

Child Tax Credit expansion boosted housing affordability and stability, study shows

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A temporary, pandemic-era expansion of the Child Tax Credit improved housing affordability for families with low incomes, according to University of Michigan research.

The study by Natasha Pilkauskas and Katherine Michelmore, associate professors of public policy, and Nicole Kovski, a former U-M postdoctoral fellow now at the University of Wisconsin, found that parents who got the monthly credit were less likely to owe past-due rent or mortgage payments and they were less likely to need to move because they couldn't afford their housing. It also allowed parents to gain residential independence from partners they were living with and reduce the number of people residing in their household, likely decreasing household crowding.

The researchers say their study focused on families most likely affected by the reforms—those with very low incomes and of particular interest to policymakers. No prior studies estimated the effects of the Child Tax Credit on living arrangements, despite research demonstrating how economic need and [housing affordability](#) can shape them.

In March 2021, Congress passed the temporary expansion of the Child Tax Credit to deal with the adverse impacts of the COVID-19 pandemic on families with children. The benefit was increased from \$2,000 to \$3,600 per child under age 6 and to \$3,000 per child aged 6–17, and eligibility was extended to families with no earnings. Half the credit was disbursed as a monthly payment from July to December 2021.

These reforms resulted in roughly 26 million children gaining credit eligibility or receiving higher benefits, nearly all of whom lived in low-income households.

However, lawmakers failed to garner enough support to make the changes permanent. By January 2022, the credit returned to its pre-2021 version, which had restrictions that meant that more than one quarter of the poorest children in the U.S. were ineligible for the full credit.

Analyzing national data from a sample of parents who received

Supplemental Nutrition Assistance Program benefits, the researchers found larger effects of the monthly credit on housing affordability for lower earners than for higher earners. Further analyses by race and ethnicity showed the credit improved housing affordability more for Black and Hispanic households than for their white counterparts.

"Our findings suggest the monthly child tax credit helped low-income parents afford their housing," Pilkauskas said. "We know that stable housing is very important for children, and the evidence from our research suggests the credit helped families pay their rent and stay in their homes."

Michelmoresaid they thought the credit might reduce doubling up—where a child lives with other adults beyond their parents or parent's partner—but they found no evidence of that. Rather, she added, parents were less likely to live with a co-resident partner.

"We think this happens when couples break up but stay in the home for financial reasons," she said. "Once parents got the credit, they could afford to live independently."

The researchers caution there were some factors limiting them from drawing firm, absolute conclusions from their work. Among them: The monthly child tax credit was provided for only six months, families who thought the benefit was temporary might have been less likely to adjust their living arrangements, and the credit was distributed during a time of high inflation—challenges that likely mean the effects of the credit were underestimated.

Also, the expanded credit was distributed during a pandemic and shortly after the government implemented other forms of stimulus. These issues make it more difficult to generalize results.

Michelmoresaid the findings of their research could be useful for policymakers in the months ahead. Expansions to the Child Tax Credit implemented in 2018 will expire in 2025, so there will be conversations about how to reform the [credit](#).

The study was [published](#) in the journal *Demography*.

More information: Natasha V. Pilkauskas et al, The Effects of the 2021 Child Tax Credit on Housing Affordability and the Living Arrangements of Families With Low Incomes, *Demography* (2024).
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