Thank you for joining us for today’s webinar:
Social Security Interactions with the Child Tax Credit & Related Programs

The webinar will begin promptly at Noon CT
Social Security Interactions with the Child Tax Credit & Related Programs

April 11, 2023, Noon – 1 pm CT
Brought to you by:
Center for Financial Security at the University of Wisconsin - Madison
Social Security Interactions with the Child Tax Credit & Related Programs

• Welcome & Introduction
• Presentations:
  • Research Overview
  • Policy & Practice Implications
• Questions & Answers
• Sign Off

Jonathon Ferguson
Financial Capability Specialist
Center for Financial Security
University of Wisconsin-Madison
Researchers & Discussants

Dr. Jevay Grooms
Dr. Madelaine L’Esperance
Dr. Tim Smeeding
Shogher Ohannessian
Dr. Jessica Pac
Research Projects

Social Security Interactions with the Child Tax Credit & Related Programs

Jevay Grooms, Howard University
Madelaine L’Esperance, The University of Alabama
Shogher Ohannessian, University of Illinois Chicago
Tim Smeeding, University of Wisconsin-Madison
Research Overview:
Social Security Interactions with the Child Tax Credit & Related Programs

Social Security Interactions with Child Tax Credit Expansion

Jevay Grooms, Howard University
Madelaine L’Esperance, The University of Alabama
Tim Smeeding, University of Wisconsin-Madison
The research reported herein was performed pursuant to a grant from the U.S. Social Security Administration (SSA) funded as part of the Retirement and Disability Consortium. The opinions and conclusions expressed are solely those of the author(s) and do not represent the opinions or policy of SSA or any agency of the Federal Government. Neither the United States Government nor any agency thereof, nor any of their employees, makes any warranty, express or implied, or assumes any legal liability or responsibility for the accuracy, completeness, or usefulness of the contents of this report. Reference herein to any specific commercial product, process or service by trade name, trademark, manufacturer, or otherwise does not necessarily constitute or imply endorsement, recommendation or favoring by the United States Government or any agency thereof.
Research Overview:
Social Security Interactions with the Child Tax Credit & Related Programs

• An estimated **12 percent** of children live in households that receive Social Security program benefits.

• Number has likely grown over several decades tracking the documented rise in household complexity (Fomby and Johnson, 2022; Pilkauskas et al., 2020; Harvey et al., 2021)

*Percentage and number of children living in multigenerational households over time. (Pilkauskas, Amorim, and Dunifon, 2020).*
SSA beneficiary households with children have limited economic resources

- Most of these children lived in households with incomes below the national average
- SSA program benefits are main source of income for many of these households
- Related work finds that 44 percent of children in Social Security beneficiary households had an annual income of less than $35,000 in 2021 (L’Esperance, Grooms, Smeeding, 2023)
Research Overview:
Social Security Interactions with the Child Tax Credit & Related Programs

Many SSA beneficiary households with children were eligible for the expanded Child Tax Credit

- In July 2021, the American Rescue Plan Act (ARPA) significantly expanded the Child Tax Credit (CTC)
- Many Social Security program participants were newly CTC eligible
- Benefits significantly increased for newly and previously eligible tax filers, up to maximum $3600 per child
- CTC payments do not reduce any Social Security program benefit amount (OASDI, SSI)
- Social Security and monthly CTC have significant antipoverty effects
Research Overview:
Social Security Interactions with the Child Tax Credit & Related Programs

**FIGURE 2**
Child Tax Credit, Married Parents One child 2020-2021

Notes: Assumes all income comes from earnings, and child meets all tests to be a CTC-qualifying dependent. $3,000 and $3,600 credits are fully refundable; prior law limited refunds to $1,400 out of the maximum $2,000 credit. Credit for married parents first phases out at $150,000 of income until credit reaches pre-2021 level; begins second phase out at $400,000 of income. Only citizen children qualify for the $3,000 and $3,600 credits for children under 18. Noncitizens under age 18 who meet the dependency tests of eligibility can qualify other dependent credit.
Key CTC differences in 2021 tax year

