



## Childhood Poverty in the United States

The AMA recognizes child poverty as a public health issue and a crucial social determinant of health throughout the entire life of an individual.

Children are more likely to be impoverished than any other age group.<sup>1</sup> In the United States, before the COVID-19 pandemic over 10 million children were living in poverty<sup>2</sup> and in 2021, around 20 percent of children were living in relative poverty, a percentage that is very high especially when compared to other Organization for Economic Co-operation and Development (OECD) countries.<sup>3</sup> Furthermore, about half of all of the children who are living in poverty, are living in extreme poverty, which in the United States is defined as living in a household that has an annual income of \$13,086 for a family of four.<sup>4</sup>

Childhood poverty impacts every aspect of an individual's life including "birth weight, infant mortality, language development, chronic illness, environmental exposure, nutrition, and injury."<sup>5</sup> Childhood poverty also increases the risk of obesity, accidental injuries, toxic stress, adverse childhood experiences, and decreases school readiness.<sup>6</sup> Moreover, childhood poverty increases the occurrence of neuroendocrine dysregulation which can change the way the brain functions and can impact the development of psychiatric, immune, and cardiovascular disorders.<sup>7</sup>

Childhood poverty also plays a role in what school children attend, the quality of the school they attend, their likelihood of graduating from high school, and their overall economic upward mobility.<sup>8</sup> This ultimately relates back to the overall health of a child since it has been shown that individuals with higher incomes suffer from less diseases.<sup>9</sup> Therefore, across the spectrum, children who grow up in poverty suffer from low living standards, higher occurrences of medical issues, less workforce skills, and lower wages throughout life.<sup>10</sup>

### Poverty Experienced by Black, American Indian, Alaska Native, and Hispanic Families

The AMA recognizes that the disproportionate concentration of child poverty and generational wealth gaps experienced by Black, American Indian or Alaska Native, and Hispanic families are a consequence of structural racism and a barrier to achieving racial health equity.

Structural racism refers to the totality of ways in which societies foster racial discrimination through mutually reinforcing systems of housing, education, employment, earnings, benefits, credit, media,

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<sup>1</sup> <https://econofact.org/child-poverty-in-the-u-s>.

<sup>2</sup> <https://econofact.org/child-poverty-in-the-u-s>.

<sup>3</sup> [https://www.oecd.org/els/CO\\_2\\_2\\_Child\\_Poverty.pdf](https://www.oecd.org/els/CO_2_2_Child_Poverty.pdf).

<sup>4</sup> <https://www.childrendefense.org/state-of-americas-children/soac-2021-child-poverty/>.

<sup>5</sup> <https://publications.aap.org/pediatrics/article/137/4/e20160339/81482/Poverty-and-Child-Health-in-the-United-States?autologincheck=redirected?nfToken=00000000-0000-0000-0000-000000000000>.

<sup>6</sup> <https://www.healthychildren.org/English/family-life/Community/Pages/Poverty-and-Child-Health.aspx>.

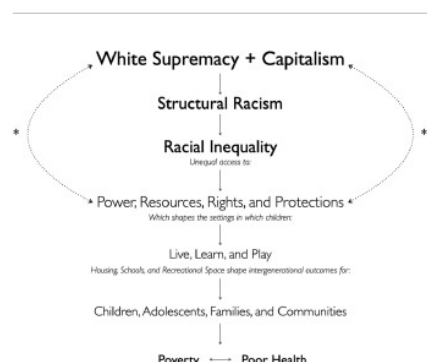
<sup>7</sup> <https://pubmed.ncbi.nlm.nih.gov/22201156/>.

<sup>8</sup> <https://econofact.org/child-poverty-in-the-u-s>.

<sup>9</sup> [https://www.academicpediatrics.net/article/S1876-2859\(15\)00375-7/fulltext](https://www.academicpediatrics.net/article/S1876-2859(15)00375-7/fulltext).

