



The expanded Child Tax Credit is a critical tool for economic growth and combating child poverty in Arizona

In July, hundreds of thousands of Arizona households began to receive the first advance payments of the newly expanded Child Tax Credit (CTC), a financial boost for families, thanks to the American Rescue Plan Act (ARPA) passed by Congress in March 2021. As parents check their bank accounts and [enroll if necessary](#), Arizonans are finally seeing the result of a decades-long movement to empower lower-income and middle class families to meet their basic needs.

The new President and Congress elected in 2020 made a commitment to rebuild the American economy to better address the needs of struggling families – and the expanded CTC is one essential step in delivering on that promise. ARPA made a series of temporary reforms to the CTC, including expanding the number of people

eligible, increasing the size of the credit that families receive, and creating a monthly payment system (as opposed to one lump sum at tax time). This was a welcome reversal from the Tax Cuts and Jobs Act—passed by the prior Congress and President—whose benefits went to corporations and the wealthiest households in the country.

This means more Arizona families will have the resources necessary to make ends meet at a time when they need it most. Being able to pay the rent or make a car payment can make a huge impact on a family. This monthly boost helps families afford child care so that their children are safely cared for, avoid eviction and secure stable housing, put enough food on the table, and pay medical bills.

Having empowered Arizona's families beginning in July 2021, the enhancements to the CTC should be made permanent among other key changes to this policy. As Congress advances economic recovery and infrastructure legislation, including these changes are central to putting Arizona's children and families first.

The Expanded CTC: A Vital Lifeline To Ease Burdens On Families

The economic turmoil created by the COVID-19 pandemic has underscored just how much Arizona families can struggle with basic needs – be it for health care costs, food, housing, transportation, child care, and more. The pandemic exacerbated structural barriers that pre-dated 2020 for many families, including those with lower incomes and Black, Indigenous, and other families of color.

Arizona had more unemployed workers in the early days of the pandemic than during its worst month of the Great Recession. As of March 2021, 2.4 million Arizona households (44% of households) had at least one member who had lost employment income since the pandemic began. Households with children were more likely to experience job loss and hardship, exhibited by higher rates of food insufficiency, housing instability, and inability to pay for usual household expenses.¹ And as the economy began to re-open, costs of child care and transportation became prohibitive for many.

In response to these challenges felt by families in Arizona and across the country, the Biden administration and Congress passed ARPA in March 2021, which included some significant, temporary changes to the federal CTC. The CTC is an essential tool in combating the economic insecurity created by the pandemic and, thanks to ARPA's changes, more families will feel its effects:

- *The CTC is now larger.* The full credit has been increased from \$2,000 to \$3,600 per child under the age of 6, and to \$3,000 for older children. The income limit before the expanded credit phases out is \$150,000 for married couples and \$112,500 for heads of household.
- *The CTC now includes 17-year-olds.* The credit had previously been available to families with children this age, but they were removed as a part of the 2017 Tax Cuts and Jobs Act.
- *The CTC will be distributed by automatic monthly payments.* This provides families the option to receive their refundable credit immediately, allowing them to receive up to \$300 monthly, instead of in one lump sum in 2022 when taxes are filed. If families prefer to get the credit as a lump sum next year, they can update this preference with the IRS directly.
- *The CTC is now fully refundable.* This means that families with low incomes can now receive the full credit regardless of their level of earnings or personal income tax liability. This is because the CTC previously excluded nearly all of the lowest-income households from claiming the full credit, including about half of all Black and Latino children.

We were more fortunate than many during the pandemic, and were able to get by. But all three of our kids needed braces and the orthodontics payment is equal to almost a car payment. The tax cut we're receiving thanks to the expanded Child Tax Credit will help us pay off our kids' medical expenses. -- Angela, a Mesa mother of three

As a single parent, the pandemic was extremely challenging for my family. The support we've received through the Child Tax Credit and the monthly payments will allow me to afford an after-school program for my son and allow me to work full-time knowing my kids are safe.
-- Hillary, a Phoenix mother of two

As confirmed by recently released data from the U.S. Census Bureau², were it not for the robust economic relief for families passed by Congress, millions more would have experienced poverty in 2020. These investments in people are effective at addressing hardship, which is why Congress passed ARPA. The expansion and strengthening of the Child Tax Credit is essential to help Arizona families thrive, as the next section will outline in detail.

