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National and State-by-State Estimates of Two Approaches to Expanding the Child Tax Credit

BY STEVE WAMHOFF, JOE HUGHES & EMMA SIFRE

The Romney Child Tax Credit plan would leave a quarter of children worse off compared to current law and help half as many low-income children as the 2021 expansion of the credit.

Download National and State-by-State Data

Lawmakers of both political parties have proposed expanding the Child Tax Credit (CTC), the tax policy that has the greatest potential to reduce childhood poverty. One approach, Sen. Mitt Romney's Family Security Act 2.0, would expand the Child Tax Credit generously but would offset the cost by cutting important tax benefits for low- and moderate-income families, particularly single-parent families.[1] The Romney plan would leave one in four children worse off than they are under current law, including about a quarter of the very poorest children. It would also slightly raise taxes for the average Black family.

Another approach would extend the expansion of the CTC that was in effect in 2021 as part of the American Rescue Plan Act without limiting tax benefits for any families with incomes of less than $400,000.[2] This approach, which reduced child poverty by more than 40 percent[3] when it was in effect, would not leave any low- or middle-income children worse off compared to current law and would benefit twice as many children in the poorest income groups as the Romney plan would.

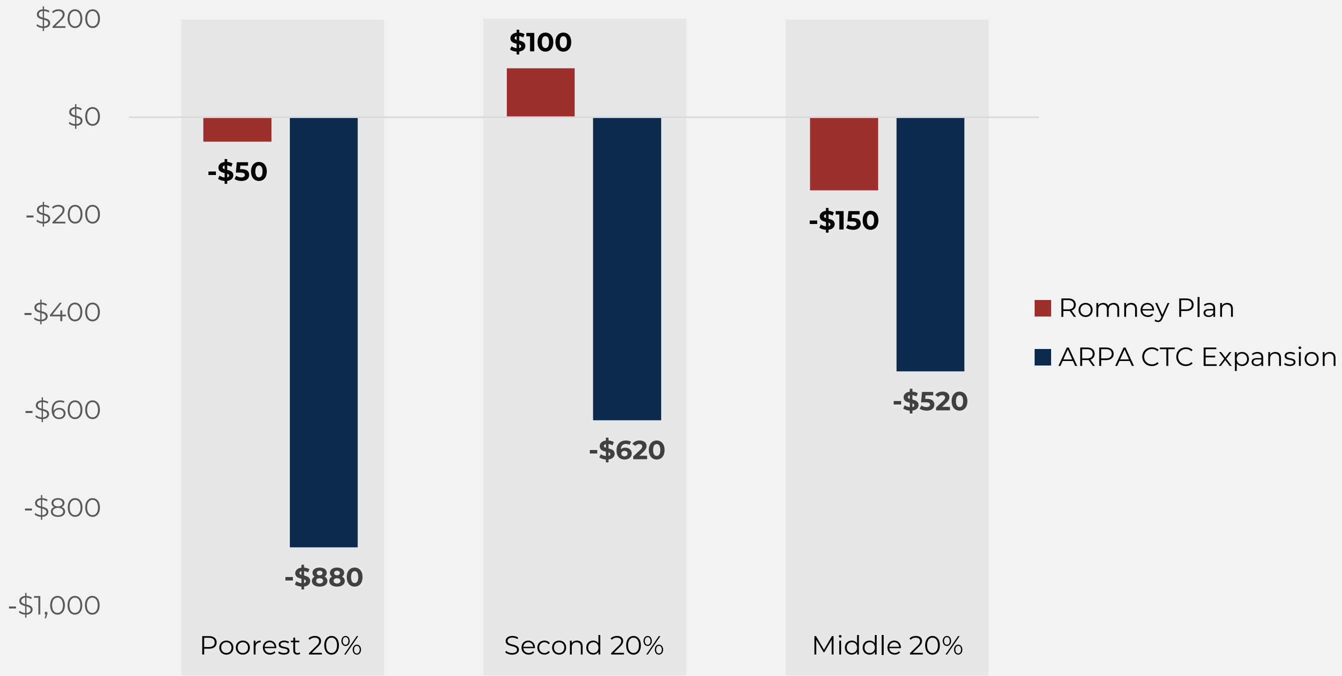
This report uses the **ITEP microsimulation model** to compare two approaches to current law and project what their impacts would be if fully in effect in 2023. The first is the Romney plan, including its expansion of the CTC and its revenue-raising provisions. The second is a full extension of the CTC expansion in ARPA.[4]

KEY FINDINGS

The revenue-raising provisions of the Romney plan would offset much of the good that it would otherwise do for low- and moderate-income families.

