

# Are Black and Latine Families with Babies Feeling Relief from the Child Tax Credit?

Equity Coalition Rescue Plan Microbrief Series 21-001 | October 2021

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This series of briefs aims to analyze the impact of the Child Tax Credit (CTC) provided to eligible American families with infants and toddlers (also referred to as babies in this series) in 2021. Tax filers up to a certain income cut-off can claim a child tax credit of up to \$3,600 per child under age 6 and up to \$3,000 per child ages 6 to 17.<sup>1</sup> Cash transfers like a child tax credit have the potential to transform the lives of young children.<sup>2</sup> More importantly, it is estimated that this relief bill could cut poverty among Black children by 50%.<sup>3</sup> Thus, this bill, which is a one-year package, is purported to have a monumental shift for families with young children, especially Black and Latine families, who are likely to be in poverty and unable to access affordable, high-quality early care and education and other services.

**This brief focuses on the experiences of low-income families with babies leading up to and immediately after their potential receipt of a child tax credit.** This initial brief aims to provide information about how low-income Black and Latine families with babies (from birth to age 3) were faring economically prior to and following receipt of a child tax credit.



The economic experiences of 407 low-income Black and Black/multiracial families and 653 low-income Latine families with babies are the focus of this brief. Experiences of 2,300 low-income non-Black and non-Latine families with babies are also reported to contextualize the experiences of Black and Latine families, including whether Black and Latine families may disproportionately benefit from receiving direct payments. We report on families' experiences of income stability, financial strain, and material hardship leading up to and immediately after their potential receipt of a child tax credit.

We use the term “Black” as a pan-ethnic description of anyone having any ancestral heritage from Africa. This includes individuals who identify as African American—those who were primarily born in America and are descendants of enslaved Africans—as well as those living in America who identify as Black African or Afro-Caribbean. “Black” also includes those who reported being Black alone or in combination with one or more races or ethnicities in their responses to the U.S. Census, such as Afro-Latine.

Consistent with experts in the field, we use Latine to refer to individuals whose cultural background originated in Latin America. While Latinx is being used as a gender-inclusive term to refer to people with Latin American backgrounds, Spanish-speakers find that Latinx is unpronounceable in Spanish. Therefore, we have opted to use the gender-inclusive term Latine, commonly used throughout Spanish-speaking Latin American.



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<sup>1</sup> [What is the child tax credit? | Tax Policy Center](#)

<sup>2</sup> [Cash for families with children can have a profound impact on health and development | hechingerreport.org](#)

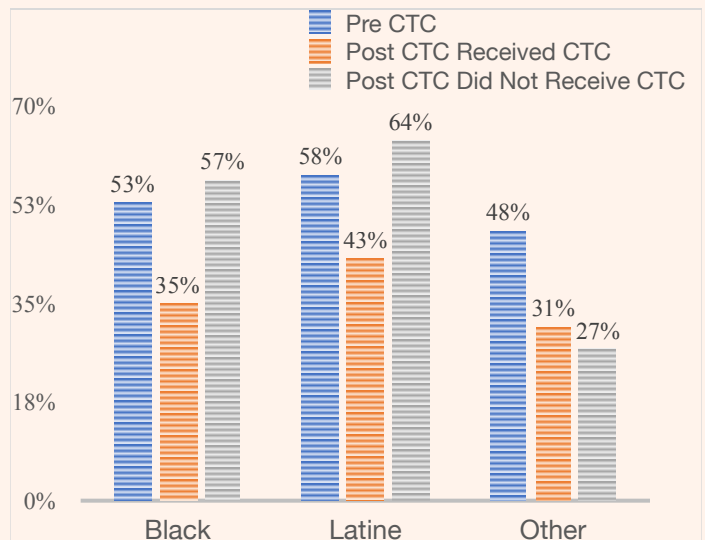
<sup>3</sup> [Here's how the new stimulus bill will immediately cut the poverty rate by one-third | Refinery29](#)

## I. Income Instability

**Receipt of a child tax credit helped reduce income volatility among low-income Black and Latine families with babies.** Families reported whether their income had increased, decreased, or stayed the same during the pandemic. In the months leading up to the first installment of child tax credits, over half of Black and Latine families reported a decrease in income (see Figure 1).

