

## **America's Families and the Child Tax Credit: Key Findings from National Survey, July 2021**

The newly expanded Child Tax Credit (CTC) offers unprecedented support for families with children under 18 years of age for tax year 2021: in addition to providing more robust benefits to families with incomes of \$150,000 or less, especially to families with the youngest children, the expanded CTC is available to the lowest-income families and can be accessed throughout the year, rather than as a single payment after families file their tax returns in early 2022.<sup>1</sup>

A survey was developed to establish (1) baseline tax filing behavior and claims of the CTC in 2019 and 2020 by eligible families, (2) how these families plan to use tax refunds, and (3) families' awareness of the advance CTC and opportunities for signing up. IPSOS polled a nationally representative sample of 1,031 households with children under 18 with incomes below \$150,000 in the first two weeks of July, prior to initial distribution of advance CTC payments by the IRS. (Demographic features of households surveyed appear in the Appendix, along with survey questions.)

The survey was designed in consultation with researchers at the University of California, Berkeley, by Children's Defense Fund, Center for the Study of Social Policy (CSSP), Center for Law and Social Policy (CLASP), National Women's Law Center (NWLC), Prosperity Now, and the Urban Institute-Brookings Institution Tax Policy Center.

Topline findings have a 95% margin of error of +/- 2.0 to 3.5 percentage points, depending on the specific question asked. Differences between demographic subgroups are reported below when statistically significant ( $p < .05$  or stronger).

### **Tax Filing Behavior and CTC Claims**

*Filing federal tax returns.* Fully 95% of all (weighted) respondents reported filing federal taxes for tax years 2019 or 2020. This rate fell to two-thirds among those earning under \$10,000 annually. This is consistent with historical filing behavior: families at this income level, facing no tax liability, are not required to file a federal tax return. These eligible families with the lowest incomes, often parents of young children, frequently fail to claim refundable tax credits like the Earned Income Tax Credit (EITC).

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<sup>1</sup> The Urban Institute-Brookings Institution Tax Policy Center estimates that 76.4 percent of families receive higher CTC benefits under the American Rescue Plan than they would have under the prior law, with the largest average cuts going to the lowest income families. (Table T21-0031), <https://www.taxpolicycenter.org/model-estimates/ways-and-means-committee-budget-reconciliation-legislative-recommendations-2>.

*Claims of CTC.* Excluding families that indicated another parent was claiming the CTC, 4 in 5 eligible families who filed a tax return in tax years 2019 or 2020 claimed the CTC. Non-Hispanic white respondents (henceforth referred to as “white respondents”) were significantly more likely to claim the CTC (84%), compared with Hispanic respondents (75%) and other, non-Hispanic respondents (76%) (see Appendix for the demographic features of the households surveyed). No other racial disparities appeared. Those who had not attained a high school diploma claimed the credit at a lower rate (68%), relative to those completing some college (85%).<sup>2</sup>

This 4 in 5 estimate is similar to June survey results showing that 82% of respondents indicated they were aware of the CTC. This rate of utilization resembles levels detected in two other national surveys.<sup>3</sup> In addition, the current take-up rate for the Earned Income Tax Credit (EITC) is about 78%, according to the [IRS](#) and Census Bureau.

*Reasons for not claiming the CTC.* About 4% of those surveyed indicated another parent would be claiming the CTC. Among respondents not claiming the CTC for tax years 2019 or 2020 who did not think another parent was claiming the credit, 18% said they did not know about it; 18% said they did not think they were eligible (though respondents should likely be eligible for tax year 2021, unless the other parent is entitled to claim the child for this tax year); and another 18% cited other reasons. In our next survey, we will further evaluate the other reasons that parents chose not to claim the CTC.

*Sources of information for the CTC.* Most respondents learned about the CTC from IRS tax forms, or from friends and family members. Over half (52%) said they discovered the credit on tax forms; 22% said they heard about it on television or news media; and 18% said they learned of the CTC from friends or family members. Only 6% said they learned of the credit on social media, and under 2% said they heard about it from community groups.

This finding is especially relevant as community organizations and the government are currently working to provide outreach to parents about the CTC and the urgency of filing a tax return in 2021. However, many of these efforts were just beginning at the time of the survey. In our next survey, we will include examples of other community organizations, such as churches and schools, in the response options as well as the letter from the IRS notifying families about CTC

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<sup>2</sup> Over half (55%) of Hispanic respondents had only attained a high school diploma or less education, compared with 37% of white and 41% of Black respondents.