- The Romney plan would cut taxes for the poorest fifth of Americans by an average $50 next year, compared to an average $880 next year under the ARPA CTC expansion.
- The Romney plan **would raise taxes for the next-poorest fifth of Americans** by an average $100 next year, compared to an average $620 tax cut next year under the ARPA CTC expansion.

FIGURE 1. **Average Tax Changes for the Bottom 60% of Americans Under Two Approaches to Expanding the Child Tax Credit in 2023**



The ARPA CTC expansion would help twice as many low-income children as the Romney plan.

- Nearly all children among the poorest 40 percent of Americans are in families that would receive a tax cut under the ARPA CTC expansion.
- Under the Romney plan, only about half of these children are in families that would receive a tax cut.

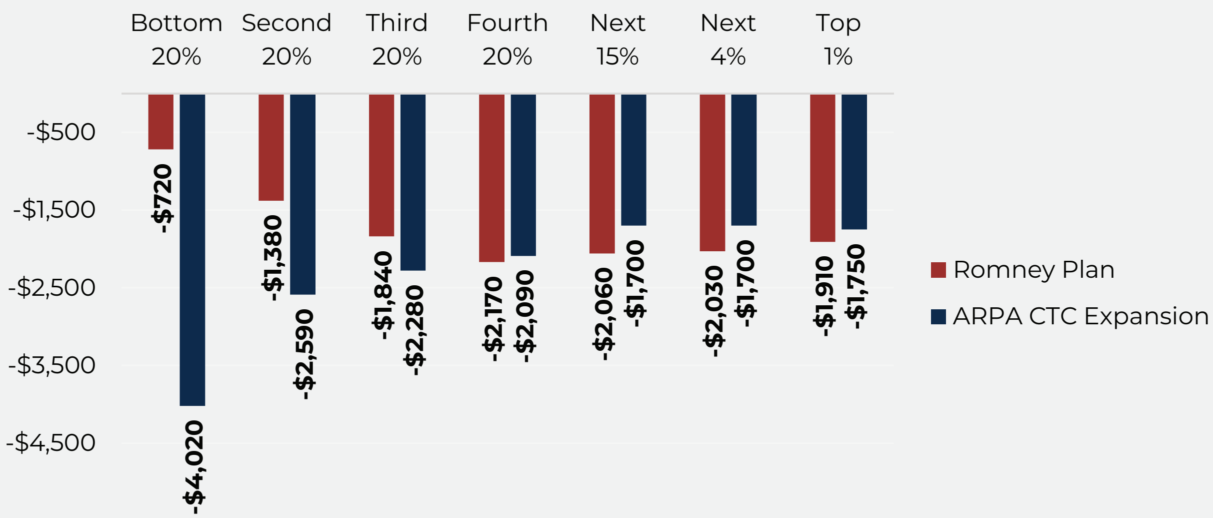
FIGURE 2. **Children Under 17 in Families with Tax Cuts in 2023 Compared to Current Law**

Income Group	Romney Plan: Number of Children	Romney Plan: % of Total in Income Group	ARPA CTC Expansion: Number of Children	ARPA CTC Expansion: % of Total in Income Group
Poorest 20%	5,293,000	47%	11,195,000	99%
Second 20%	6,099,000	49%	12,276,000	98%
Middle 20%	9,147,000	77%	11,628,000	98%
Fourth 20%	10,856,000	84%	12,559,000	97%
Next 15%	10,452,000	87%	6,817,000	57%
Next 4%	2,288,000	58%	346,000	9%
Top 1%	78,000	8%	19,000	2%
TOTAL	**44,290,000**	**67%**	**55,113,000**	**84%**

The Romney plan would provide smaller average tax cuts to the low- and moderate-income families receiving tax cuts than the ARPA expansion.

- Those among the poorest fifth of Americans who would receive a tax cut under the Romney plan would receive an average tax cut of $720, compared to $4,020 under the ARPA CTC expansion.
- The comparable figures for the second-poorest fifth of Americans are $1,380 under the Romney plan and $2,590 under the ARPA expansion.

FIGURE 3. **Average Tax Cuts for Those Who Receive a Tax Cut Under the Two Approaches to Expanding the CTC in 2023, by Income Group**



As a result of its revenue-raising provisions, the Romney plan would leave many children worse off than they are under current law.

- Under the Romney plan, 25 percent of children under age 17 would be in families that pay higher taxes.
- Under the Romney plan, 24 percent of children among the poorest fifth of Americans would be in families that pay higher taxes – and nearly half of children among the second-poorest fifth would be in families that would pay higher taxes.

