The Effects of Income on the Economic Wellbeing of Families with Low Incomes Evidence from the 2021 Expanded Child Tax Credit

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We examine the effects of an unconditional cash transfer on the economic wellbeing (material hardship, ability to meet needs, money on hand, use of friends and family for assistance, and employment) of families and children with very low incomes. We use a parameterized difference-in-differences approach to study the impact of the 2021 temporary expansion of the Child Tax Credit (CTC), which provided monthly, unconditional cash payments to families with children from July to December 2021. The 2021 monthly CTC reduced the number of hardships families experienced, and in particular their food insecurity. We find some evidence that the credit reduced medical hardships, reduced reliance on friends and family for food, and improved respondents’ ability to pay utility bills. We also find no effects on any labor supply measures. Analyses that examine differences by racial/ethnic groups show that the effects are somewhat stronger for Black families than for Hispanic and White families, but the differences are not large.

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