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POLITICS

Child Tax Credit Expansion Gains Traction, Even in Divided Government

Proposal could unite anti-poverty Democrats with pro-family, low-tax Republicans



House Democrats included child-credit expansions in their coronavirus relief legislation and insist on keeping those provisions.

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By [Richard Rubin](#)

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WASHINGTON—Backers of a major expansion to the child tax credit are increasingly optimistic about the anti-poverty proposal's chances in the next Congress, no matter which party controls the Senate.

The resulting program could look less like a tax break and more like a near-universal \$250 or \$300 monthly stipend for families with children, mirroring what Canada, Australia and other countries have. Advocates say that approach would make a huge dent in child poverty, particularly among Black and Latino households.

“Millions of children are going hungry, and people can’t pay their rent, and we don’t see the end of that any time soon,” said Michelle Dallafior, senior vice president for budget and tax at First Focus Campaign for Children, an advocacy group. “Those regular payments would be pretty critical.”

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House Democrats included child-credit expansions in [their coronavirus relief legislation](#) and insist on keeping those provisions. They are poised to turn that idea into law quickly if they win control of the Senate following [the Georgia runoffs in January](#).

But even if Republicans hold the Senate, lawmakers see a possible deal, either in a near-term economic-relief law or a bipartisan tax agreement. That’s because the credit—though not every detail of Democrats’ plans—has Republican support among low-tax, pro-family conservatives looking to continue expanding the party’s appeal to working-class households.

One path would pair the expansion of the child tax credit with extensions of expiring business-tax provisions, some of which have Democratic support. Starting in 2022, companies face tighter limits on interest deductions and must spread research costs over multiple years instead of deducting them immediately. In 2023, immediate deductions for capital expenses are set to start shrinking, too.

“Lots of the Republican tax-bill goodies expire between the end of ‘21 and 2025,” said Sen. Mark Warner (D., Va.). “There’s an obvious trade of making some of those permanent if you do [the earned-income tax credit] and child tax credit.”

Like a similar agreement in 2015, such a deal would require both parties to accept larger budget deficits to deliver assistance to households and businesses. The earned-income credit, a wage support for low-income households, could also increase, but lawmakers are increasingly focused on the material and educational benefits of reducing child poverty.

“While there is a [budget estimate] that will be looked at, we also have to look at the long-term investment,” said Rep. Suzan DelBene (D., Wash.)

President-elect Joe Biden endorsed a temporary expansion of the child tax credit that would bump the \$2,000-per-child credit to \$3,000 for most children and to \$3,600 for those under age 6. He would expand the credit to include 17-year-olds and allow monthly payments, so families wouldn't need to wait for lump sums at tax-filing time.

Mr. Biden's proposal would cost more than \$100 billion a year. Like the leading Democratic ideas in Congress, it would make the credit fully refundable, which means eligible households could get the full credit regardless of their incomes and tax payments. Currently, \$1,400 of the \$2,000 is refundable, limiting the benefit for millions of children.

That full refundability feature—which makes the credit look less like a tax cut and more like spending—faces some Republican resistance.

“The politics are ripe,” said Samuel Hammond, director of poverty and welfare policy at the conservative-leaning Niskanen Center. “The remaining barrier is the mental block that some people have on money for nothing.”

Sen. Pat Toomey (R., Pa.), who has been wary of expanding refundable tax credits, said he's focused on the expiring business tax breaks but that a discussion of a deal is possible.

“I get that we would have to try to find a way to negotiate some kind of package to extend the expiring provisions,” he said.

Unlike deductions, which subtract from taxable income, credits are subtractions from tax liability. The value of a \$2,000 deduction rises with household income, but a \$2,000 credit is more valuable to low-income households than to high-income ones.

Congress created the child tax credit in 1997 under President Clinton and expanded it under Presidents Bush and Obama. It expanded again in the 2017 tax law signed by President Trump. That change doubled the credit to \$2,000, made more of it refundable and expanded it so it doesn't start phasing out until income reaches \$200,000 for individuals and \$400,000 for married couples.

A bid by Sens. Marco Rubio (R., Fla.) and Mike Lee (R., Utah) to expand the credit even further failed. It split Republicans, and most Democrats withheld their votes in favor of their own, larger proposal.

“The child tax credit has overwhelming bipartisan support for a reason,” Mr. Lee said. “Whoever controls the White House, the House, and the Senate, anyone who wants to increase the CTC will have my support.”

Democrats—led by Sens. Michael Bennet of Colorado and Sherrod Brown of Ohio, Rep. Rosa DeLauro of Connecticut and Ms. DelBene—have been building support for their plan for years. Most House and Senate Democrats have endorsed it and Mr. Bennet has worked with Sen. Mitt Romney (R., Utah) on a smaller version.

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