Beginning in late July 2021, families also reported on whether they had received a child tax credit. The majority of families (83%) reported receipt of a child tax credit. After this point, smaller proportions of Black and Latine families with babies reported experiencing decreases in income when they reported receiving a CTC. Prior to receiving a CTC, 53% of Black families reported their income decreased, this reduced to 35% for those who received a CTC compared to 57% for those who did not receive a CTC. Similarly, prior to the first installment of the child tax credit 58% of Latine families reported a decrease in their income, and this reduced to 43% for those who received a CTC and increased to 64% for those who did not receive a CTC at this time. There was also a noticeable decrease from 48% prior to the first installment of the child tax credit to 31% after receipt of a CTC for the Other families. Unlike the 57% of Black and 64% of Latine families who did not receive a CTC who reported a decrease in income, only 27% of Other families who did not receive a CTC reported a decrease in income.

Figure 1. Income Instability Before and After Receipt of a Child Tax Credit, By Race/Ethnicity and Receipt Status



Note. Percent of parents who reported their income decreased prior to and after the first installment of child tax credits.

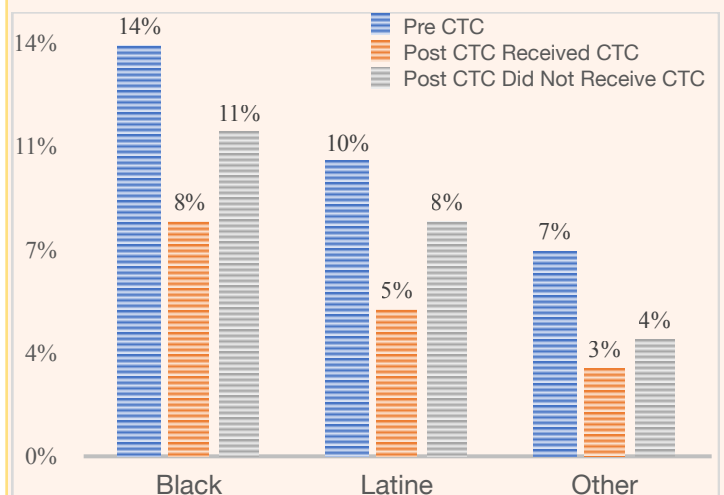
## II. Financial Problems

**Receipt of a child tax credit reduced major financial strain for low-income Black and Latine families with babies.** Families also reported on their level of financial strain. In the months leading up to the first installment of child tax credits, while the majority of Black and Latine families reported experiencing no or minor financial problems, 14% and 10% of Black and Latine families, respectively, compared to 7% of Other families reported major financial strain (see Figure 2).



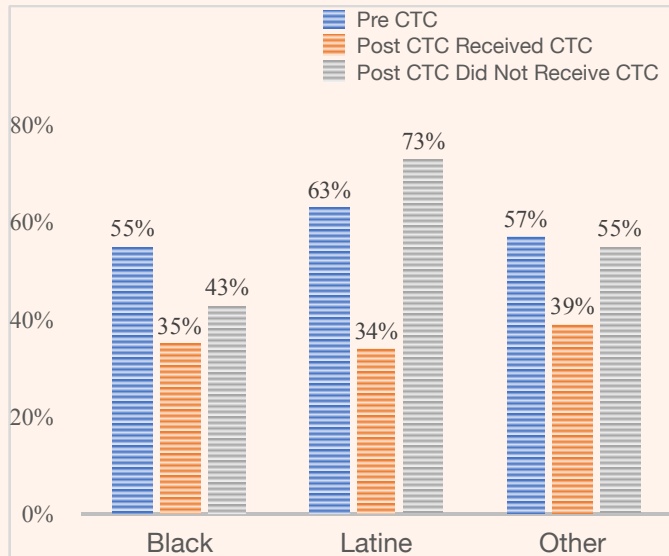
After receipt of a CTC, the number of Black and Latine families who reported major financial strain dropped to about half: Black families from 14% to 8%, Latine families from 10% to 5%, and Other families from 7% to 3%. For families who did not report receiving a CTC, 11% of Black families and 8% of Latine families compared to 4% of Other families reported experiencing major financial strain.