FIGURE 4. Children Under 17 in Families with Higher Taxes in 2023 Compared to Current Law

Income Group	Romney Plan		ARPA CTC Expansion	
	Number of Children	% of Total in Income Group	Number of Children	% of Total in Income Group
Poorest 20%	2,689,000	24%	0	0%
Second 20%	5,880,000	47%	0	0%
Middle 20%	2,344,000	20%	0	0%
Fourth 20%	1,874,000	14%	0	0%
Next 15%	1,377,000	11%	0	0%
Next 4%	1,402,000	35%	0	0%
Top 1%	807,000	82%	0	0%
TOTAL	**16,414,400**	**25%**	**0**	**0%**

A major flaw of the current law CTC is that it prevents the poorest families with children most in need from claiming the full credit (by limiting the refundable portion of the credit). The Romney plan would partially solve this problem while the ARPA CTC expansion resolves it completely.

- Under current law, 20.4 million children under age 17 will be in families with insufficient earnings to access the full credit next year.
- The ARPA expansion would reduce this number from 20.4 million to 0, while the Romney plan would reduce it to 6.7 million.

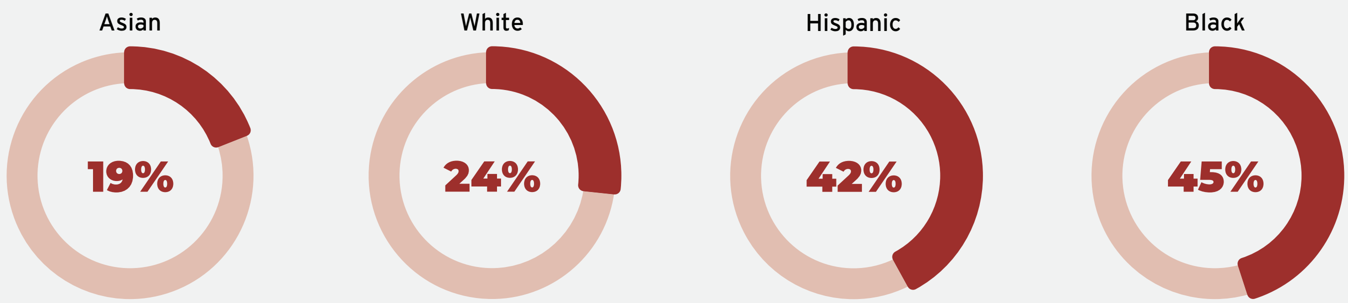
FIGURE 5. Number and Share of Children Under Age 17 Not Receiving Full Credit Because of Insufficient Family Earnings

Income Group	Current Law		Romney Plan		ARPA CTC Expansion	
	Number of Children	% of Total in Income Group	Number of Children	% of Total in Income Group	Number of Children	% of Total in Income Group
Poorest 20%	10,981,000	97%	4,909,000	43%	0	0%
Second 20%	6,117,000	49%	645,000	5%	0	0%
Middle 20%	1,949,000	16%	292,000	2%	0	0%
Fourth 20%	835,000	6%	295,000	2%	0	0%
Next 15%	206,000	2%	188,000	2%	0	0%
Next 4%	34,000	1%	93,000	2%	0	0%
Top 1%	2,000	0%	93,000	2%	0	0%
TOTAL	**20,399,000**	**31%**	**6,652,000**	**10%**	**0**	**0%**

The limits on the refundable portion of the CTC, which prevent low-income children from receiving the full credit, particularly disadvantage Black and Hispanic families.

- Under current law, 24 percent of white children, 45 percent of Black children, and 42 percent of Hispanic children will not receive the full credit because of the limits that prevent low-income families from accessing it fully.
- Because the current law disproportionately limits CTC benefits for some families of color, any reform of the credit should disproportionately help these groups.

FIGURE 6. Share of Children Under Age 17 Not Receiving Full Credit in 2023 Because of Limits for Low-Income Families Under Current Law, by Race and Ethnic Group



The main reason some families fare worse under Romney's plan is its treatment of single parents.

- Most single parents use "head of household" filing status, although some (such as non-custodial parents) use "single" filing status. Head of household status is more generous than single status, allowing (for example) a standard deduction that is larger than allowed for singles.

- The Romney plan would eliminate head of household filing status and make cuts in the Earned Income Tax Credit (EITC) that would make it particularly less generous to single parents, who are disproportionately likely to be lower-income people, people of color, and women.[5]

FIGURE 7. **Share of Taxpayers with Tax Hikes Under Romney Plan in 2023, by Marital Status**

Income Group	Single	Married Joint Filers	Heads of Households
Poorest 20%	3%	10%	42%
Second 20%	2%	15%	77%
Middle 20%	8%	5%	66%
Fourth 20%	26%	4%	86%
Next 15%	48%	13%	91%
Next 4%	60%	35%	99%
Top 1%	84%	76%	100%
TOTAL	10%	12%	66%

While the ARPA CTC expansion would reduce racial disparities, the Romney plan would raise taxes slightly for the average Black family.