<table>
<thead>
<tr>
<th></th>
<th>2020 (and current) Tax Year</th>
<th>2021 Tax Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum Benefit Amount</td>
<td>$2000 per child</td>
<td>Up to $3600 per child (depends on age)</td>
</tr>
<tr>
<td>Maximum Child Age</td>
<td>16</td>
<td>17</td>
</tr>
<tr>
<td>Refundability Cap</td>
<td>$1400</td>
<td>Fully refundable</td>
</tr>
<tr>
<td>Minimum Earned Income Threshold</td>
<td>$2500</td>
<td>None</td>
</tr>
</tbody>
</table>
Research Overview: Social Security Interactions with the Child Tax Credit & Related Programs

Advance CTC Reduced Child Poverty Quickly and Substantially

- CTC reduced child poverty by 30% (Parolin, et al, 2022a)
- In January 2022, child poverty shot up by 41% as monthly CTC payments ended (Parolin, et al, 2022b)
- Low-income, parent/guardian not working, and Hispanic households less likely to receive CTC (Burnside, 2021; Pilkauskas and Mitchemore, 2021a; Pilkauskas and Cooney, 2021)

**Monthly Poverty Rates Across Age Groups, January 2021 - July 2022**

Source: Center on Poverty & Social Policy
Research Overview:
Social Security Interactions with the Child Tax Credit & Related Programs

Receipt Rate Lower for SSA Beneficiary Households

- Lower tax credit benefit receipt for children living in households with socioeconomic disadvantage as well as immigrant, multigenerational, and complex families (Landers, CRS, 2021)

- Social Security beneficiary households with children receive CTC at lower rate

Data are Household Pulse Survey Phase 3.2 July 21, 2021 – January 10, 2022. Sample restricted to households with children under age 18. Child Tax Credit receipt reported at household-level. Retired status, disabled status, Medicare receipt, and age reported at individual-level for household respondent. Receipt rate calculated at household level.
Research Overview:
Social Security Interactions with the Child Tax Credit & Related Programs

Our Study

• Simulate CTC Receipt and CTC amount using 2020 March CPS ASEC
• Estimate effects on household income and Supplemental Poverty Measure
• Examine heterogeneous effects by
  • Social Security program
  • Race and ethnicity
  • Living arrangements
• Map changes in child poverty rate by state
Research Overview: Social Security Interactions with the Child Tax Credit & Related Programs

Summary Statistics by SSA Beneficiary Household

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>Social Security</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child Age</td>
<td>8.9</td>
<td>9.45</td>
</tr>
<tr>
<td>Child Under Age 6</td>
<td>0.30</td>
<td>0.24</td>
</tr>
<tr>
<td>Child Age 6-17</td>
<td>0.70</td>
<td>0.76</td>
</tr>
<tr>
<td>White</td>
<td>0.77</td>
<td>0.69</td>
</tr>
<tr>
<td>Black</td>
<td>0.11</td>
<td>0.17</td>
</tr>
<tr>
<td>Asian</td>
<td>0.05</td>
<td>0.05</td>
</tr>
<tr>
<td>Multiracial</td>
<td>0.05</td>
<td>0.05</td>
</tr>
<tr>
<td>Hispanic</td>
<td>0.23</td>
<td>0.21</td>
</tr>
<tr>
<td>Child Female</td>
<td>0.51</td>
<td>0.51</td>
</tr>
<tr>
<td>Household Income</td>
<td>$118,512</td>
<td>$95,531</td>
</tr>
<tr>
<td>SPM Poverty</td>
<td>0.13</td>
<td>0.19</td>
</tr>
<tr>
<td>Observations</td>
<td>39,444</td>
<td>4,827</td>
</tr>
</tbody>
</table>
Research Overview:
Social Security Interactions with the Child Tax Credit & Related Programs

