



The Economic Case for Protecting the Child Tax Credit for All U.S. Citizen Children

Executive Summary

The Child Tax Credit (CTC) has proven to be one of our nation's most effective tools for reducing child poverty while stimulating local economic growth. The recent bipartisan House vote of 357-70 in favor of CTC expansion demonstrates strong recognition of its value across party lines. However, current proposals to exclude U.S. citizen children from the CTC based on their parents' immigration status would not only harm millions of American children but would also undermine our nation's economic interests and constitutional principles.

Economic Benefits of an Inclusive CTC

The CTC serves as a powerful engine for local economic growth and business development. During the previous CTC expansion, families injected nearly \$20 billion monthly into local economies, with the [Joint Committee on Taxation finding](#) that every dollar of CTC generates \$1.25 in local economic activity. This multiplier effect creates substantial benefits for American businesses, particularly in the retail and service sectors.

Small businesses and local retailers particularly benefit from CTC spending patterns. [Research](#) from JPMorgan Chase shows that low-income families spend their CTC funds quickly and locally, with 80% of funds being spent within the first week of receipt. This immediate injection of capital helps sustain local businesses and create jobs in communities across America. The spending focuses on essential goods and services: 65% goes to food and groceries, 40% to utilities and telecommunications, 39% to housing payments and 34% to clothing and retail purchases.

Rural communities see especially significant benefits from the CTC. The Niskanen Center's analysis shows that rural regions experience a substantial 1.35% boost to non-metro GDP from CTC spending. This economic stimulus helps sustain small-town businesses and creates opportunities in areas that often struggle with economic development.

Workforce and Employment Impact

The CTC has demonstrated clear benefits for American workforce participation and job creation. Contrary to concerns about work disincentives, research shows that the CTC actually supports employment by helping families afford essential work-related expenses such as childcare and transportation. [Studies have found](#) that CTC recipients are 1.3 times more likely to pursue job training, and [25% report](#) that the credit makes it easier for them to work more hours.

The program's impact on job creation is substantial, supporting over 500,000 full-time positions at median wage levels across the country. This employment effect stems from both increased consumer spending and parents' enhanced ability to participate in the workforce.

The Cost of Exclusion

Excluding children from the CTC based on their parents' immigration status would impose significant economic costs on all Americans. Child poverty currently [costs our economy between \\$800 billion and \\$1.1 trillion annually](#) through increased health care expenses, reduced workforce productivity and higher social service costs. The proposed exclusion of 4.4 million U.S. citizen children would exacerbate these costs while reducing consumer spending in local economies.

The business community would face particular challenges from such exclusions. Reduced consumer spending would impact retail sectors, decrease workforce availability, and slow economic growth in rural communities. Small businesses, which often operate on thin margins and depend on consistent local spending, would be especially vulnerable to these economic effects.

Constitutional and Policy Considerations

The proposal to deny benefits to U.S. citizen children based solely on their parents' immigration status represents an unprecedented departure from longstanding constitutional principles. The 14th Amendment's Equal Protection Clause has historically ensured equal treatment of all U.S. citizens, regardless of their parents' status. This legal foundation has supported decades of consistent tax policy treatment for all American children.

Recommendations for Moving Forward

Congress has an opportunity to strengthen our economy while upholding our constitutional values through an inclusive CTC policy. This approach should:

1. Maintain CTC access for all eligible U.S. citizen children, preserving the program's demonstrated economic benefits.
2. Allow the TCJA exclusions to expire, returning to historically consistent treatment of all American children.
3. Support bipartisan efforts to expand CTC coverage, building on the recent 357-70 House vote.
4. Protect local economies by preserving broad CTC eligibility.



Conclusion

The evidence clearly demonstrates that protecting CTC access for all eligible U.S. citizen children serves our national economic interests while upholding our constitutional values. As Congress considers tax policy changes, maintaining inclusive CTC eligibility will help ensure continued economic growth and prosperity for all Americans. This approach aligns with both sound fiscal policy and our nation's foundational principles of equal treatment under the law.

Sources: [JPMorgan Chase Institute](#), [Joint Economic Committee](#), [Niskanen Center](#), [Center on Budget and Policy Priorities](#), U.S. Census Bureau

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