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Refundable Tax Credit Expansions Will Help Build Long-Term Economic Prosperity for Women and Families

Women, and especially women of color, have always been disadvantaged in this country's economy. They face [wage gaps](#), are overrepresented in [poorly paid jobs](#), receive less benefit from [wealth-building strategies](#) like education and homeownership, and [lack needed caregiving supports](#). The COVID-19 health and economic crisis has [exacerbated](#) these inequities, but strong policy interventions—including temporary 2021 expansions of the [Child Tax Credit \(CTC\)](#) and [Earned Income Tax Credit \(EITC\)](#)—helped mitigate the impact on women and families.

Unfortunately, although the recovery has been slow and uneven and many women and families are still struggling, the expanded credits and other benefits have now expired. And with the repeal of *Roe v. Wade*, many people who can become pregnant face increased economic burdens. Now is the time to enact policies that will support a more equitable economy for women and families, and protect against future recessions. Restoring the tax credit expansions—in combination with other critical investments—will help build a foundation for economic prosperity for women and people of color into the future.

The American Rescue Plan's Temporary Expansions of Refundable Tax Credits Provided a Lifeline for Struggling Women and Families

Refundable federal income tax credits, such as the EITC and the CTC, boost families' incomes, [increase the well-being of children and adults](#), and can [help reduce racial, gender, and economic inequities](#). The EITC benefits low- and moderate-income workers and their families, and the CTC helps families meet the costs of raising children. The [Child and Dependent Care Tax Credit \(CDCTC\)](#), which is a nonrefundable tax credit for Tax Year 2022, helps families who pay for child and dependent care in order to work or look for work.

The [American Rescue Plan Act of 2021](#) ("Rescue Plan") temporarily expanded all these credits in 2021.

- The Rescue Plan [made the EITC more generous](#) and available to more workers.
 - Under prior law, the EITC for workers not claiming children was so small that workers with low wages could be [taxed into poverty](#).
 - For Tax Year 2021, the Rescue Plan raised the maximum EITC amount that childless workers could receive and expanded eligibility to all workers over age 19. This increase particularly helped low-wage workers, who [tend to be women](#) and people of color.

- It also expanded the CTC and provided for advance monthly payments of half of the credit.
 - For Tax Year 2021, the Rescue Plan increased the amount of the CTC from \$2,000 per child under age 17 to \$3,600 per child under age six, and \$3,000 per child ages six to 17 (extending the cutoff age from 16 to 17). In addition, the Rescue Plan made the CTC fully refundable, allowing millions of families to benefit from it for the first time and keeping [5.3 million families](#) out of poverty.
- Finally, it increased the amount of the CDCTC and made it available to more families.
 - The Rescue Plan made the CDCTC refundable, so that low- and moderate-income families could benefit from the credit, and increased the amount of the credit—reaching [7 million families nationally](#), who received an average benefit more than three times larger than in prior years.

The refundable credit expansions of 2021 were a lifeline for many low-income families. According to [2021 Census Poverty Data](#), the expanded CTC and EITC combined lifted out 9.6 million people out poverty, and helped drive the 46 percent reduction in child poverty in 2021. [Surveys show](#) that families used the CTC payments to pay bills, purchase necessities, pay down debt, and replenish savings. The payments [reduced food insecurity](#) among households and helped families [afford healthier meals](#) for their children.

However, the expiration of these expanded tax credits—especially the monthly CTC payments—has been devastating for women and families. Poverty rates spiked [after the advance payments expired](#) and—after a brief decline when families received their tax refunds in March—elevated poverty rates [have continued](#), especially among Black and Latinx children. [Food insufficiency increased](#) by 14 percent among families with children after the advance CTC payments stopped in December 2021, and [sixty percent of parents](#) who received the monthly payments reported that it has been more difficult for their family to meet their expenses. With rising inflation and continuing pandemic effects, families need and deserve the reliable income support of the expanded refundable tax credits.

Women and Families Needed the Refundable Tax Credits Expansions Before the Recession—and They Still Need Them Now

Policymakers should prioritize restoring the tax credit expansions to boost the economic well-being of women and families, increase fairness in the tax code, and promote racial and gender equity. While all of the Rescue Plan’s expansions helped women and families, the following policy changes should be prioritized because they would target benefits to the women and families most in need.

- **A fully refundable CTC.** Making the CTC fully refundable in 2021 benefited 27 million children in families with low or no earnings, who [previously were unable to access](#) the full credit. These children were disproportionately likely [to be Black and Latinx](#) and to reside in women-headed households. Additionally, full refundability was [the main driver of the expanded CTC’s](#) reduction of child poverty.
- **Advance monthly CTC payments.** Many families [preferred receiving advance monthly payments](#), which made it easier for them to [manage their budgets](#). Restoring the option for monthly CTC payments would help women of color—who were especially likely to use the monthly payments to [pay for basic necessities](#) like food and rent—meet their day-to-day needs.
- **CTC Eligibility for Children with ITINs.** A Trump-era tax provision prevents families from claiming children with ITINs for the CTC, which [harms already economically disadvantaged](#) immigrant communities. Expanding eligibility would allow [roughly one million children](#) (many of them “Dreamers”) to benefit from the credit.
- **An EITC that reaches more low-income workers without children at home.** In 2021, the EITC expansion for childless workers benefited [one in three younger workers](#), who were disproportionately impacted by the pandemic. Restoring the expansion—which includes raising the maximum amount, raising the income cap so more workers qualify, and expanded eligibility to workers ages 19 and older—would help a broad range of women workers, including women of color, working mothers without eligible children, women workers caring for relatives who are seniors or people with disabilities, and older women approaching retirement.

- **A refundable CDCTC available to low-income families.** Making the CDCTC refundable in 2021 allowed an estimated [over half a million families](#) to become eligible for the first time. Women continue to bear the majority of the responsibility for care of children, and restoring the refundable CDCTC, in combination with [increased direct child care investments](#), can help them cover the rising cost of childcare.

It is also important that any expansions do not include provisions that would undercut the credits' effectiveness, such as requiring earned income to receive a refund from the CTC. Studies show the families who received the monthly credits in 2021 [did not work less](#) than other families. Instead, work requirements harm those most in need of support, including taxpayers who are [ill or disabled](#), caretakers between jobs, parents of very young children, and [student parents](#).

Raising Progressive Revenues and Fully Funding the IRS Will Ensure That Expanded Refundable Tax Credits Will Advance Gender and Racial Equity

To provide more revenues to expand refundable tax credits and make other public investments, policymakers should raise revenues from [taxing wealthy individuals](#) and large corporations, both of which are not currently paying their fair share under the tax code. Additionally, in accordance with President Biden's [Racial Equity Executive Order](#), the IRS should collect tax data to on race, ethnicity, gender, disability, LGBTQ+ status, and more to assess whether current policies actually achieve their intended goals in an equitable manner.

To make sure women and families with low incomes can access the expanded refundable tax credits, the IRS must have [sufficient funding](#) for tax credit outreach and support. Fortunately, the Inflation Reduction Act of 2022, which passed in August 2022, will provide the IRS with [almost \\$80 billion](#) in additional funding over ten years, part of which should be invested in ensuring that families have the administrative support they need to access their tax credits.

The Rescue Plan demonstrated that a more equitable economy is possible. The expanded tax credits reduced poverty; promoted racial and gender equity; and improved the economic, mental, and physical well-being of women and families. Failing to extend these policies has undone many of their positive effects and has perpetuated the deep gender and racial inequities in our economy. Restoring the expanded tax credits would support women and families in need and help build an economy that allows everyone to prosper.