Expanded CTC Payments Affect Employment? We would not necessarily expect to see households changing their employment situations due to the new CTC payments in such a short time, mainly because the payments are currently temporary. But the possibility of long-term effects remains if the CTC expansion becomes permanent. Still, we can foreshadow how families might change their employment in the long run by asking about their short-term changes. Our survey results show that some parents changed their employment because of the CTC payments. Even though the vast majority of parents said the new payments have not affected their employment (or the employment of someone else in their household), more than 10 percent of respondents reported that it did, with some reporting that it helped them work more and others reporting it helped them work less.



Source: Author's calculation, AEI Employment and Safety Net Survey Wave 3. Margin of error 2.5 percentage points.

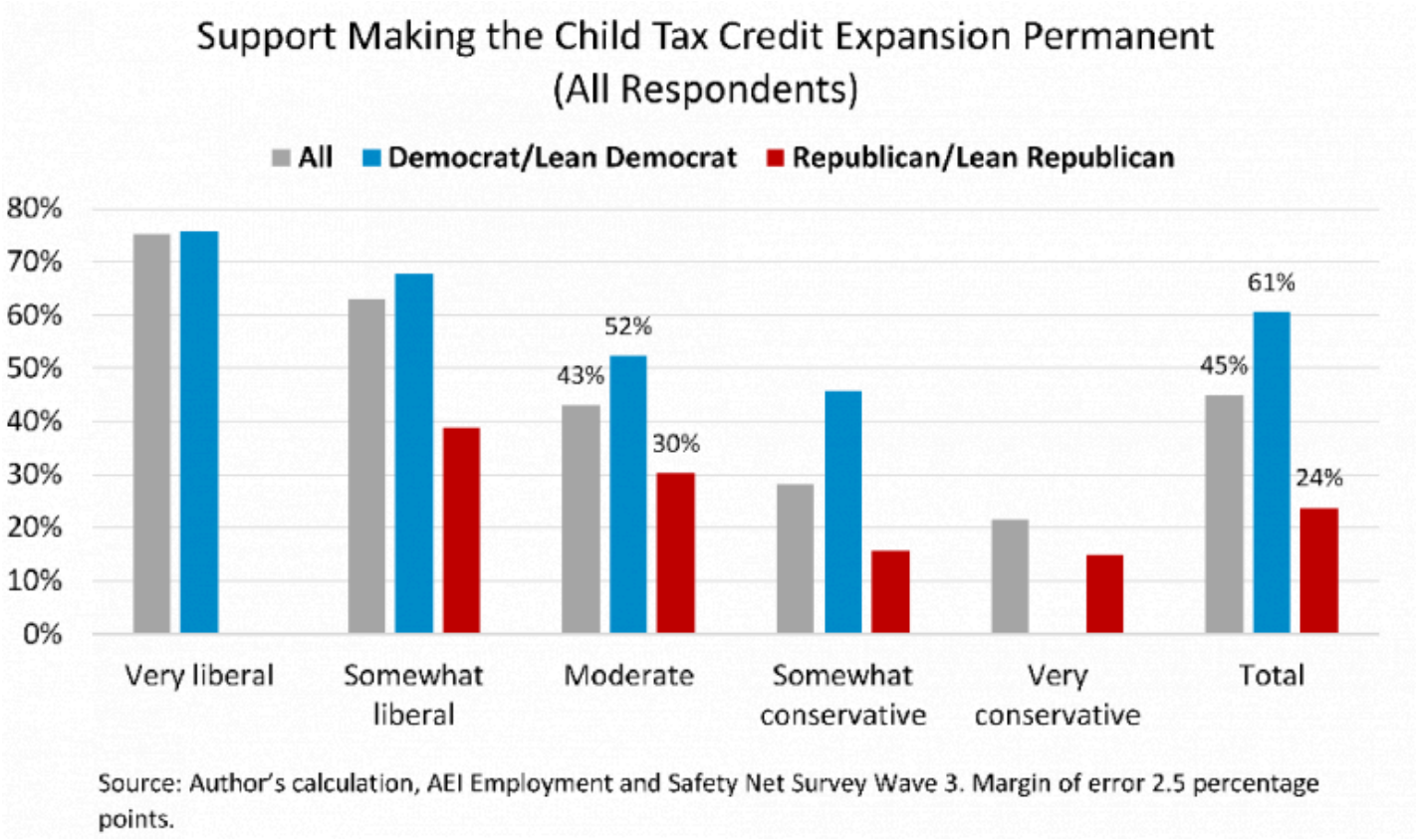
Perceptions more broadly about the relationship between the CTC payments and employment are also important to understand. We asked all respondents (whether they were parents or not) how concerned or unconcerned they are that the expanded CTC payments will keep people from working. A slight majority expressed being somewhat or very concerned, including a majority of self-identified moderates and a large majority of conservatives.



Source: Author's calculation, AEI Employment and Safety Net Survey Wave 3. Margin of error 2.5 percentage points.

How Many People Support Making the CTC Expansion Permanent?

Support for making the CTC expansion permanent was relatively weak among working-age adults in our survey. The policy received majority support only among self-described liberals or those identifying as somewhat liberal. Even among moderate Democrats, only 52 percent supported making the CTC expansion permanent. When interpreting the chart below, it important to note that the majority of working-age adults in our survey identified their political ideology as "moderate" — 51 percent of the sample compared to 22 percent who identified as very or somewhat liberal. Only 43 percent of the moderate group supported making the CTC expansion permanent. This suggests that a permanent CTC expansion lacks broad political appeal.



Source: Author's calculation, AEI Employment and Safety Net Survey Wave 3. Margin of error 2.5 percentage points.

Summing It Up

Democrats are currently considering whether to extend the CTC expansion for another few years with the ultimate hope of making the expanded Child Tax Credit a fixture of US family policy. If the goal of the expanded CTC payments is to help families cover childrearing expenses, our survey results suggest they are not well targeted because a sizeable share of families reported that they saved the payments or that the payments were not that important in meeting their day-to-day expenses. The results also show that most adults do not support making the CTC expansion permanent, and many have concerns that the payments will keep people from working.

Survey details: The American Enterprise Institute through NORC at the University of Chicago has conducted three waves of the Employment and Safety Net survey. The first wave was completed in July 2020, with follow-up surveys in February/March 2021 and September 2021. The sample completing the third

wave totaled 2,701 respondents (from the original 3,508), including 1,489 parents from the baseline survey.

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