

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

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Introduction

This is the second brief in a series that 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. Most American families with young children are automatically receiving monthly cash transfers of \$250 or \$300 per child since July 15 as part of the American Rescue Plan. This Plan also provides annual child tax credit of \$3,600 per child under the age of six and \$3,000 per child under the age of 17 for tax filers up to a certain income cut off. ¹This child tax credit is estimated to lift 4.3 million children out of poverty and reduce the national poverty rate by 40%. ²



In our [initial brief](#), we found that receipt of a child tax credit helped reduce income volatility, major financial strain, and material hardships among low-income Black and Latine families with babies. In this brief, we report the experiences of a larger sample of low-income families who have received a child tax credit through September 3, 2021.

This brief focuses on the experiences of 422 low-income Black families with babies, 663 low-income Latine families with babies, and 2,352 low-income non-Black and non-Latine families with babies (referred to as “Other families”). The inclusion of non-Black and non-Latine Other families helps to contextualize the experiences of Black and Latine families including whether they disproportionately benefit from receiving payments. The majority of low-income families reported receipt of a CTC, including 83% of Black families, 77% of Latine families, and 85% of Other families.

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.

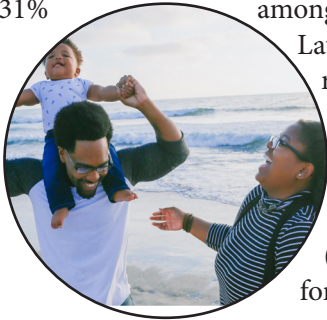


1 [The Child Tax Credit | The White House.](#)

2 Acs, G. & Werner, K. (2021). Expanding the Child Tax Credit Could Lift Millions of Children out of Poverty. Urban Institute.

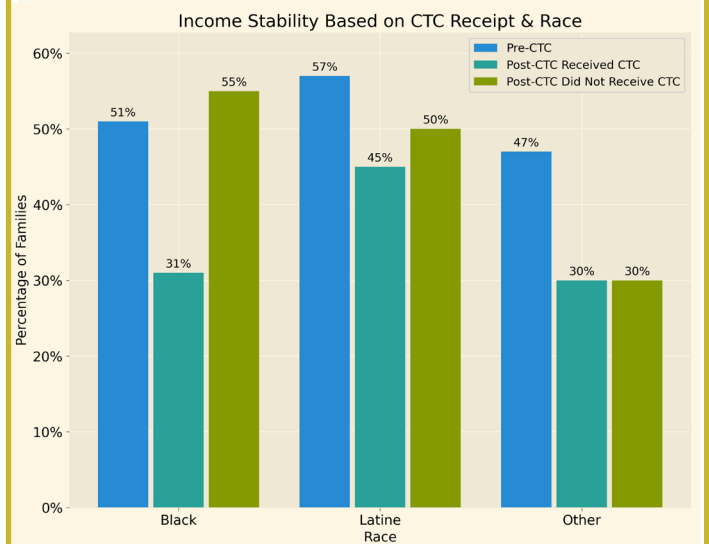
I. Income Stability

Receipt of a child tax credit continues to decrease income volatility among low-income Black and Latine families. Many families reported experiencing income instability due to job loss, furloughs and “work-hour instability.” In the months leading up to the first installment of child tax credits, over half of Black and Latine families reported experiencing income stability. After the potential receipt of a child tax credit, these proportions dropped to 31%



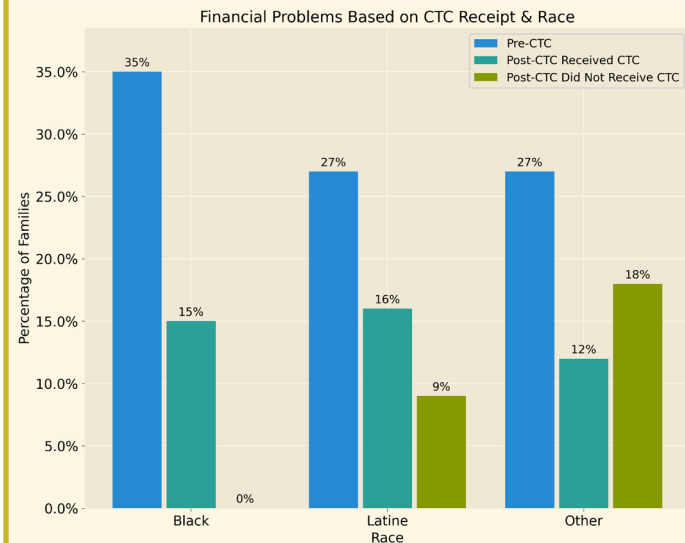
among Black families and 45% among Latine families who reported receiving a CTC. Among families who did not receive a CTC, the proportions of families remained at or over 50% for both Black (55%) and Latine (50%) families compared to 30% for Other families.