How Arizona Families Benefit From The Expanded CTC

The expanded CTC helps meet family needs by providing predictable, regular payments to households with children. And early results are promising. Recently, the Household Pulse Survey collected information from respondents on the first round of automatic payments of the expanded Child Tax Credit. Among those who received the first round of the CTC in July 2021, the most frequently-cited uses of the credit included 1) food, 2) utilities, 3) clothing, 4) books and supplies for school, and 5) paying down debt³.

These responses show that the expanded CTC is vital for families who are spending their hard earned tax dollars on their basic needs.

In August 2021 alone, over \$352 million in expanded CTC payments were disbursed to families in Arizona, with an average of \$444 per household. Each month, as people use their funds to buy goods and services in the local economy, those purchases also generate income for other people and businesses, producing an economic stimulus. As Arizona continues its recovery, the expanded Child Tax Credit will serve a timely dual purpose: helping families meet their basic needs while increasing demand at local businesses.

The expanded CTC is expected to significantly reduce child poverty in Arizona, which will produce long-term positive impacts for communities. Research has found that an extra \$3,000 in a family's annual income when a child is young leads to 19% higher future earnings⁴. Beyond future earnings, higher income for a family during early childhood can lead to positive outcomes, such as higher test scores⁵, higher graduation rates⁶, improved health⁷, reduced need for future income support⁸, and lower rates of incarceration⁹. And additional evidence has found that public investments in children, like an expanded CTC, can yield significant returns for the entire economy¹⁰.

Empowering Families with Lower Incomes

The expanded CTC provides essential support to families that need it most, as those with the lowest incomes will see the biggest boost as a share of their income from the expansion of the credit. In Arizona, estimates suggest that over 70% of the total tax benefits from the CTC expansion will go to households making less than \$70,000 per year.¹¹

Federal Child Tax Credit expansion primarily benefits Arizona families with lower incomes

Estimates of the disributional impacts of enacted federal Child Tax Credit expansion, by household income percentile

Household income percentile	Household income range	Share of total tax benefits from expansion	Average increase in credit amount per eligible household
Lowest 20%	Less than \$22,000	34%	\$4,280
Second 20%	\$22,000 to \$43,400	22%	\$3,170
Middle 20%	\$43,400 to \$69,200	17%	\$2,810
Fourth 20%	\$69,200 to \$116,700	17%	\$2,370
Next 15%	\$116,700 to \$248,400	9%	\$2,100
Next 4%	\$248,400 to \$578,200	1%	\$1,880
Top 1%	\$578,200 or more	0%	\$1,810

Table: Arizona Center for Economic Progress • Source: Institute on Taxation and Economic Policy • Created with Datawrapper

For example, the average family in the lowest quintile in Arizona makes \$13,400 per year. For that family, the average increase will be over \$4,200, constituting a 32% increase in their income. This income gain, provided in monthly payments, can meaningfully improve a family’s ability to afford their basic needs, and lead to an improved quality of life.

This is a welcome departure for working families from the approach taken by the Republican-controlled Congress who passed the Tax Cuts and Jobs Act of 2017, which saw the vast majority of benefits go to the wealthiest households and corporations.

And unfortunately, tax policies in most states, including Arizona, make it harder for those living in poverty or near poverty to make ends meet as it takes a much greater share of income from middle- and low-income families than from the wealthy. This most recent legislative session, Governor Doug Ducey and Republicans in the Arizona Legislature enacted a flat tax that will underfund public education and exacerbate inequalities that disadvantage lower-income families. The expanded CTC will help counter the regressive nature of state tax policy.

Combating Child Poverty

Expanding the CTC also helps many families that face barriers and shortcomings with Arizona’s state-administered programs for children. Due to years of underinvestment, programs to support children have reached fewer and fewer families, and have not kept pace with rising costs of living (including food, rent, child care, transportation, utilities, and other needs).

For example, the Temporary Assistance for Needy Families (TANF) program provides cash assistance to families with the lowest incomes, yet only 6% of Arizona families in poverty are enrolled (a share that has steadily fallen since the 1990s), disproportionately excluding families of color from needed assistance.¹² This is due to years of state policy changes that decreased the amount of assistance available and increased barriers to enrollment—changes that have failed to effectively fight poverty. The expanded CTC addresses a key gap in combating economic hardship and poverty in Arizona, where state officials have neglected to take meaningful action, before and during the pandemic.

Through the expanded CTC, more children will be lifted out of poverty in Arizona than many other states. According to the Center of Budget and Policy Priorities, the expanded CTC will cut poverty by 45% in Arizona, even greater than the U.S. average of 41%. For Latino and Black children in Arizona, child poverty among these groups will be reduced by 47% and 51% respectively (compared to 41% and 42% nationally, see table below).

