The Virtues of Almost Universal Child Credits

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Tax Policy for Low-Income Americans

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Evolution of CTC from middle-class entitlement into near universal benefit, 1997-2021

In 2021, fully refundable $3,000 per child CTC; $3,600 for children under age 6.

Assumes all income is from earnings (wages and salaries and self-employment income) and household claims no other nonrefundable credits. Credit amount includes nonrefundable and refundable credits.
Advantages of fully refundable CTC

• Supporting children pays huge social returns over short and long run
• Most voters think families with children deserve support
• Tax expenditures more likely to garner bipartisan support than direct spending*
• Universality builds public support

EITC and CTC are great, but...

- EITC largely leaves out single men (and their noncustodial children)
- Work disincentives in phase-out range
- Income targeting makes EITC look like welfare, limits public support
  - Doesn’t do much for median worker whose wages have stagnated for decades
- Marriage penalties
- Confounding work and children in eligibility and phase-ins and phase-outs add complexity
Alternative: fully refundable wage subsidy for all workers plus fully refundable CTC

- E.g., UEITC + CTC
- UEITC = 100% wage credit on first $10,000 of earnings, indexed to GDP/capita after 2023
- Financed by a VAT or income tax surtax
- The package is extremely progressive; would virtually end poverty for working families
- UEITC politically attractive because universal and working people are also generally viewed as deserving of support (except for financing, which is always a sticking point)