Figure 1. Income instability Before & After Receipt of a Child Tax Credit, by Race/Ethnicity & Receipt Status



Note: Percent of parents who reported their income decreased prior to and after the potential receipt of child tax credits.

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



Note: Percent of parents who reported major financial problems prior to and after their potential receipt of child tax credits.

II. Financial Problems

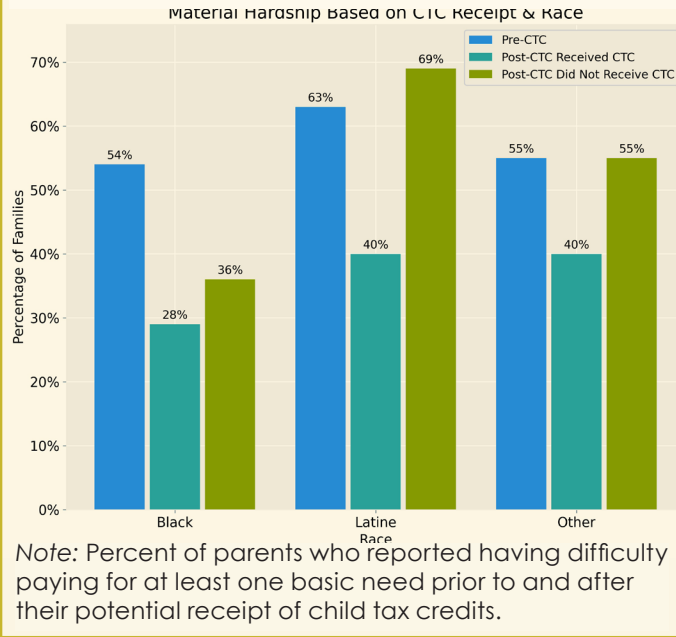
Low-income Black and Latine families continue to experience financial strain after receipt of a child tax credit. Low-income families with young children, in general, experience financial strain but this has been exacerbated due to the pandemic. In the months leading up to the first installment of child tax credits, 35% of Black families, 27% of Latine families and 27% of Other families reported experiencing financial problems. This proportion decreased to 15% among Black families who received a CTC, and unexpectedly, fell to 0% among the 11 Black families who did not receive a CTC. Among Latine families, however, the proportion was higher among families who reported having received a child tax credit (16%) than among those who did not (9%). However, receipt of a child tax credit helped reduce financial strain among Other families, with 12% of those receiving a CTC reporting financial strain compared to 18% among those who did not.



I. Material Hardships

Receipt of a child tax credit helped to reduce low-income Black and Latine families’ report of challenges in meeting their basic needs. The child tax credit has had a tremendous impact on material hardship for all families especially Black and Latine families. In the time leading up to the first installment of child tax credits, families with young children reported experiencing hardships related to food, housing, and access to early care and education during the pandemic. Over half of low-income Black (54%) and Latine (63%) families reported experiencing material hardships. Among low-income Other families, 55% reported experiencing material hardships. After the first installment of child tax credits, however, the proportions reduced drastically. Among families who reported receipt of a CTC, 28% of Black families and 40% of both Latine and Other families reported experiencing material hardships. Among those families who

Figure 1. Material Hardships Before & After Receipt of a Child Tax Credit, by Race/Ethnicity & Receipt Status



had not received a child tax credit, however, these proportions were higher. Thirty-six percent of Black families and 69% of Latine families who had not received a CTC reported experiencing material hardships; 55% of Other families also reported experiencing hardship.

Conclusion

Initial reporting suggests that the child tax credit has had a positive impact on economic challenges faced by low-income families. It has helped them overcome financial hardships and meet basic needs like paying old bills, rent, mortgages, and groceries.¹

Our analysis suggests that while the CTC is supporting the economic stability of low-income Black and Latine families with babies, families are still experiencing financial strain – even among those who report receipt of a CTC. Focus group interviews conducted in September by the Equity Research Action Coalition suggest similar themes.

The virtual focus groups were conducted with Black and Latine families who received child tax credit payments. Low income Black and Latine families who participated in these focus groups experienced anxiety due to uncertainty, financial hardships and isolation from families during the pandemic. But they reported that the child tax credit has been very useful to meet their families’ financial needs. Black families reported using the funds where needed in their budgets, such as increasing savings and co-payments for doctor’s visits. Latine families reported using the payments for supplies to support their children’s return to school and to defray child care expenses.

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.

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. Low-income families are defined as families with incomes less than 200% of the federal poverty threshold. The average household income for low-income Black families with babies in this brief was \$26,593. Ten 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 \$30,353. 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 \$30,656. 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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1 Maag, E. (2021). [Families planned to use child tax credit to pay bills but some were confused about eligibility.](#) | Forbes.