



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

Executive Summary

The Child Tax Credit (CTC) represents a critical economic policy that has garnered strong bipartisan support, as evidenced by the recent [House vote of 357-70 in favor of the \\$78 billion tax package](#). This broad support reflects growing recognition that the CTC effectively addresses the number one concern for voters in [2024](#): the rising cost of living and economic pressures facing American families. When expanded in 2021, the CTC helped reduce child poverty to a historic low of 5.2%, demonstrating its power as an economic tool. However, after its expiration, [child poverty more than doubled to 12.4%](#).

Economic Benefits of an Inclusive CTC

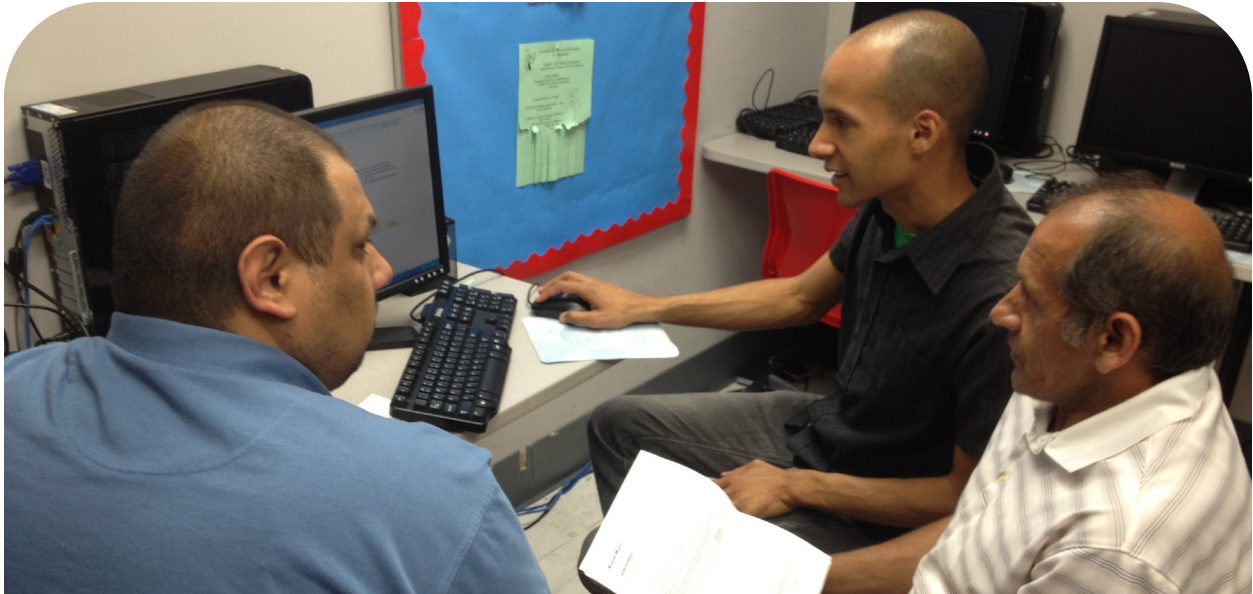
The CTC functions as a powerful driver of local economic growth and business development. Analysis by the Joint Economic Committee shows that during the previous expansion, families injected nearly \$20 billion monthly into local economies, with each CTC dollar generating \$1.25 in economic activity through a documented multiplier effect. This investment raised average family incomes by [\\$444 per month](#), creating immediate economic benefits for local communities.

Recent research from [JPMorgan Chase & Co.](#) demonstrates that low-income families spend CTC funds quickly and locally, with 80% of funds being spent within the first week of receipt among households earning under \$31,000. Even higher-income families (earning over \$73,000) spend 30% of funds within the first week, ensuring consistent economic stimulus across income levels.

The Annie E. Casey Foundation's [research](#) shows that families direct CTC spending primarily toward essential goods and services that support local businesses:

- 65% goes to food and groceries
- 40% to utilities and telecommunications
- 39% to housing payments
- 34% to clothing and retail purchases

This spending pattern has proven particularly beneficial for rural economies, where the Niskanen Center (2021) found that CTC payments [generate a substantial 1.35% boost to non-metro GDP](#), supporting local businesses and creating economic opportunities in areas that often face development challenges.



Workforce and Employment Benefits

Contrary to initial concerns, [research](#) from Humanity Forward demonstrates that the CTC strengthens workforce participation. The program has been shown to reduce unemployment related to childcare constraints and increase professional development opportunities, with eligible recipients being [1.3 times more likely to pursue job training](#) (Brookings Institution, 2022).

The economic impact extends beyond individual families. The Niskanen Center's [analysis](#) projects that CTC expansion will generate \$27 billion in consumer spending and \$1.9 billion in state and local sales tax revenue while supporting over 500,000 full-time jobs at median wage levels. A national [survey](#) by CLASP found that 25% of recipients report the CTC makes it easier to work more hours, directly contributing to workforce participation.

The Cost of Exclusion

Excluding U.S. citizen children from the CTC based on their parents' immigration status would have far-reaching economic consequences. [Research](#) from the National Academy of Sciences shows that 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 would affect an estimated 4.4 million U.S. citizen children living in mixed-status families. This policy would particularly impact Hispanic children, who already face a poverty [rate of 22% – three times higher than white children](#). With Hispanic children representing [a quarter of all U.S. children](#), their economic stability is crucial for our nation's future prosperity.

Economic Impact on American Communities

The Center on Budget and Policy Priorities [estimates](#) that the latest bipartisan tax deal would lift 500,000 children out of poverty and reduce economic hardship for 5 million more children.

This improvement in economic conditions particularly benefits communities with multiple-child families and addresses the rising cost of living, which polls show as the primary concern for voters heading into the 2024 election cycle.

Current data from the JPMorgan Chase Institute indicates that during periods of economic pressure, families are likely to spend an even higher share of CTC payments immediately, suggesting that the economic multiplier effect could be even stronger in the current economic climate. This immediate spending supports local businesses and creates jobs exactly where they're needed most.

Recommendations for Economic Growth

To maximize economic benefits and support American businesses, Congress should:

1. Maintain CTC access for all eligible U.S. citizen children, preserving documented economic multiplier effects.
2. Allow the TCJA exclusions to expire, returning to historically consistent treatment of all American children.
3. Build on the strong bipartisan House vote (357-70) to expand CTC coverage.
4. Protect local economies, particularly in rural areas, by preserving broad CTC eligibility.

Conclusion

The economic data clearly demonstrates that protecting CTC access for all eligible U.S. citizen children serves our national economic interests while addressing voters' top priority: economic stability. 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 broad voter priorities for economic growth in 2024.

For additional economic data and analysis on the CTC's impact on local economies and businesses, please visit the Joint Economic Committee's comprehensive report at www.jec.senate.gov.

About UnidosUS

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