CTC Eligibility and Tests by SSA Beneficiary Household Status

<table>
<thead>
<tr>
<th></th>
<th>All Households with Children</th>
<th>Social Security Beneficiary Households with Children</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligible</td>
<td>0.99</td>
<td>0.97</td>
</tr>
<tr>
<td>Pass Relationship Test</td>
<td>0.99</td>
<td>0.97</td>
</tr>
<tr>
<td>Pass Residency Test</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Pass Support Test</td>
<td>0.99</td>
<td>0.97</td>
</tr>
<tr>
<td>Full Credit Eligible</td>
<td>0.73</td>
<td>0.79</td>
</tr>
<tr>
<td>Partial Credit Eligible</td>
<td>0.23</td>
<td>0.18</td>
</tr>
<tr>
<td>Observations</td>
<td>39,444</td>
<td>4,827</td>
</tr>
</tbody>
</table>
Research Overview:
Social Security Interactions with the Child Tax Credit & Related Programs

Large Poverty Reduction Overall and Among SSA Beneficiary Households with Children

- All Households with Children: 11% Without CTC, 7% With CTC, 36% % Reduction
- Social Security Household: 16% Without CTC, 10% With CTC, 38% % Reduction
Research Overview:
Social Security Interactions with the Child Tax Credit & Related Programs

SSI Households Experience Largest Poverty Reduction

<table>
<thead>
<tr>
<th>Category</th>
<th>Without CTC</th>
<th>With CTC</th>
<th>% Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Security</td>
<td>14%</td>
<td>9%</td>
<td>36%</td>
</tr>
<tr>
<td>Supplemental Security Income</td>
<td>26%</td>
<td>15%</td>
<td>42%</td>
</tr>
<tr>
<td>Disability</td>
<td>11%</td>
<td>7%</td>
<td>36%</td>
</tr>
<tr>
<td>Survivors</td>
<td>7%</td>
<td>5%</td>
<td>29%</td>
</tr>
</tbody>
</table>
Research Overview:
Social Security Interactions with the Child Tax Credit & Related Programs

Grandfamilies who Receive SSA Benefits Experience 43% Poverty Reduction

![Bar chart showing the poverty reduction for all grandfamilies and social security grandfamilies with and without the Child Tax Credit (CTC)].

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>Social Security</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parent-Child</td>
<td>0.90</td>
<td>0.64</td>
</tr>
<tr>
<td>Grandparent-Child</td>
<td>0.02</td>
<td>0.11</td>
</tr>
<tr>
<td>Multigenerational</td>
<td>0.04</td>
<td>0.16</td>
</tr>
</tbody>
</table>
Research Overview:
Social Security Interactions with the Child Tax Credit & Related Programs

Poverty Reductions Across Racial and Ethnic Groups, but Disparities Remain
Research Overview:
Social Security Interactions with the Child Tax Credit & Related Programs

Black Social Security Recipients More Likely to be in Poverty and Experience Substantial Reduction
Research Overview:
Social Security Interactions with the Child Tax Credit & Related Programs

State-Level Changes in SPM Poverty Rate

Without Simulated CTC

With Simulated CTC

Source of data is 2020 ASEC. State layers: United States Census Bureau.
Now what for the CTC and SS Recipients?

- Generous monthly 2021 CTC is no longer
- Full refundability of the current $2000 CTC would also have a substantial effect on the incomes of SSA beneficiary households with children
- SSA offices have reopened after COVID-19 related closures
- Currently, estimating how CTC affected income and poverty for Social Security households with children using March 2022 CPS
- Also, examining interactions with other income support programs, like EITC, SNAP, housing assistance
Research Overview:
Social Security Interactions with the Child Tax Credit & Related Programs

Thank you
Implications: Social Security Interactions with the Child Tax Credit & Related Programs

- Children are our future
  - 1 in 8 children live in poverty (SPM)

- The costs of raising children are increasing (Sawhill, Welch, and Miller, 2022):
  - 2017 (~2.2% inflation): $284,594
  - 2021 (~4% inflation): $310,605

- Pregnancy and infancy are the origins of inequality (see e.g. Almond, Currie, & Duque, 2018)
Average U.S. income growth over the past two decades has been stronger for incomes in the top 10 percent.

Average annual growth in disposable personal income for each decile of income, 2000-2019, in 2012 dollars.