- The Romney plan would raise taxes for the average Black family in 2023 by $30 and would cut taxes for the average white family by the same amount.

- The ARPA expansion of the CTC would provide larger average tax cuts for all race and ethnic groups than the Romney plan and would provide particularly larger average tax cuts to Black and Hispanic families because they are most affected by the limits in the current law CTC that would be removed.

FIGURE 8. Average Tax Changes Under Two Approaches to Expanding the CTC in 2023, by Race and Ethnicity

Race Ethnic Group	Romney Plan	ARPA CTC Expansion
White	-$30	-$450
Black	+$30	-$760
Asian	-$90	-$470
Hispanic	-$160	-$950

Without knowing exactly how Congressional Democrats would offset the cost of expanding the CTC, one can reasonably assume the costs would not be borne by the main beneficiaries of the CTC.

- The cost of expanding the CTC under both approaches is similar, at more than $90 billion in calendar year 2023.
- While the revenue-raisers in Sen. Romney's plan would nearly offset this cost, we cannot know exactly how Congressional Democrats would offset their expanded credit, except that they have made clear in statements and with the Build Back Better Act that the costs would not be borne by those with incomes of less than $400,000.

FIGURE 9. Revenue Impacts in Calendar Year 2023

Romney Child Tax Credit Plan (Family Security Act 2.0)	
Step 1. Expand the Child Tax Credit	-$98.2
Step 2. Change (Mostly Cut) the EITC	$38.8
Step 3. Repeal the Deduction for State and Local Taxes (SALT)	$22.4
Step 4. Repeal Head of Household Filing Status (Require Single Parents to Use Less Generous Single Filing Status)	$25.4
Step 5. Repeal Child and Dependent Care Credit for Children	$4.0
TOTAL	**-$7.7**

ARPA Expansion of CTC If In Effect in 2023	
Step 1. Make CTC Fully Refundable	-$20.2
Step 2. Increase Credit Amount and Allow for 17-Year-Olds	-$71.9
TOTAL	**-$92.1**

Figures 10 through 13 provide much of this information in a more detailed way. Even more detailed information can be found in the national and state-by-state data that is available for download.

FIGURE 10. Impacts of the Romney Plan in 2023 in the United States

Income Group	Income Range From	Income Range To	Average Income	Tax Change 1000s	Average Tax Change	Share with Tax Cuts	Avg Change for Those w/ Tax Cuts	Share with Tax Hikes	Avg Change for Those w/ Tax Hikes
Bottom 20%	$0	$27,200	$13,900	-$1,741,200	-$50	30%	-$720	12%	$1,350
Second 20%	$27,200	$51,300	$39,000	+$3,273,100	+$100	14%	-$1,380	21%	$1,410
Third 20%	$51,300	$84,600	$66,600	-$4,860,300	-$150	19%	-$1,840	17%	$1,120
Fourth 20%	$84,600	$146,700	$111,600	-$5,803,100	-$180	22%	-$2,170	19%	$1,520
Next 15%	$146,700	$330,500	$207,600	-$5,640,300	-$230	28%	-$2,060	22%	$1,530
Next 4%	$330,500	$829,600	$492,300	+$3,012,000	+$460	20%	-$2,030	40%	$2,160
Top 1%	$829,600	& Above	$2,613,000	+$4,125,800	+$2,550	3%	-$1,910	78%	$3,350
TOTAL			$122,000	-$7,720,000	-$50	22%	-$1,590	19%	$1,530

FIGURE 11. Impacts of Extending the ARPA CTC Expansion if in Effect in 2023 in the United States

Income Group	Income Range From	Income Range To	Average Income	Tax Change 1000s	Average Tax Change	Share with Tax Cuts	Avg Change for Those w/ Tax Cuts	Share with Tax Hikes	Avg Change for Those w/ Tax Hikes
Bottom 20%	$0	$27,200	$13,900	-$28,661,000	-$880	22%	-$4,020	0%	$0
Second 20%	$27,200	$51,300	$39,000	-$20,186,800	-$620	24%	-$2,590	0%	$0
Third 20%	$51,300	$84,600	$66,600	-$16,994,500	-$520	23%	-$2,280	0%	$0
Fourth 20%	$84,600	$146,700	$111,600	-$17,457,000	-$540	26%	-$2,090	0%	$0
Next 15%	$146,700	$330,500	$207,600	-$7,476,400	-$310	18%	-$1,700	0%	$0
Next 4%	$330,500	$829,600	$492,300	-$471,000	-$70	4%	-$1,700	0%	$0
Top 1%	$829,600	& Above	$2,613,000	-$23,700	-$10	1%	-$1,750	0%	$0
TOTAL			$122,000	-$92,063,800	-$570	22%	-$2,590	0%	$0