<sup>3</sup> This survey conducted of likely voters, not CTC-eligible families, was conducted in late May, 2021, by Data for Progress. A second poll, run in June on a large non-random sample of CTC-eligible parents found that 82% of tax filers expected to receive the CTC, as reported by the University of Oregon’s RAPID-Early Childhood survey.

payments. Other options we will include are texting from community groups and outreach by state agencies.

*Help with tax filing.* Nearly 2 in 5 (38%) of respondents said they sought help in completing and filing tax forms. This rate is statistically equal across all income groups, while Hispanic respondents reported higher rates of help-seeking (46%) than did white respondents (36%).

Among those seeking assistance, 65% paid a tax preparation company to file their taxes in the prior year; 14% sought aid from a spouse, friend, or other family member; only 4% accessed free tax-filing software or services (for example, through the IRS).

### **Knowledge of Advance CTC and Receipt of Stimulus Payments**

*Awareness of advance CTC payments in 2021.* One in 5 respondents did not know that “you can now receive up to \$300 each month from the government’s Child Tax Credit.” Fully 30% of respondents with less than a high school diploma remained unaware of the advance CTC. Black respondents more frequently were aware of the advance payment feature of the CTC, but this fell just short of statistical significance relative to white or Hispanic respondents.

*Awareness of IRS online portal to claim advance CTC payments.* About half (48%) of all respondents were aware that they could apply for advance CTC payments through the IRS online “non-filer” portal. Respondents with very low incomes earning under \$10,000 yearly were significantly *more likely* to report being aware of the online filing option (64%), compared with upper middle-class respondents earning over \$100,000 (45%). Similarly, Hispanic respondents (55%) and Black respondents (53%) were more likely to be aware of the IRS non-filer portal than white respondents (45%), perhaps reflecting varying refund levels.

Given that the portal is targeted towards parents who are low income and not required to file a tax return, this is an important population that would benefit from greater awareness. Still, one-third to one-half of low-income families (earning under \$25,000 yearly) were not aware that they could apply online for the advance-payment option.

*Receipt of stimulus payments.* Nine in 10 respondents said they had received a stimulus payment from the federal government, a significantly higher rate compared to those who reported claiming the CTC in 2019 or 2020. White respondents were significantly more likely to report receiving a stimulus payment (96%), compared with Hispanic respondents (78%). No other racial differences were statistically significant.

*Uneven use of the IRS portal for stimulus payments.* Just over one-fifth (22%) of all respondents utilized the IRS online portal to obtain their stimulus payment. Over one-third of respondents earning under \$25,000 reported using the portal.

## How Families Will Use Tax Refunds

Seven in 10 respondents predicted they would receive a refund from the IRS this year. This percentage fell to 2 in 5 respondents among families with incomes of less than \$25,000 per year. One-third of Hispanic respondents did not expect to receive a refund, nor did 40% of respondents without a high school diploma or GED. In sum, families who are likely to be eligible for the expanded CTC nonetheless do not necessarily expect to receive a refund at tax time.

*Planned use of tax refunds.* We asked respondents how they will likely spend or utilize their tax refunds. Respondents listed out words like “pay bills, clothes, debt, entertainment, vacation.” These responses have been sorted into 17 categories. Our team did a preliminary analysis comparing the responses of respondents with incomes below \$50,000 with those of respondents with incomes of \$100,000-\$150,000; we plan to analyze how spending intentions might vary among different subgroups.

Respondents in both income categories were likely to report that they would use refunds to pay bills, expenses or utilities, on home or home improvements, or on payments (for car, mortgage, or debts) at roughly comparable rates. At first glance, families with incomes of \$100,000 and up reported that they would use refunds for savings or recreation/vacation more often than families with incomes below \$50,000. The latter families, in contrast, were more likely to report that they would use refunds on household supplies, shopping/clothes, food/groceries, car expenses, or on child care/toys/kids’ items, than families with incomes between \$100,000 and \$150,000.

Some differences based on respondents’ racial identities were also observed: Black and Hispanic respondents were more likely than white respondents to say that they would use their refunds to pay bills, expenses or utilities, while white respondents were more likely to say that they would use refunds to save or invest, or for home or home improvement expenses.