Bolstering Black, Latino, and Asian Communities

Expanding the CTC is instrumental in furthering an equitable recovery for Arizona. During the pandemic, Latino households, Black households, and households of other or multiple races in Arizona have been more likely to have lost employment income or face hardship.¹³ This follows decades of

Expanded Child Tax Credit can reduce child poverty in Arizona

Estimated reduction in child poverty each year from permanent expansion of Child Tax Credit, by race/ethnicity

	Total	White	Latino	Black	American Indian or Alaska Native	Asian	Another race or multiple races
Arizona	45%	38%	47%	51%	46%	N/A	46%
Total U.S.	41%	40%	41%	42%	43%	30%	43%

N/A indicates reliable data are not available due to small sample size. Children are defined as under age 18. Estimates reflect a pre-pandemic economy, using tax year 2021 tax rules and incomes adjusted for inflation to 2021 dollars. Racial and ethnic categories do not overlap; figures for each racial group such as Black, white, American Indian or Alaska Native, or Asian do not include individuals who identify as multiracial or people of Latino ethnicity. Latino includes all people of Hispanic, Latino, or Spanish origin regardless of race. Due to limitations of the Census data, the figures do not reflect IRS rules that require children to have a Social Security number to qualify for the Child Tax Credit. This omission likely has little effect on most of the estimates shown here; the Latino child poverty reduction shares, however, may be somewhat overstated.

Table: Arizona Center for Economic Progress • Source: CBPP analysis of the U.S. Census Bureau's March 2019 Current Population Survey (for national total) allocated by state and by race or ethnicity based on CBPP analysis of American Community Survey (ACS) data for 2016-2018. • Created with Datawrapper

I lost my job during the pandemic, and my wife and I had to deplete our savings to help pay the costs of raising our family. I'm now working full-time again, and the tax cut our family received thanks to the expanded Child Tax Credit is helping us build our savings back again so we'll be able to face the unexpected expenses that come with raising four kids. -- Benny, a Tucson father of four

disinvestment for these communities, be it in public education, affordable housing, or quality child care (to name a few). Arizonans of color faced many structural barriers to opportunity before the pandemic—which has prolonged and deepened the economic recession for many.

The history of the CTC serves as a powerful example. Before the American Rescue Plan Act, the Child Tax Credit disproportionately excluded Latino and Black children in Arizona from receiving the full credit, as many of those families did not have enough tax liability to qualify. Making the credit fully refundable will finally include these

I have three of my own, and I'm their sole income provider. At a time when expenses tend to pile up, the expanded Child Tax Credit gave us a little wiggle room. It was a huge relief when we received the first payment, but knowing that this support is something I can count on every month changes the game entirely. -- Meloniece, a San Tan mother of three

families, reaching hundreds of thousands of more children, driving the previously mentioned reduction in child poverty.

Whether it was the agricultural harvests that Hohokam farmers sold to the United States military, or the rugs and pottery Navajo artisans exchanged with early territorial tourists, Arizona Tribal members have sustained their own economies since time immemorial. As Arizona grew into its statehood, these same Arizonan Tribal members became part of the fabric of the larger Arizona economy.

As Tribal economies were disproportionately impacted by the COVID-19 pandemic, largely due to systemic issues created by a history of failed government policies,

Expanded Child Tax Credit reaches families previously left out of the full credit

Estimated number of children under 17 left out of full \$2,000 Child Tax Credit prior to American Rescue Plan's temporary expansion, by race/ethnicity

	Total	White	Latino	Black	American Indian or Alaska Native	Asian	Another race or multiple races
Arizona	692,000	153,000	407,000	39,000	59,000	8,000	25,000
Total U.S.	27,000,000	8,763,000	9,904,000	5,738,000	322,000	813,000	1,460,000

Figures are rounded to the nearest 1,000 and may not sum to totals due to rounding. Estimates reflect a pre-pandemic economy, using tax year 2021 tax rules and incomes adjusted for inflation to 2021 dollars. Children left out prior to the American Rescue Plan's temporary Child Tax Credit expansion received less than the full \$2,000 per child because their parents lacked earnings or had earnings that were too low. Racial and ethnic categories do not overlap; figures for each racial group such as Black, white, American Indian or Alaska Native, or Asian do not include individuals who identify as multiracial or people of Latino ethnicity. Latino includes all people of Hispanic, Latino, or Spanish origin regardless of race. Due to limitations of the Census data, the figures do not reflect IRS rules that require children to have a Social Security number to qualify for the Child Tax Credit. This omission likely has little effect on most of the estimates shown here; the Latino share of children left out, however, may be somewhat overstated.

