



What would help South Dakota families make ends meet? Make the Child Tax Credit permanent.

September 29, 2021

Congress has an opportunity to help South Dakotans not only recover from the effects of the coronavirus, but to create a nation that includes everyone in its growing economy. Now is the time to address the challenges faced by South Dakotans, especially South Dakotans living on low incomes and South Dakotans of color. We have the opportunity now to rebuild a stronger country if Congress makes permanent its changes to the Child Tax Credit.

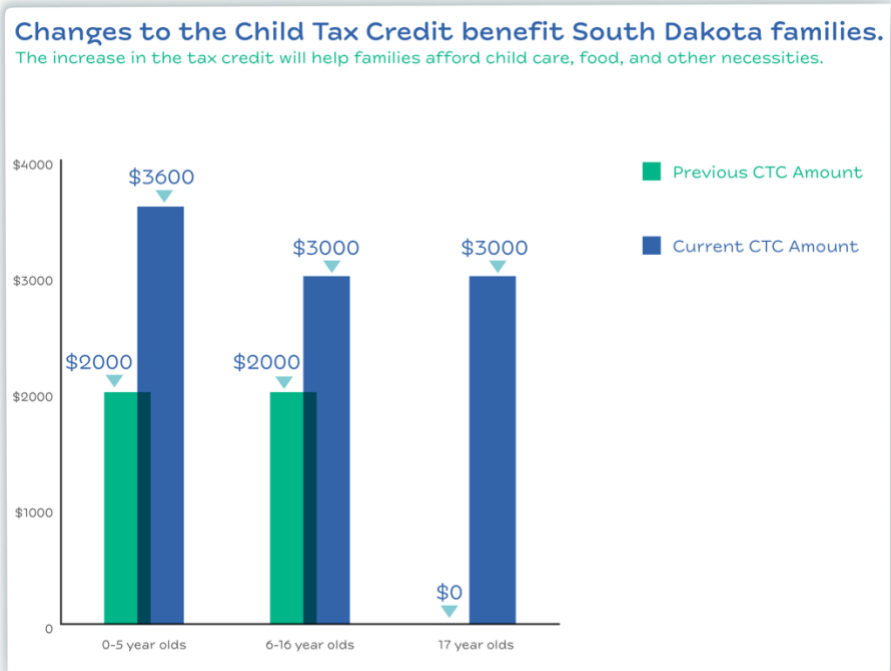
The [Child Tax Credit \(CTC\)](#) is a federal tax credit that provides relief for nearly all working people with children. In 2021, a one-time expansion of the CTC increased the amount families receive from \$2,000 per child younger than 17 to \$3,000 for each child between age 6 and 17 and to \$3,600 for each child younger than 6. The credit is also now fully refundable, meaning that children whose parents didn't have enough earnings in a year to claim the full tax credit previously will receive the full credit in 2021. The CTC can drastically and permanently reduce childhood poverty and hunger. The effects have been immediately noticeable – food insecurity has dropped, and families are better able to afford child care. It can also begin to address racial injustices in our tax code if the changes made earlier this year become permanent.

Over 9 out of 10 children in South Dakota will benefit from the expansion. A permanent expansion of the CTC could reduce childhood poverty by 46 percent, meaning [9,000 fewer children](#) in South Dakota would live in poverty.

New, temporary changes to the CTC benefit families.

Prior to the American Rescue Plan Act (ARPA), the CTC was \$2,000 for children 16 years and younger. For the first time, the CTC includes 17-year-olds. Under the ARPA, the CTC amount for children younger than 6 is \$3,600, and for children age 6 to 17, \$3,000. Starting July 15, families began receiving monthly payments and will continue to receive them through the end of 2021. For each child younger than 6, this means a monthly check of \$300 and \$250 for those age 6 to 17.

These credits can help significantly reduce the cost of raising children. For parents with a 4-year-old, \$300 a month can help cover [over half of average monthly child care costs](#), or it could equal up to a [month's worth of food](#) for a child. Parents could also pay for other needs and opportunities, like new shoes or music lessons.



But while the dollar increase in the CTC has made the most headlines, it is not the only significant change. Prior to this summer, the CTC was not completely available to families living on the lowest incomes. In the past, families did not receive the full tax credit if the amount they owed in taxes was less than the total credit. This meant higher-income families received a larger credit than families living on the lowest incomes.

For this year only, the tax credit is “fully refundable,” meaning families can receive the full amount, even if the amount they owe in taxes is less than the total credit received. This is a vital change for those families who need it the most and will be able to benefit from the full credit for the first time.

The refundability of the CTC reduces historical racial injustices.

American Indian families have suffered the consequences of discriminatory policies for generations. For example, the [forcible transfer of land](#) from American Indians to non-Indians in the late 19th and early 20th centuries destroyed opportunities to build generational wealth, creating lasting impacts today. American Indians have, and continue to be, discriminated against in [housing](#) and [employment opportunities](#), pushing many families into poverty. Due to inequitable policies, American Indians living in South Dakota are [four times as likely to live in poverty](#) compared to overall poverty in the state.

Our tax code has doubled down on these injustices, as families living on the lowest incomes have not been eligible to receive the full CTC. This discrimination against those living on low incomes has served to perpetuate a cycle of poverty. But because the CTC is refundable for the first time, families living on low incomes can receive the full credit this year.

Refundability of the CTC is essential for families of color. Nationwide, the CTC expansion would lift [124,000 American Indians and Alaska Natives](#) above the poverty line and 156,000 *closer to* the poverty line.

The CTC provided immediate impact and helped rural communities.

Food insufficiency in households with children dropped the week after families received the checks. Nearly half of respondents in a [Census survey](#) reported spending the credit on food. The CTC also helped families afford child care – 17 percent of respondents with children younger than 5 spent the credit on child care. With South Dakota facing a [child care shortage](#), the changes to the CTC can help more families afford quality care for their children.

As families spend their tax credit on their most urgent needs, they simultaneously stimulate their local economies, generating jobs and state and local tax revenue. The CTC provides [a substantial benefit](#) in rural states, like South Dakota, with smaller incomes and larger family sizes. The total expanded CTC, which brings in over [\\$705 million to the state](#), could create 1,888 median wage jobs.

Refundability of the CTC should be permanent.

The changes to the CTC, including the increased benefit, expanded ages, and refundability, benefit over [90 percent of South Dakota children](#). But while the CTC has long been a source of support for families, the fact that families living on the lowest incomes could not receive the full credit especially disadvantaged children of color.

Allowing the CTC to return its previous state of non-refundability would discriminate against families of color who were driven into poverty by racially motivated, discriminatory policies. Congress should act to make the refundability of the CTC a permanent feature to take steps in correcting this historical injustice.