<sup>10</sup> <https://www.unicef.org/social-policy/child-poverty>.

health care and criminal justice. These patterns and practices in turn reinforce discriminatory beliefs, values, and distribution of resources.<sup>11</sup>



**Figure 1** Structural racism is a product of white supremacy and capitalism. Structural racism is defined as “differential access to societal goods, services, and opportunities by race” and it manifests in unequal access to power, resources, rights, and protections. Racial inequality fundamentally shapes the settings in which children live, learn, and play, and in turn, shapes intergenerational health outcomes at the individual, family, and community level. Together, structural racism, white supremacy, and capitalism create poverty and poor health, and concentrate poverty and poor health among racial and ethnic minorities. “Unequal access to power, resources, rights, and protections by race, reinforces notions of white racial dominance (white supremacy) and racial subjugation provides the social hierarchy that capitalism requires and exploits for profit accumulation.

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Black and Hispanic children experience the highest rates of poverty in the United States. “More than 1 in 4 Black children (26.5 percent) and 1 in 5 Hispanic children (20.8 percent) and American Indian/Alaska Native (AI/AN) children (20.6 percent) were poor, compared with 1 in 12 White, non-Hispanic children (8.3 percent) and 1 in 14 Asian, Native Hawaiian, and other Pacific Islander children (7.7 percent).”<sup>13</sup> Overall, 71 percent of children living in poverty are children of color.<sup>14</sup> This cycle of poverty unfortunately does not end with childhood. Social mobility is lowest for people in the lowest income quartile,<sup>15</sup> which means that children who experience poverty “are more likely to experience poverty into adulthood, which contributes to generational cycles of poverty.”<sup>16</sup>

These higher rates of poverty contribute to lower homeownership (73 percent of White individuals own a home compared to 50 percent of AI/AN individuals and 42 percent of Black individuals), places individuals in situations where they are subject to predatory lending, land devaluation, and is more likely to place underrepresented minorities in neighborhoods that experienced redlining, gentrification, less funding for education, and higher rates of incarceration.<sup>17</sup> These factors contribute to cyclical poverty resulting in half of Black Americans living in the poorest

<sup>11</sup> <https://www.ama-assn.org/delivering-care/health-equity/what-structural-racism>.

<sup>12</sup> [https://www.academicpedsjnl.net/article/S1876-2859\(21\)00278-3/fulltext](https://www.academicpedsjnl.net/article/S1876-2859(21)00278-3/fulltext).

<sup>13</sup> <https://www.childrensdefense.org/state-of-americas-children/soac-2021-child-poverty/>.

<sup>14</sup> <https://www.childrensdefense.org/state-of-americas-children/soac-2021-child-poverty/>.

<sup>15</sup> <https://www.nccp.org/publication/childhood-and-intergenerational-poverty/>.

<sup>16</sup> <https://www.nccp.org/publication/childhood-and-intergenerational-poverty/>.

<sup>17</sup> [https://www.academicpedsjnl.net/article/S1876-2859\(21\)00278-3/fulltext](https://www.academicpedsjnl.net/article/S1876-2859(21)00278-3/fulltext).

neighborhoods for at least two generations while only 7 percent of White Americans remain in poor neighborhoods.<sup>18</sup>

Moreover, adults living in poverty are more likely to have negative health outcomes including obesity, smoking, chronic stress, substance abuse, and higher rates of disability and mortality.<sup>19</sup> Furthermore, this socioeconomic segregation that falls along racial lines, “disproportionately exposes Black communities to environmental pollutants and isolates Black populations from essential health resources such as improved recreational spaces, quality pharmacies, clinics and hospitals, and healthy food options.”<sup>20</sup>

### **Child Tax Credit**

The Child Tax Credit (CTC) was established in 1997 and has benefited many families with children. The CTC has changed since its establishment, and recently had several statutory cliffs that shrink tax benefits barring additional Congressional action.

In 2017, the CTC provided a partially refundable \$1,000 per-qualifying-child credit that phased out at \$75,000 for most single parents (\$110,000 couples filing jointly). Starting in 2018, the Tax Cuts and Jobs Act (TCJA) broadly expanded the CTC. It doubled the per-child credit to \$2,000 and raised the phase out income threshold to \$200,000 for single parents (\$400,000 for joint filers). Due to budget reasons, all of TCJA’s reforms to the individual income tax code, including the CTC, sunset in 2025.