Table: Arizona Center for Economic Progress • Source: Tax Policy Center national estimate allocated by state and by race or ethnicity based on CBPP analysis of American Community Survey (ACS) data for 2016-2018. • Created with Datawrapper

How Arizona's Tribal Families Benefit from an Expanded Child Tax Credit

With one of the largest populations of American Indian and Alaska Natives (AI/AN), Arizona is home to 22 Tribal nations each with a unique economic landscape. Across the state, Tribal citizens continue to contribute and interact with their Tribal, state, and local economies.

the expansion of the CTC holds promise to substantially boost local economies in Indian Country. As referenced earlier, to qualify for the full expanded credit, heads of households must make below \$112,500 or up to \$150,000 if married, however, in Arizona the median family income of the average AI/AN family is \$45,369 – almost one third the amount to qualify and more than \$25,000 less than the statewide

average.¹⁴ Thus, the average Arizona Tribal household would stand to benefit the most from the recent changes in the CTC.

While the state-specific data for AI/AN households is unknown at this point in time, nationally, it is estimated that more than one in four AI/NA children would be positively impacted by the CTC expansion. 124,000 children would be lifted above the poverty line and 280,000 would be lifted above or closer to the poverty line.

In Arizona, 77,300 AI/AN children would benefit each year from the CTC expansion, 59,000 of which would now qualify for the full credit thanks to the refundability provisions in ARPA, resulting in a 46% decrease in child poverty. The table below summarizes the number of children benefiting among some of the larger tribal nations in Arizona.

As Tribal nations are slowly reengaging in their local economies, the recent CTC increase directly contributes to the economic well-being for Arizona Tribal families. Like many other Arizonan families, Tribal members' lives are positively impacted by the expanded CTC and it is a valuable step in aiding Tribal families.

Thousands of children identified as American Indian and Alaska Native in Arizona would benefit each year from permanent expansion of Child Tax Credit

Estimated number of children under 18 benefitting from expansion

Tribal nation(s)	Children previously left out of the full credit	Total children benefitting from expansion
Total, Arizona	59,300	77,300
Apache	6,700	7,800
Gila River Indian Community or Salt River Pima-Maricopa Indian Community	4,400	5,500
Hopi	3,200	3,900
Navajo	30,000	40,900
Pascua Yaqui	2,000	2,500
Tohono O'Odham	6,400	6,500
Other specified American Indian tribal nation	1,500	3,400
Other American Indian or Alaska Native, alone, in combination, or tribal nation not specified	5,000	6,900

Counts for each listed Tribal nation indicate children in that Census Tribal grouping alone. The Census combines Gila River Indian Community and Salt River Pima-Maricopa Indian Community into a single "Pima" Tribal grouping, which has been renamed here. Figures are rounded to the nearest 100. Children are under age 18 and are identified as AI/AN alone, not Latino. Base on economy as of 2016-2018 using tax year 2021 tax rules and incomes adjusted to 2021 dollars.

Table: Arizona Center for Economic Progress • Source: CBPP analysis of the March 2019 Current Population Survey (CPS) (national estimate) allocated by state and tribal nation based on CBPP analysis of ACS data for 2016-2018 • Created with Datawrapper

The Next Steps for Congress

Make CTC Expansion Permanent

Arizona households with children continue to face barriers to meeting their basic needs, particularly households with children. New data from the U.S. Census Bureau’s Household Pulse Survey shows that one-third of Arizona households with children found it difficult to pay for usual household expenses in the past week and 60% of renter households with children reported not being highly confident in their ability to pay next month’s rent. This hardship can have long-term consequences. It is much more difficult for children to succeed when they face food insecurity, housing stability, or when their parents are stressed because they can’t afford their usual expenses.

The expanded CTC should not be a one-time change. Arizona’s children and families helped the most through an expansion of the CTC need economic security every year, not just in 2021. A permanently expanded CTC can be a cornerstone policy for ensuring a just and equitable future for families and children.

Hundreds of thousands of children in Arizona stand to benefit from the expanded CTC this year, many of whom were previously excluded from receiving the full credit. According to estimates, more than 1.5 million children in Arizona will benefit in some way if changes are made permanent—that’s 92 percent of children in the state, a greater share than the national average (see table below).

Fortunately, strong majorities of Arizonans support funding investments in our communities to fuel our economic recovery (including the expanded CTC), by raising taxes on the wealthy and corporations, according to [multiple polls](#).

