

The Detroit News

POLITICS

End of child tax credit expansion raises fear of resurgent children poverty

Sarah Atwood Capital News Service

Published 11:00 p.m. ET Jan. 7, 2023

The expansion of a federal tax credit to low-income families during the pandemic lifted more than half a million Michigan children out of poverty, so its ending at the finish of 2022 has advocates worried that it will put children at risk of falling back into poverty.

Legislation passed the Democratic-led House in the last Congress that would have extended the child tax credit for another year along with other spending programs under a \$1.75 trillion bill. But critics such as U.S. Sen. Joe Manchin, D-W.Va., objected to short-term programs in the 10-year legislation, such as the enhanced child tax credit, that could become permanent and more costly. Manchin also reportedly has proposed adding work requirements for the children's tax credit.

The child tax credit expansion was part of the American Rescue Plan Act spurred by the coronavirus pandemic, said Matt Gillard, the president and chief executive officer of Michigan's Children.

"As advocates for children, we were disappointed to see it end," Gillard said.

The child tax credit was originally aimed at working parents paying over \$2,000 in taxes yearly but was greatly expanded during the pandemic.

Before the 2021 expansion, people working the lowest-income jobs were not eligible for the credit, said Monique Stanton, the chief executive officer for the Michigan League for Public Policy.

"There was a flaw in the plan that was unfair," Stanton said. "Because people working the lowest-income jobs did not pay the \$2,000 in taxes yearly, they were ineligible for the \$2,000 tax credit."

The maximum credit expanded from \$2,000 to \$3,000 per child for those over the age of 6. For younger children, it expanded to \$3,600. The age limit was raised from 16 to 17, the earnings requirement was removed and the credits were fully refundable.

The expansion made the credit available to parents working lower-income jobs or not working.

That made critics concerned that people were refusing to work but still getting the money, Gillard said.

“This is not true, and there’s many reasons why a person is unable to work,” Gillard said. “As for the assumption that people aren’t spending this money responsibly, we saw the majority of people spent it on necessities, like healthy food they might not have been able to afford before or new clothes for school.”

U.S. Sens. Mike Lee, R-Utah, and Marco Rubio, R-Florida, said they support more money going to families with parents who are working, but not for those who are not.

“Congress should expand the child tax credit without undercutting the responsibility of parents to work to provide for their families,” the senators said in a joint statement.

In Michigan, county poverty rates for families with children vary widely. Livingston County is the lowest with 5% of families with children living in poverty in 2021, while Clare County is the tops with 32.1% of families with children living in poverty, who are living below the poverty line, according to the American Communities Survey of the U.S. Census Bureau.

Gillard said the expanded child tax credit had an especially positive impact on children in rural areas.

Stanton agreed.

“One in four children in rural Michigan benefited by expanding the tax credit,” Stanton said. “If the expansion ends, these children will be the most impacted.”

According to Gillard, rural families often have added costs because of where they live that residents of more urban areas don’t have.

“Transportation is easily the biggest cost for families in rural areas,” Gillard said. “There’s rarely public transportation, and places people need to go are often spread out.”

Twelve states have passed their own state child tax credits that are independent of the federal one, according to the National Conference of State Legislatures. Michigan is not one of them. ,

A state child tax credit is either a fixed amount or a percentage of the federal child tax credit. The fixed limit for state child tax credits ranges from \$75 to \$1,000. The percentage for state child tax credits ranges from 5% to 33% of the federal credit.

Advocates and legislators in Michigan have been pushing for another form of state tax credits: the earned income tax credit. Calls have been made to increase it from 6% to 20%, or even 30% of a person's income, Stanton said.

The earned income tax credit helps low- to moderate-income people get a tax break, according to the Internal Revenue Service. That can reduce the taxes owed and possibly increase the tax refund. The amount increases if a person has children or other dependents.

“We’re in favor of the 30% earned income tax credit,” Stanton said. “This would be a huge increase in the amount of income a Michigan family has access to, and will benefit our children.”

Sarah Atwood, a junior at Michigan State University, writes for the Capital News Service.