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## **Appendix: Nationally Representative Sample of CTC-Eligible Families Earning Under \$150,000**

Our design team worked with IPSOS staff to draw a national sample of parents that, when properly weighted, represents the nation’s parents earning under \$150,000 with at least one child under 18 years of age and residing in the respondent’s household. Respondents were

mothers, fathers, or guardians of the child for whom the family qualifies for the CTC. The resulting sample of (weighted) respondents displayed these demographic features:

- *Annual income.* Respondents earning less than \$10,000 annually represent 4% of the sample; 8% earned between \$10,000-\$24,999; 20% earned between \$25,000-\$49,999; 21% earned between \$50,000-\$74,999; 19%, \$75,000-\$99,999; and 28%, \$100,000-\$149,999.
- *Race and ethnicity.* IPSOS provides different schemes for categorizing the race or ethnic membership of respondents. Black (non-Hispanic) respondents comprised 13% of all respondents; 25% identified as Hispanic; 54% as white (non-Hispanic); 6% as “other” (including Asian-Americans); and 2% of respondents reported being multiracial.
- *Educational attainment.* Of all respondents, 12% had not completed high school; 27% had attained a high school diploma or GED; 33%, some college; 28%, bachelor’s degree or additional years of college.
- *Gender.* Female respondents made up 56% of all respondents.
- *Marital status, household structure.* Three-quarters (75%) of all respondents were married; 17% reported ‘never married’; and 8% said they were widowed, divorced, or separated.
- *Presence of children, 0-5 years of age.* Just over half (51%) were raising at least one child under age 6. About one-fifth (19%) of all respondents were parents or guardians of two or more children under 6.

How will you spend your tax refund? 17 categories of responses in English and Spanish –

- ahorrar, ahorar [save], ahorros, invest, retirement, save, savings, bank, saving, retirement, IRA, invest, save it
- bills, expenses, pay off bills, pay off debt, Biles, Billes, insurance, utilities
- car, automovil, carro, vehicle
- childcare, child care, diapers, toys
- clothes, ropa
- debt, mortgage, credit card, loans
- doctor
- emergency, emergencies
- food, groceries, comida
- gas
- gifts, donate
- house, repair, repairs
- medicine, medical
- move, moving
- rent
- school, education, college
- vacation, travel, vacacion, entertainment, eat out, enrichment

Survey Questions:

*QS1. Are you the parent of a child 0-17 years of age living in your household?*

- Yes*
- No*

*Q1. Did you or a member of your household file a federal tax return this year or last year?*

- Yes*
- No*

*Q1.1. Why did you NOT file a federal tax return?*

- My family does not make enough to money to file taxes.*
- My family could not find the correct tax forms.*
- We cannot afford a tax preparation service.*
- My family prefers not to file federal tax forms.*
- I cannot access the internet.*
- Other reason.*

*Q1.2. Did you claim the Child Tax Credit when you filed your tax form?*

- Yes*
- No*

*Q1.3. How did you hear about the Child Tax Credit?*

- Friends or family members.*
- Saw the tax credit on tax form.*
- Heard on TV or in the news.*
- Heard from community groups.*
- Social media (e.g., Facebook, Twitter, Instagram, TikTok)*

*Q1.4. Why did you NOT claim the Child Tax Credit?*

- I did not know about it.*
- I don't think I am eligible.*
- No one could help me fill-out tax forms.*
- I was not raising a child in 2020.*
- My child is not a U.S. citizen and does not have a Social Security Number.*
- My child's other parent claims the tax credit.*
- Other reason.*

*Q2. Do you know that you can now receive up to \$300 each month from the government's Child Tax Credit?*

- Yes*

No

Q2A. Do you know that you can apply online for your Child Tax Credit advance payment through an IRS website?

Yes

No

Q3. Did you receive a stimulus payment in the past year?

Yes

No

Q3.1 Did you use the IRS online portal to help receive your stimulus payment?

Yes

No

Q4. Do you or someone in your household receive help with your taxes?

Yes

No

Q4.1 Who helps you prepare your taxes?

A friend or family member.

My spouse or partner.

I pay a tax preparation company (e.g., H&R Block).

A free tax preparation service (e.g., community organization, VITA).

Online free filing (e.g., through IRS website).

Other type of help.

I pay for online filing software (e.g., TurboTax)

Q5. Do you have access to the internet?

Yes

No

Q5.1 How do you access the internet?

Home computer.

Cell phone.

Electronic tablet.

Visit library or school.

Other way to access the internet.

Q6. Will you likely receive a tax refund from the IRS this year?

Yes

No

Q6.1 [Text box]. Please write the top 3 ways you will use your refund for your family or others.

Q7. How many children are you raising between 0 and 5 years of age?

0 children

1 child

2 children

3 children

4 children

5 children

More than 5 children

Q8. Do you need assistance in filing tax forms due to a disability?

Yes

No

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