FIGURE 12. Adults and Children Under 17 in Families with Tax Cuts and Tax Hikes Under the Romney Plan in 2023 in the United States

Income Range				Adults w/Tax Cuts		Children w/Tax Cuts		Adults w/Tax Hikes		Children w/Tax Hikes	
Income Group	From	To	Average Income	Number	% of Total in Income Group	Number	% of Total in Income Group	Number	% of Total in Income Group	Number	% of Total in Income Group
Bottom 20%	$0	$27,200	$13,900	11,876,000	30%	5,293,000	47%	6,118,000	15%	2,689,000	24%
Second 20%	$27,200	$51,300	$39,000	8,114,000	18%	6,099,000	49%	11,811,000	27%	5,880,000	47%
Third 20%	$51,300	$84,600	$66,600	12,366,000	25%	9,147,000	77%	10,020,000	20%	2,344,000	20%
Fourth 20%	$84,600	$146,700	$111,600	16,816,000	28%	10,856,000	84%	9,594,000	16%	1,874,000	14%
Next 15%	$146,700	$330,500	$207,600	16,702,000	33%	10,452,000	87%	9,741,000	19%	1,377,000	11%
Next 4%	$330,500	$829,600	$492,300	3,166,000	23%	2,288,000	58%	5,301,000	39%	1,402,000	35%
Top 1%	$829,600	& Above	$2,613,000	113,000	3%	78,000	8%	2,748,000	78%	807,000	82%
TOTAL			$122,000	69,326,257	26%	44,290,000	67%	55,412,000	21%	16,414,000	25%

FIGURE 13. Adults and Children Under 17 in Families with Tax Cuts and Tax Hikes Under the ARPA CTC Expansion if in Effect in 2023 in the United States

Income Range				Adults w/Tax Cuts		Children w/Tax Cuts		Adults w/Tax Hikes		Children w/Tax Hikes	
Income Group	From	To	Average Income	Number	% of Total in Income Group	Number	% of Total in Income Group	Number	% of Total in Income Group	Number	% of Total in Income Group
Bottom 20%	$0	$27,200	$13,900	10,731,000	27%	11,195,000	99%	0	0%	0	0%
Second 20%	$27,200	$51,300	$39,000	13,051,000	29%	12,276,000	98%	0	0%	0	0%
Third 20%	$51,300	$84,600	$66,600	14,601,000	29%	11,628,000	98%	0	0%	0	0%
Fourth 20%	$84,600	$146,700	$111,600	18,799,000	32%	12,559,000	97%	0	0%	0	0%
Next 15%	$146,700	$330,500	$207,600	10,987,000	22%	6,817,000	57%	0	0%	0	0%
Next 4%	$330,500	$829,600	$492,300	827,000	6%	346,000	9%	0	0%	0	0%
Top 1%	$829,600	& Above	$2,613,000	40,000	1%	19,000	2%	0	0%	0	0%
TOTAL			$122,000	69,385,000	26%	55,113,000	84%	288	0%	434	0%

In at least two ways, the impact of the Romney plan is likely to be even worse than illustrated in these estimates, as explained in more detail in the appendix to this report.

- These estimates do not include the likely impacts on U.S. citizen children whose parents are undocumented adults who work and pay taxes. The Romney plan would bar these families from receiving the CTC.
- These estimates do not include the likely state tax increases that would result because many state income tax systems link to the federal rules that Romney would make less generous, but not to the federal CTC that Romney would make more generous.

THE CHILD TAX CREDIT UNDER CURRENT LAW, THE ROMNEY PLAN, AND ARPA

Current Law

The Child Tax Credit (CTC) is the most significant benefit in the tax code for families with children. The 2017 tax law increased it from $1,000 to $2,000 per child, and this increase will remain in effect through 2025 unless Congress changes the law. The credit is available for each dependent child in the home who is under age 17. The credit begins to phase out for married couples with incomes exceeding $400,000 and for unmarried parents with incomes exceeding $200,000. This means that parents with incomes above these thresholds receive either a partial credit or no credit.

Current law also limits low-income families from receiving the full credit. Many low-income families do not earn enough to have much, if any, income tax liability. Consequently, a tax credit will not help many low-income families unless it is refundable, meaning it can reduce their income tax liability below zero and provide negative income tax liability, which results in a refund. (Even though low-income families may have negative federal income tax liability, they still pay other types of taxes like federal payroll taxes and a disproportionate share of state and local taxes.)[6]

The refundable portion of the CTC under current law is limited in two ways, resulting in most children among the poorest Americans not receiving the full credit. First, current law limits the refundable portion of the credit based on family earnings. The CTC is limited to 15 percent of the parent's earnings beyond $2,500. (This means that a child with parents earning just $3,500 during the year would receive, at most, a credit equal to 15 percent of $1,000, or $150.)

