Poverty and Tax

A summary of the scientific literature on reducing child poverty.



How This Impacts Children's Development

The impacts of poverty on children oftentimes persist into adulthood. Children living in poverty have the worst health, lower language and cognitive skills, and lower achievement during school years. As they

approach adulthood, they complete less schooling, secure lower-skilled jobs, and are more likely to exhibit criminal behavior.

READ THE BRIEF: The Earned Income Tax Credit Reduces Poverty and Supports Children's Healthy Development, 2025

READ THE BRIEF: reducing child poverty can promote children's development and productivity in adulthood, 2021

READ THE BRIEF: Poverty in America: Implications for Children, Programs, and Policy, 2012

Talking Points from the SRCD Briefs

- In 2019, about one-eighth of all children in the U.S., or over 9 million, lived in poverty. Poverty rates were more than twice as high for Black (20%) and Hispanic (20%) children compared to White (7%) and Asian (10%) children.
- COVID-era legislation such as the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and the expanded Child Tax Credit kept child poverty levels lower than what they would have been without intervention during the national crisis.
- Chronic stress from living in poverty can negatively impact children's responses to everyday challenges in schools and communities. Since the mid-1990s, U.S. antipoverty policy has shifted from providing cash assistance through the welfare system to increasing cash assistance through the tax system.
- Federal tax credits lift millions of children and families out of poverty annually, alongside other anti-poverty programs, including Medicaid and the Nutrition Assistance Program (SNAP).
- Programs that work to improve children's development through high-quality early care and education show positive effects, although oftentimes only in the short term.

Policy Considerations in the Briefs

1. If policymakers combine the existing federal income support policies that have shown to reduce child policy with an expansion of the Child Tax Credit from the American Rescue Plan Act of 2021, they could cut child poverty in half, moving 4.5 million children out of poverty.

2. The National Academies of Sciences found that an effective policy to reduce child poverty was to replace the pre-pandemic Child Tax Credit with an annual $3,000 per-child allowance, distributed in monthly installments, which was estimated to reduce child poverty by 40%.
3. Conditional Cash Transfer (CCT) programs are an approach that has shown success in improving human capital outcomes and reducing poverty.
    - Examples in the US include Temporary Assistance to Needy Children (TANF) and programs that provide forms of in-kind assistance that offset some of the need for cash (such as housing subsidies).
4. The complexity of the tax system leaves out some low-income families and can lead to eligibility confusion that results in families over- or under-claiming the Earned Income Tax Credit inadvertently.

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