In 2021 the American Rescue Plan increased the Child Tax Credit to \$3,600 for each qualifying child under age 6 and to \$3,000 for qualifying children between 6 and 16 as well as making 17-year-olds eligible for up to \$3,000. Furthermore, families with incomes of less than \$25,000 could receive the full amount of the Child Tax Credit in 2021. Additionally, the IRS changed the distribution of the Child Tax Credit so that individuals could receive money faster by getting monthly payments. As such, advanced payments were made for over 61 million children between July and December 2021.<sup>21</sup> However, this expanded Child Tax Credit expired at the end of 2021.

Nevertheless, while this additional Child Tax Credit was in place, it decreased childhood poverty according to the supplemental poverty measure (SPM).

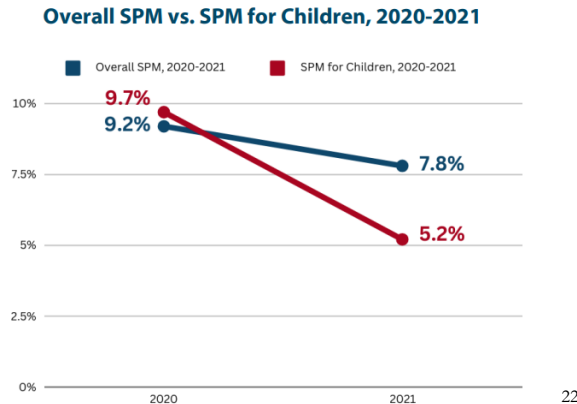
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<sup>18</sup> <https://www.academicpedsjnl.net/action/showPdf?pii=S1876-2859%2821%2900278-3>.

<sup>19</sup> <https://health.gov/healthypeople/priority-areas/social-determinants-health/literature-summaries/poverty>.

<sup>20</sup> <https://belonging.berkeley.edu/roots-structural-racism>.

<sup>21</sup> <https://www.childtaxcredit.gov/about/>.



“Racial gaps in child poverty were also narrowed significantly, although not eliminated. The gap in the poverty rate between non-Hispanic White children and Black children fell by 51 percent, and the gap in the poverty rate between non-Hispanic White children and Hispanic children fell by 37 percent.”<sup>23</sup> These decreases in childhood poverty, and in the disparities in childhood poverty, were primarily caused by the advance payments of the expanded, fully refundable Child Tax Credit.<sup>24</sup> Between August 2021 and November 2021 the monthly Child Tax Credit kept about 3.5 million children out of poverty each month.<sup>25</sup> As such, over the course of the five months “the total number of children kept from poverty by the Child Tax Credit payments [rose] by 800,000 children, an increase of 27 percent.”<sup>26</sup> Moreover, the changes to the Child Tax Credit particularly positively impacted minority children who, prior to the changes, were disproportionately left out of the full credit with one out of every two Black and Latino children not receiving the full credit compared to one out of every four White children.<sup>27</sup> “As coverage increased, children of color also saw greater anti-poverty gains: the first payment reduced child poverty among Black children by 21 percent in July, but the fifth payment, on its own, reduced Black child poverty by 26 percent in November. Similarly, the first payment reduced child poverty among Latino children by 25 percent in July, but the fifth payment, on its own, reduced Latino child poverty by 30 percent in November.”<sup>28</sup>

The Child Tax Credit also resulted in increased child wellness and ability to pay household expenses, and a decrease in childhood food insufficiency.<sup>29</sup> However, these gains diminished immediately upon the conclusion of the expanded tax credit. As such, January 2022 saw a 41 percent increase in childhood poverty, the highest rate since the end of 2020.<sup>30</sup>

<sup>22</sup> [https://www.clasp.org/wp-content/uploads/2022/09/2022.9.14\\_Historic-2021-Decline-in-Child-Poverty-Proves-Effectiveness-of-Federal-Investments.pdf](https://www.clasp.org/wp-content/uploads/2022/09/2022.9.14_Historic-2021-Decline-in-Child-Poverty-Proves-Effectiveness-of-Federal-Investments.pdf).