Second, current law places a cap on the refundable portion of the credit, which will be $1,600 in 2023. In other words, current law provides a tax credit of $2,000 per child, but for those families who most need help, it is limited to $1,600 at most, and often less than that, depending on the family's earnings.

Sen. Romney's Family Security Act 2.0

The Romney plan, the Family Security Act 2.0, would increase the credit from $2,000 per child to $4,200 per child under age 6 and $3,000 per child age 6 and older.

The Romney plan would replace the existing limits on the credit for low-income people with a new limit: The entire amount of child tax credits available to a family under the Romney plan would be phased in proportionally to the family's earnings up to $10,000. A family with $10,000 or more of earnings would receive the entire amount they are otherwise eligible for. A family with earnings of (for example) $5,000 would receive half the amount they are otherwise eligible for.

ARPA's CTC Expansion

In 2021, the American Rescue Plan Act (ARPA) expanded the CTC in several ways.

First, it increased the credit to $3,600 per child under age 6 and $3,000 per child age 6 and older. The increase in the maximum credit was phased out starting at $150,000 for married couples, $112,500 for heads of households, and $75,000 for others. (The first $2,000 of the credit still began to phase out for married couples with incomes of more than $400,000 and unmarried parents with incomes of more than $200,000, as it had under previous law.)

Second, ARPA made the credit fully refundable by suspending both limits on the refundable portion of the credit (the earnings-based limit and the dollar cap that limits the refundable amount to less than the full credit).

Third, it made the credit newly available for 17-year-olds.

ARPA's expansion of the CTC was in effect in 2021 for one year only. The House-passed Build Back Better Act would have extended the ARPA CTC expansion fully through 2022 and then partly for years after that, but many supporters of the provision made it clear that they wanted to make the full CTC expansion permanent. (This analysis assumes that the ARPA CTC expansion would be fully in effect in 2023.)

FIGURE 14. Child Tax Credit Under Current Law and Proposals in 2023

	Credit for Children		Earnings-Based Limit?	Additional Limit for Low-Income?	Phase-Out Start Threshold	
	Age 6 and Over	Under Age 6			Married	Unmarried
Current Law (through 2025)	$2,000	$2,000	Yes, on refundable portion	Yes, refundable portion capped at lower level.	$400,000	$200,000
Sen. Romney's Family Security Act 2.0	$3,000	$4,200	Yes, credit phases in with earnings $0 to $10,000	No	$400,000	$200,000
ARPA CTC expansion if in full effect in 2023	$3,000	$3,600	No	No	$400,000 *(Lower phase-outs for credit increase beyond $2,000)*	$200,000

REVENUE-RAISING PROVISIONS IN THE ROMNEY PLAN

Sen. Romney's Family Security Act 2.0 offsets the cost of the proposed expansion of the CTC almost entirely with provisions that would raise revenue by limiting other tax benefits, including tax benefits for low-and moderate-income households. As a result, 25 percent of children are in families that would face a net tax increase under the Romney plan.

Earned Income Tax Credit Changes

The biggest revenue-raising provision in the Romney plan would dramatically change the Earned Income Tax Credit (EITC), in most cases by cutting it.

The EITC is a credit equal to a certain percentage of earned income, up to a maximum amount. Under current law, the maximum EITC available depends a great deal on the number of dependent children a taxpayer has.

While the current EITC rules are complicated, they provide significant benefits to families with modest incomes. Under current law, the EITC in 2023 can equal up to[7]:

- 7.65 percent of up to $7,780 of earnings (a maximum credit of $595) for a household with no children.
- 34 percent of up to $11,670 of earnings (a maximum credit of $3,968) for a household with one child.
- 40 percent of up to $16,390 of earnings (a maximum credit of $6,556) for a household with two children.
- 45 percent of up to $16,390 of earnings (a maximum credit of $7,376) for a household with three or more children.

The Romney plan would cut the EITC dramatically except for those with no children. It would provide a maximum EITC of:

- 12.5 percent of up to $8,000 of earnings (a maximum credit of $1,000) for single adults without children.
- 16.67 percent of up to $12,000 of earnings (a maximum credit of $2,000) for single parents with any number of children.
- 12.5 percent of up to $16,000 of earnings (a maximum credit of $2,000) for married couples with no children.
- 16.67 percent of up to $18,000 (a maximum credit of $3,000) for married couples with any number of children.

Repeal of Deduction for State and Local Taxes (SALT)

Federal income tax deductions for state and local taxes (SALT) are already limited to a maximum of $10,000 under the 2017 tax law. The Romney plan would eliminate the deduction entirely. This is the one provision of the plan that would raise taxes for some childless taxpayers as well as some with children.

