



Biden's Anti-Work Child Tax Credits Are a Recipe for Disaster

As part of the American Rescue Plan (ARP) passed in March of 2021, President Biden fundamentally changed the way the Child Tax Credit program works by increasing the amount of credits, raising the maximum age of qualifying dependents, making it fully refundable, and paying a portion of the credit in regular, monthly allotments.

These changes are a recipe for disaster.

BACKWARDS INCENTIVES



The monthly stream of income **encourages workers to remain home rather than return to work**, especially when coupled with other benefits like the unemployment bonuses.¹



The prior version of the credit was only partially refundable. Because the credit is now completely refundable, **individuals can receive the full value of the credit even if they did not work at all.**²



Credit amounts for a typical single-parent family with two kids are **greater than the maximum cash welfare benefits** anywhere in the United States.³

Millions of households that aren't working will be eligible for the tax credit.

HURTING WORKING FAMILIES



Millions of low-income Americans will face **massive clawbacks from the IRS at tax time** because the advance monthly payments will be incorrect.⁴



New age and income guidelines built into the program will leave **many Americans struggling as they face massive drop-offs in their credit amount** as their dependents reach a certain age.⁵



The new Biden Child Tax Credits program has become "welfare for all" with Democrats acknowledging it **will go to millions of families outside the truly needy.**⁶

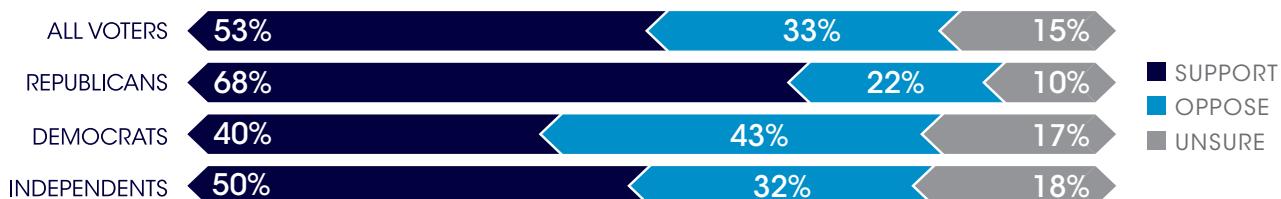
"Welfare for All" Rather Than Supporting the Most Vulnerable

PARENTS	INCOME	KIDS	PERCENT CHANGE <i>in Credit Amount Compared to Prior Program</i>
Single parent	\$25,000	One six-year-old, one seven-year-old	+50 Percent
Two parents	\$200,000	One 17-year-old, one five-year-old	+105 Percent

Source: Authors' Calculations

IT'S POPULAR: AMERICANS SUPPORT LETTING THE PROGRAM EXPIRE

The majority of Americans support letting the increased Child Tax Credits expire by a 20-point margin, with a strong plurality feeling it has turned into welfare for all.⁷



THE BOTTOM LINE

Congress should get out ahead of these problems by ensuring the program is not renewed for next year or any future years. By letting the program expire, Congress will save Americans from IRS clawbacks, backwards incentives, and a failed program design with unintended consequences.

1. Hayden Dublois and Jonathan Ingram, "Paid to Stay Home: How the \$300 Weekly Unemployment Bonus and Other Benefits Are Stifling the Economic Recovery," Foundation for Government Accountability (2021), <https://thefga.org/paper/unemployment-bonus-stifling-economic-recovery/>.
2. Congressional Research Service, "The Child Tax Credit: Temporary Expansion for 2021 Under the American Rescue Plan Act of 2021," Congressional Research Service (2021), <https://crsreports.congress.gov/product/pdf/IN/IN11613>.
3. Gene Falk and Patrick A. Landers, "The Temporary Assistance for Needy Families (TANF) Block Grant: Responses to Frequently Asked Questions," Congressional Research Service (2021), <https://fas.org/sgp/crs/misc/RL32760.pdf>.
4. Congressional Research Service, "The Child Tax Credit: Temporary Expansion for 2021 Under the American Rescue Plan Act of 2021," Congressional Research Service (2021), <https://crsreports.congress.gov/product/pdf/IN/IN11613>.
5. Ibid.
6. Sarah Ferris, "Kids and tax cuts: Why Dems need a sales pitch to seal a major Biden win," Politico (2021), <https://www.politico.com/news/2021/07/08/kids-tax-cuts-democrats-biden-498742>.
7. Based on polling conducted by the Center for Polling Excellence with 510 registered voters from July 15-18, 2021.