Figure 2. Major Financial Problems Before and After Receipt of a Child Tax Credit, By Race/Ethnicity and Receipt Status



Note. Percent of parents who reported major financial problems prior to and after the first installment of child tax credits.

Figure 3. Material Hardships Before and After Receipt of a Child Tax Credit, By Race/Ethnicity and Receipt Status



Note. Percent of parents who reported having difficulty paying for at least one basic need prior to and after the first installment of child tax credits.

### III. Material Hardships

**Receipt of a child tax credit reduced low-income Black and Latine families' report of challenges in meeting their basic needs (e.g., food, housing, early care and education).**

Families also reported on whether they had experienced any material hardships in the past month. Material hardships are defined as having difficulty paying for basic needs such as utilities, housing, health care, food, and early care and education. More than 55% and 63% of Black and Latine families, respectively, reported experiencing at least one material hardship in the past month prior to the first installment of the CTC; 57% of Other families also reported experiencing at least one material hardship in the past month (see Figure 3).

Among Black families who received a CTC, 35% reported experiencing at least one material hardship compared to 43% who did not receive a CTC. While 34% of Latine families who received a CTC reported experiencing at least one material hardship in the past month, this number jumped to 73% for those who did not receive a CTC at this time. For Other families, 39% of those who received a CTC reported experiencing at least one material hardship in the past month compared to 55% who did not receive a CTC at this time.

## CONCLUSION

Early evidence suggests that the CTC is supporting the economic stability of low-income Black and Latine families with babies. For example, after receipt of a child tax credit many Black and Latine families reported being able to meet many of their basic needs – food, shelter, early care and education—and reduced financial strain. Low-income families with babies are still experiencing income instability, financial strain, and material hardships, especially those who have not received a child tax credit. While the COVID-19 pandemic has exacerbated pre-existing economic and social inequities between Black and Latine and White families, the CTC may ease some of the economic burden mostly experienced by low-income Black and Latine families with babies. Future briefs in this series will continue to track how Black and Latine families with babies are experiencing these direct payments, and whether they feel they are providing the relief needed for them and their children to thrive.

## METHODOLOGY

This series of briefs draws on data from the Rapid Assessment of Pandemic Impact on Development-Early Childhood (RAPID-EC). RAPID-EC is an ongoing national survey of households with children ages 5 and under, designed to gather valuable information on the needs and wellbeing of families during the COVID-19 pandemic. The RAPID-EC team at the University of Oregon collected the data in this brief between April 6, 2020 and July 23, 2021.

Families who identified as “Black/African American” are referred to as Black in this brief; those who identified as “Hispanic, Latinx, or Spanish” are referred to as Latine in this brief. Because an income of roughly twice the federal poverty threshold is necessary to meet a family’s basic needs,<sup>4</sup> low-income families are defined as families with incomes that were less than 200% of the federal poverty threshold. The average household income for low-income Black families with babies in this brief was \$26,218. Eleven percent also identify themselves as Latine, nearly all (98%) report that English is their primary language, and 5% report being first-generation immigrants born outside of the United States. Among low-income Latine families with babies in this brief, the average household income was \$30,206. Seventy-eight percent report that English is their primary language and 25% report being first-generation immigrants born outside of the United States. For Other low-income families with babies in this brief, the average household income was \$30,286. Nearly all (99%) report that English is their primary language, and 3% report being first-generation immigrants born outside of the United States.

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<sup>4</sup> [United States demographics of low-income children | National Center for Children in Poverty](#)