Repeal of Head of Household Filing Status

The head of household filing status was created in 1951 to account for the higher costs faced by single parents compared to childless single taxpayers. It generally provides a standard deduction and tax brackets that are more generous than those provided for single filers, but less generous than those provided for married couples.

For example, the standard deduction determines how much of a taxpayer's income is shielded from income tax (except in the minority of situations where the taxpayer can claim a larger amount in itemized deductions). The standard deduction for heads of households in 2023 is likely to be $20,650. By repealing head of household filing status, the Romney plan would require single parents to use single filing status, for which the standard deduction in 2023 is likely to be $13,750. The roughly $7,000 reduction in the standard deduction used by single parents would mean that roughly $7,000 of their income that is not subject to the income tax under current law would be taxed.

The brackets for heads of households allow less income to be taxed at higher rates. For example, in 2023, the 12 percent rate will apply to a portion of taxable income starting at $15,600. (Taxable income below that amount is taxed at the 10 percent rate.) The Romney plan would require single parents to use the tax brackets for single filing status, in which case the 12 percent rate would begin at $10,925. In other words, a larger amount of taxable income would be taxed at a higher rate (or rates, for those with more significant income) for single parents compared to current law.

Repeal Tax Credit for Childcare

The Child and Dependent Care Credit (CDCC) is allowed for taxpayers paying for care of a child under age 13 or of a person who is unable to care for themself. Depending on the taxpayer's income, the credit equals between 20 and 35 percent of care expenses, up to a maximum credit of $3,000 for care for one person, and $6,000 for care for two people. The credit is not refundable, which limits its usefulness for low-income families who most need help affording care. The Romney plan would repeal the CDCC for children, so that only the portion of the credit used to care for those with disabilities and unable to care for themselves would remain in effect.

APPENDIX: LIKELY IMPACTS OF ROMNEY PLAN NOT INCLUDED IN ESTIMATES

The Romney Plan's Potential Effects on State Tax Systems

The tax provisions included in the Romney plan directly alter the federal tax code, but if enacted, their impact would extend to many state tax systems. State tax codes are tied to the federal tax code through a process called "conformity" where states make their tax codes conform to federal tax forms. States often do this to reduce the costs both to the tax filer and to the state for tax administration. The Romney plan will worsen the regressivity of many state tax systems by shrinking the Earned Income Tax Credit (EITC) and Child and Dependent Care Credit (CDCC) and eliminating the head of household status. In other words, in some states the combined state-federal effect of adopting the Romney plan would be less favorable—particularly to single parents—than what is shown in this report.

States can offset the reduction and elimination of these provisions by changing how their state codes conform to the federal code or by enacting and expanding their own state-level Child Tax Credits (CTCs). However, when family benefits are reduced at the federal level, tax increases in the states coupled to those policies would happen automatically. State-level CTC increases would not be automatic for most states. Only three states have state-level CTCs that are directly connected to the federal CTC.[8] Preventing these tax increases would require legislative action in most states and potentially increase costs for state tax administrators.

Effect on State EITCs

Most states, the District of Columbia, and Puerto Rico offer EITCs based on the federal design. Most commonly, the state credit is calculated as a percentage of the federal credit. Low- and middle-income residents of these states would see their tax credits slashed dramatically, modestly reducing their incomes. For example, a single parent with one child earning $20,000 would see their state credit reduced by $590 if they live in a state with a credit that is 30 percent of the federal credit.

If the Romney proposal were to go into effect, state lawmakers seeking to avoid tax increases would need to enact new legislation to either substantially increase their state-level percentage of the federal EITC or otherwise decouple from the federal law.

Effect on State CDCCs

Many states offer state-level CDCCs that also conform to the federal credit, typically as a percentage of the federal credit. These differ from CTCs in that they are specifically targeted to assist with the costs of childcare (or in a small number of cases care of dependents with disabilities). These credits would be nearly eliminated as dependent expenses for children would no longer be eligible. Adult dependents could still qualify for the CDCC, but they are a very small subset of all dependents.

Preventing a reduction of state credits would require new legislation, but it could not be achieved by simply increasing the credit percentage because the federal credit would be reduced to zero for most families. Instead, states would need to decouple entirely from the federal credit to prevent tax hikes, a move that would create higher administrative costs in the states.

Effect on State Filing Statuses

Many states also conform to federal filing statuses, including the head of household status that would be eliminated under the Romney proposal. State income taxes would go up for single parents, who are disproportionately likely to be lower-income people, people of color, and women.

To prevent tax hikes, states would again need to enact legislative fixes—in this case, decoupling filing status from federal tax forms. This change would also complicate tax administration, as filing status affects nearly every part of a taxpayer's tax calculation, from their marginal income tax bracket to their calculation of various credits and deductions.