Expanded Child Tax Credit would lift tens of thousands of Arizona children out of poverty, benefit upwards of 1.5 million children in the state

Estimated number of children under 18 who would benefit each year from permanent expansion of Child Tax Credit, by race/ethnicity

	Children under 18 lifted above poverty line by permanent expansion	Children under 18 lifted above or closer to poverty line by permanent expansion	Children under 18 who would benefit from permanent expansion	Share of children under 18 who would benefit from permanent expansion
Arizona	109,000	238,000	1,507,000	92%
Total U.S.	4,120,000	9,894,000	65,560,000	89%

Figures are rounded to the nearest 1,000 and may not sum to totals due to rounding. Estimates reflect a pre-pandemic economy, using tax year 2021 tax rules and incomes adjusted for inflation to 2021 dollars.

Table: Arizona Center for Economic Progress • Source: CBPP analysis of the U.S. Census Bureau’s March 2019 Current Population Survey (for national total) allocated by state and by race or ethnicity based on CBPP analysis of American Community Survey (ACS) data for 2016-2018. • Created with Datawrapper

*Expanding CTC Eligibility to
Children with Individual Taxpayer
Identification Number (ITIN)*

Prior to 2018, non-citizen children were able to benefit from the Child Tax Credit if their families met income qualifications. However, the Tax Cuts and Jobs Act of 2017 eliminated eligibility for non-citizen children without Social Security numbers, preventing as many as 22,800 Arizonans under the age of 15 from benefiting from the CTC.¹⁵ To ensure all families can receive the aid they deserve, including the more than 1 in 4 Arizona children in mixed-status or immigrant households¹⁶, lawmakers must support policies that help bridge this gap and allow non-Deferred Action for Childhood Arrivals (DACA) qualifying children without Social Security numbers to qualify for the CTC using an ITIN.

Making the CTC permanent and strengthening it is a concrete step that Arizona's congressional delegation can take to directly benefit children and families, rebalance the tax code, and build a people first economy for Arizona. Children are the future, and every child in Arizona deserves the chance to reach their full potential. The expanded CTC is an extremely effective way to reduce poverty, support economic growth in local economies, and help parents provide their families with the tools and resources for a strong start in life.

End notes

- 1 [“Arizona in the time of COVID-19”](#), Arizona Center for Economic Progress, updated May 26, 2021
- 2 U.S. Census Bureau, [The Supplemental Poverty Measure: 2020](#), September 14, 2021
- 3 [Phase 3.2 Household Pulse Survey Data Tables](#), U.S. Census Bureau
- 4 Duncan et al, [“Early Childhood Poverty and Adult Attainment, Behavior, and Health”](#), *Child Development*, January/February 2010, Vol. 81, No. 1, Pages 306-325
- 5 Chetty et al, [“New Evidence on the Long-Term Impacts of Tax Credits”](#), 104th Annual Conference on Taxation, National Tax Association Proceedings, 2011, Pages 116-125
- 6 Bastian and Michelmore, [“The Long-Term Impact of the Earned Income Tax Credit on Children’s Education and Employment Outcomes”](#), *Journal of Labor Economics*, Vol. 6, No. 4, October 2018
- 7 Hoynes et al, [“Long-Run Impacts of Childhood Access to the Safety Net”](#), *American Economic Review*, Vol. 106, No. 4, April 2016, Pages 903-934
- 8 Bailey et al, [“Is the Social Safety Net a Long-Term Investment? Large-Scale Evidence from the Food Stamps Program”](#), National Bureau of Economic Research, April 2020
- 9 Ibid
- 10 Hendren and Sprung-Keyser, [“A Unified Welfare Analysis of Government Policies”](#), *The Quarterly Journal of Economics*, Vol. 135, Iss. 3, August 2020, Pages 1209-1318
- 11 Institute on Taxation and Economic Policy microsimulation model, June 2021
- 12 [State Fact Sheets: Trends in State TANF-to-Poverty Ratios \(Arizona\)](#), Center on Budget and Policy Priorities, November 2020
- 13 [“Arizona in the time of COVID-19”](#), Arizona Center for Economic Progress, updated May 26, 2021
- 14 U.S. Census Bureau, American Community Survey, 2019 1-year estimates, Table B19113C
- 15 [“Inclusive Child Tax Credit Reform would Restore Benefit to 1 Million Young ‘Dreamers’”](#), Institute on Taxation and Economic Policy, April 27, 2021
- 16 [“Children in immigrant families in Arizona”](#), KIDS COUNT Data Center, Population Reference Bureau, analysis of data from the U.S. Census Bureau, Census 2000 Supplementary Survey, 2001 Supplementary Survey, 2002 through 2019 American Community Survey.