<sup>23</sup> [https://www.clasp.org/wp-content/uploads/2022/09/2022.9.14\\_Historic-2021-Decline-in-Child-Poverty-Proves-Effectiveness-of-Federal-Investments.pdf](https://www.clasp.org/wp-content/uploads/2022/09/2022.9.14_Historic-2021-Decline-in-Child-Poverty-Proves-Effectiveness-of-Federal-Investments.pdf).

<sup>24</sup> *Id.*

<sup>25</sup> <https://static1.squarespace.com/static/610831a16c95260dbd68934a/t/61f946b1cb0bb75fd2ca03ad/164>.

<sup>26</sup> <https://static1.squarespace.com/static/610831a16c95260dbd68934a/t/61f946b1cb0bb75fd2ca03ad/164>.

<sup>27</sup> <https://static1.squarespace.com/static/610831a16c95260dbd68934a/t/61f946b1cb0bb75fd2ca03ad/164>.

<sup>28</sup> <https://static1.squarespace.com/static/610831a16c95260dbd68934a/t/61f946b1cb0bb75fd2ca03ad/164>.

<sup>29</sup> <https://www.census.gov/library/stories/2021/08/economic-hardship-declined-in-households-with-children-as-child-tax-credit-payments-arrived.html>.

<sup>30</sup> <https://www.povertycenter.columbia.edu/news-internal/monthly-poverty-january-2022>.

## Legislative Update on a Continuation of the Child Tax Credit

Congressional work on expanding the CTC has been ongoing since TCJA's passage. In the Senate Sen. Marco Rubio (R-FL) and Mike Lee (R-UT) continued to refine their unsuccessful amendment to TCJA and had proposed an alternative to the American Rescue Plan's provisions. Sens. Mitt Romney (R-UT), Richard Burr (R-NC), and Steve Daines (R-MT) have a different CTC proposal, the Family Security Act 2.0, but have not offered legislative text. Finally, Sen. Josh Hawley (R-MO) has suggested a "Parent Tax Credit." that would be a new fully refundable credit that would be in addition the current law version of the CTC.

H.R. 928, the American Family Act of 2021, was introduced by Rep. Rosa DeLauro (D-CT) with 172 Democrat cosponsors, but no Republicans. H.R. 928 was introduced to build support for including its provisions in budget reconciliation. Sens. Sherrod Brown (D-OH), Cory Booker (D-NJ), and Michael Bennet (D-CO) had been working with Rep. DeLauro.

In September 2021, the House Committee on Ways and Means Committee passed reconciliation language that included an extension of the expanded child credit in effect in 2021 through the end of 2025, putting its expiration date in line with the rest of the individual tax code.

However, during negotiations for Build Back Better, Sen. Joe Manchin (D-WV) refused to renew the expanded CTC. Sen. Manchin believed that the expanded CTC was exceptionally expensive and wanted the additional benefit linked to work requirements, and to have a much lower income cap. This ended the chances of the expanded CTC being renewed by reconciliation.

The next opportunity for Congressional action on tax policy will be at the end of the year. Multiple tax policies expired at the end of 2021 or will expire at the end of 2022. Known as tax extenders, Congress may revive these policies at the end of the year. It is our understanding that a major obstacle in renewing the expanded CTC is its size. Simply put, it is too large to match up with the far less expensive tax extenders. The Tax Foundation estimates that making the expanded CTC permanent would cost \$1.6 trillion. According to the Joint Committee on Taxation, the three-year extension passed by the Way and Means Committee would score \$556 billion. The Committee for a Responsible Federal Budget (CRFB) calculates that reviving the expired CTC for one year would cost \$130 billion. In comparison, CRFB has renewing the 2021 tax extenders as having a one-year cost of \$2 billion. The one-year total for extending the 2022 policies is approximately \$95 billion, per CRFB. They estimate that extending last year's 3 percent increase in Physician Fee Schedule reimbursements would cost \$2 billion.

There is bipartisan support to expand the CTC but very different visions of how to do it, as well as serious obstacles to overcome.