Effect on State CTCs

One potential bright side for state tax progressivity is that the Romney proposal might encourage state lawmakers to implement or increase state level CTCs. With a more robust federal CTC on which to piggyback, offering state-level CTCs would be an effective way to cut taxes for low- and middle-income families and possibly offset the effects of EITC and CDCC reductions and elimination of the head of household filing status. However, there are political and budgetary obstacles associated with creating state-level CTCs, whereas these cuts would take place automatically in most states absent state action.

The default effect of the Romney plan on state taxes would generally be to worsen state tax regressivity and further penalize single parents. It would be up to state lawmakers to counteract the harm done to their tax codes by this plan, and some would surely do a better job of that than others.

The Effects of the Romney Plan on Immigrants

The Romney proposal includes several provisions that change Social Security Number (SSN) requirements for family tax credits, resulting in fewer children eligible for the CTC but more married couples eligible for the EITC.

Currently, eligibility for the CTC does not require parents to have an SSN, only that the qualifying child has one. Many immigrants who are working and paying taxes with an Individual Taxpayer Identification Number (ITIN) rather than an SSN have citizen children who are eligible for the CTC under the current rules.

The Romney plan would deny the CTC to these households, even if the child has an SSN and would otherwise qualify. We estimate there are 1.8 million households in the U.S. with children who have SSNs and parents who do not have SSNs and thus might lose CTC benefits under this provision, but it is unknown how many of these households currently claim CTCs.

Meanwhile, the EITC is barred under current law for married couples unless both partners have an SSN. The Romney plan would allow married couples to claim the EITC if at least one partner has an SSN. There are currently 550,000 married couples with one partner who has an SSN and another partner who does not.

The result of both changes is that up to 1.8 million families currently receiving the CTC could lose it, while up to 550,000 families who currently cannot receive the EITC could become eligible for it. It is impossible to know, with existing data, exactly how many families would be affected in these ways. But it seems likely that the reduction in families eligible for the CTC would be more significant than the increase in families eligible for the EITC.

ENDNOTES

1. Summary of the Family Security Act 2.0. **https://www.romney.senate.gov/wp-content/uploads/2022/06/family-security-act-2.0_one-pager_appendix.pdf**.

2. This proposal was included in the House-passed Build Back Better Act on November 2021, which also increased taxes on individuals with incomes of more than $400,000 and very large corporations. The expanded CTC was left out of the version of that legislation that eventually became law in August 2022, the Inflation Reduction Act.

3. Chuck Marr et al., "Congress Should Adopt American Families Plan's Permanent Expansions of Child Tax Credit and EITC, Make Additional Provisions Permanent," Center on Budget and Policy Priorities, May 24, 2021, **https://www.cbpp.org/research/federal-tax/congress-should-adopt-american-families-plans-permanent-expansions-of-child**.

4. The Build Back Better Act, which was passed by the House of Representatives in November, included a full extension of the ARPA CTC expansion for one year and a partial extension for years after that. The CTC expansion was left out of the version of that legislation that eventually became law, the Inflation Reduction Act. For this analysis, the ARPA expansion of the CTC includes no revenue-raising provisions, mainly because the revenue-raisers included in the Build Back Better Act would have little or no effect on recipients of the Child Tax Credit, which begins to phase out for married couples with incomes of more than $400,000 and single parents with incomes of more than $200,000. (Neither proposal changes the rules that phase the credit out for high-income families.)

5. Gretchen Livingston, "The Changing Profile of Unmarried Parents," Pew Research Center, April 25, 2018. **https://www.pewresearch.org/social-trends/2018/04/25/the-changing-profile-of-unmarried-parents/**.

6. Institute on Taxation and Economic Policy. "Who Pays: A Distributional Analysis of the Tax Systems in All 50 States, Sixth Edition," October, 2018. **https://itep.org/whopays/**.

7. Congressional Budget Office, Supplemental Data for "The Budget and Economic Outlook: 2022 to 2032," May 25, 2022. **https://www.cbo.gov/publication/57950**. CBO's projections of inflation-adjusted tax parameters for future years are found at **https://www.cbo.gov/system/files/2022-05/53724-2022-05-Tax-Parameters.xlsx**.

8. Colorado (beginning in 2023) offers a credit ranging from 5 to 30 percent of the federal CTC depending on filing status and income. New York provides a credit equal to the greater 33 percent of the pre-2017 federal CTC or $100 per child. Oklahoma offers a credit equal to the greater of 5 percent of the federal credit or 20 percent of the childcare expenses credit. See National Conference of State Legislators, "Child Tax Credit Overview," July 11, 2022, **https://www.ncsl.org/research/human-services/child-tax-credit-overview.aspx**.