Early evidence on the expanded CTC

• Large increases in spending in first week (Wheat, Deadmand, & Sullivan, 2022)

• The expanded CTC:
  • Reduced child poverty by up to 46% (see e.g. Parolin, Collyer, and Curran 2022)
  • Food insecurity, food insufficiency, and hunger (see e.g. Roll et al., 2021)
  • Parental mental health and stress

• Disproportionate effects for Black and Hispanic children and families

• Pac and Berger, forthcoming: CTC led to insignificant employment response
Cash is imperative to healthy development

- Education (Akee et al., 2010)
- Emotional and behavioral health (Akee et al., 2018)
- Longevity, education, physical health, adulthood income (Aizer et al., 2016)
- EITC (work-conditioned tax credit) → Improved infant and childhood health, test scores, educational attainment, intergenerational mobility (see e.g. Hoynes et al., 2015)
- Baby’s First Years: Child-centered spending (e.g. Gennetian et al., 2022; Troller-Renfree et al., 2022)
Poverty is correlated with maltreatment and CPS involvement

- Poverty → Increased surveillance by mandated and voluntary reporters
- Poverty → Increased parental stress and (sometimes) toxic stress, reduced parental responsiveness, poor supervision
- Poverty → Decreased parental investments → increased rates of physical and mental health conditions, learning difficulties, and cognitive ability
Maltreatment is associated with a host of adversities

- Poor physical and mental health, altered biological stress response, other neurological abnormalities (e.g. executive functioning disorders)
- Chronic health conditions, early death
- Debilitating mental health and substance use disorders
- Adulthood earnings reduced by $9k/year, employment by 14%
- $592 billion cost for a single-year caseload
Implications for prevention

• NAS packages of policies → Reductions in CPS reports, substantiations, and foster care entries (Pac et al., 2023)

• Expanded CTC → Reductions in CAN-related ED visits (Bullinger and Boy, 2023)

• Previous EITC/CTC → Reductions in CPS reports, CAN-related injuries, foster care entries (Berger et al., 2017; Kovski, 2022; Rittenhouse, 2022; Rostad et al., 2019; Rostad et al., 2020)

• Abundance of evidence linking concrete economic supports to child maltreatment and CPS reports
NAS simulation study

Implications for child wellbeing

• Grandparents caring for grandchildren
  • Formal: Kinship care arranged by court for children with CHIPS order
  • Informal: Courts/DCF not initially involved, often require POA
  • Adoption and subsidized guardianship

• Grandparents and other relatives typically preferred over non-relative kin
  • Dampens the effects of trauma
  • Improved placement stability
  • Preserved cultural heritage

• Finances are the most significant barrier to initial placement and stability thereafter (e.g. Doyle, 2007; Pac, 2017)
Implications for permanency

- Support for formal kinship caregivers is more generous
  - If child has CHIPS order, placement with a kinship caregiver is often preferred over non-relative foster care
  - Kinship care grant requires basic training and core requirements for placement
    - $300/month = Level 1 (basic rate), 6 hours of training
    - $420/month = Level 2+ (foster care), 46 hours of training
  - Children who are IV-E eligible qualify for additional support (e.g. Kin GAP after 6 months in care), as do those with CS order

- Support for informal kinship caregivers is more limited and funding is complicated to access
  - Tax credits, TANF child-only grant, SSDI (grandparent qualifies), SSI (child qualifies), SNAP, WIC, CHIP, and Section 8
  - As of 2018, dedicated federal funding stream (Family First) supports Kinship Navigator programs → safety and stability
Why do we care about the CTC?

- Immediate coverage of goods needed to care for children
- Reduce time tax and need-based reasons for CPS involvement
- Facilitate care and treatment outside the auspices of CPS
- Support family autonomy and dignity
Questions & Answers

Please post your questions in the Q&A Box.
Thank you for joining us for today’s webinar: Social Security Interactions with the Child Tax Credit & Related Programs

Please remember that today’s webinar was recorded and will be posted on our website: cfs.wisc.edu within two business days.

Questions? Please contact Jonathon Ferguson at jonathon.ferguson@wisc.edu