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The Child Tax Credit, Black Families, and the Cost of Conditional Support

Reforming earnings rules, removing adult-status barriers, and expanding eligibility for caregivers raising children.

***Sub-Series I**: Refundable Tax Credits and Black Economic Security*

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Executive Summary

The Child Tax Credit (CTC) is often described as a benefit worth up to $2,200 per child. However, millions of children never receive that amount. Under current law, a married couple filing jointly with income up to $400,000 can generally receive the full credit for a qualifying child.[1] A single parent earning $16,000 with one qualifying child may receive only part of it. What separates those two households is not the children's need but rules that tie refundable value to earnings and cap the portion available as cash.

Congress has already tested a better design. In 2021, the American Rescue Plan Act made the credit fully refundable and delivered half of it through advance monthly payments. Census researchers estimate the expansion itself lifted 2.1 million children above the poverty threshold; the full credit lifted 2.9 million.[2]

Congress then made a different choice. The One Big Beautiful Bill Act (OBBBA) made a $2,200 credit permanent but kept earnings-based partial refundability, capped the refundable amount at $1,700 per child, and added a requirement that the adult claiming the child hold a Social Security number valid for employment.[1] The result is a larger headline credit whose full value remains out of reach for millions of children. In 2025, an estimated 45 percent of Black children could not receive the full CTC because their family income was too low to qualify. The comparable estimates were 39 percent of Latino children and 28 percent of children under age 17 overall, 19 million children.[3]

A separate restriction is pending. In August 2026, The Treasury and IRS proposed treating the refunded portions of the CTC, Earned Income Tax Credit (EITC), Adoption Credit, and American Opportunity Tax Credit as "federal public benefits" under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). The Treasury and IRS state that they have not previously treated individual refundable income-tax credits as federal public benefits under PRWORA. If finalized, the rule would impose an additional immigration-status restriction on the refunded portion of the CTC, the portion most important to households with little or no federal income-tax liability.[4]

The CTC also does not consistently follow children to the adults raising them. This barrier is separate from the status rules above and turns on legal relationship rather than immigration status. The credit is available only for a "qualifying child" under §152(c), and many long-term caregivers, including cousins, godparents, and close family friends, fall outside that definition even when they provide a child's home and daily care.

Under the Black Wealth Infrastructure framework,[5] the CTC functions as part of the income floor. The credit is not wealth. It is cash a family can use for food, housing, utilities, transportation, health needs, clothing, school costs, child care, and the ordinary costs of raising children. Federal law reinforces that function: refunds from refundable credits are excluded from income and, for twelve months, from resources when federal benefit eligibility is determined, so receiving the credit does not reduce a family's access to other supports. Federal poverty measurement treats the credit differently and by design: the Supplemental Poverty Measure counts refundable credits as family resources, which is how the 2021 expansion's effect on child poverty was measured.[6]

Based on the evidence summarized here, this brief recommends Congress:

1. ***Make the CTC permanently fully refundable*** and restore a voluntary monthly-payment option, so every eligible child can receive the full credit and families can choose support during the year or a larger credit at tax filing.
2. ***Expand the CTC qualifying-child*** relationship test through a documented, low-burden safe harbor for long-term kinship and appropriate fictive-kin caregivers who provide a child's primary home, day-to-day care, and material support.
3. ***Repeal OBBBA's adult-SSN requirement*** so an otherwise eligible child does not lose the CTC because the adult claiming the child lacks a Social Security number valid for employment.
4. ***Create a guardrail against hidden CTC exclusions***. Require Congress and Treasury to assess who would receive less support or lose access before major CTC restrictions take effect, including likely effects by income, race and ethnicity where lawful, caregiver type, and mixed-status household characteristics where feasible.

Immediate administrative action

Treasury and the IRS should withdraw proposed regulations REG-119882-25, which would treat the refunded portion of the CTC and other refundable credits as federal public benefits under PRWORA. The rule would add an immigration-status restriction to the portion of the credit most important to families with little or no federal income-tax liability. If it is finalized, Congress should act to ensure that eligibility for a refundable credit it created is set by statute rather than through administrative reinterpretation of a 1996 welfare law.

What the 2021 CTC Expansion Showed

In 2021, the American Rescue Plan made the CTC fully refundable and authorized advance monthly payments. Census researchers estimate that the expanded CTC lifted 2.1 million children above poverty because of the expansion itself; the full CTC lifted 2.9 million children above poverty that year.[2]

In 2021, the full CTC reached eligible families regardless of earnings or tax liability, and child poverty fell sharply.

How Congress Has Changed CTC Access, 2021–2026.

2021	2022	2025 (Enacted, effective for tax year 2025 and later)	2026 (Proposed)
Policy decision ARPA made the CTC fully refundable and authorized advance monthly payments	**Policy decision** The temporary expansion expired	**Policy decision** OBBBA made a $2,200 CTC permanent, kept earnings-linked refundability, added an adult-SSN requirement	**Policy decision** Treasury and IRS proposed applying PRWORA restrictions to refunded credit value
Why it matters Showed the full credit could reach children in low-earning households	**Why it matters** Full refundability and monthly delivery ended; child poverty rose	**Why it matters** A larger headline amount still does not guarantee the full credit	**Why it matters** If finalized, would add an immigration-status condition to the cash portion

Source: American Rescue Plan Act of 2021, Pub. L. No. 117-2; Internal Revenue Code §24, as amended by OBBBA, Pub. L. No. 119-21; Treasury/IRS, REG-119882-25 (proposed).

I. The Credit Is Permanent. The Exclusions Are Too

The OBBBA made a higher maximum CTC permanent but retained the rules that limit access to its full value. The result is a credit that is larger on paper and still conditional in practice.

This is a decision point for the current Congress and the Congress seated after the 2026 midterm elections. Members and staff will confront a CTC structure that is permanent but conditional, a pending administrative proposal that could further restrict refunded credit value, and continuing debate over the nation's obligations to children and caregivers.[7]

The current policy environment also makes the CTC's role as an income-floor program more important. Census data show that the Supplemental Poverty Measure poverty rate for Black individuals rose from 18.3 percent in 2023 to 20.6 percent in 2024 and remained elevated at 20.3 percent in 2025.[7] This is not a child-only measure and does not establish a causal effect of CTC policy. It does establish that Black economic insecurity rose sharply and has not receded, which raises the stakes of limiting flexible child-income support.

Why This Matters Now

Three developments make this an urgent moment rather than a routine one. First, OBBBA made the credit's structure permanent. The earnings floor and refundability cap are no longer scheduled to expire, which means correcting them now requires affirmative legislation rather than simply letting a provision lapse.

Second, a second restriction is pending. The Treasury and IRS have proposed applying PRWORA public-benefit restrictions to the refunded portion of the credit. Unlike the statutory changes in OBBBA, this one can take effect through regulation, without a vote in Congress. That puts it on an administrative timeline, not a legislative one.

Third, the 2026 midterm elections will seat a new Congress in January 2027. Many incoming members and staff will encounter these provisions for the first time in a reform debate rather than before one. The analytical record supporting a fully refundable, caregiver-inclusive credit should exist before that debate begins, not after a bill is already moving.

II. The Earnings Rules That Limit the Full Credit

The CTC is only partly refundable, meaning many families cannot receive its full value. A nonrefundable credit can reduce the federal income taxes a household owes. A refundable credit can also provide money to a family that owes little or no federal income tax. When a child credit is only partly refundable, families with sufficient earnings or tax liability can receive more of the nominal credit than lower-income families. The amount written into law is not the amount every eligible child can receive.

The modern structure dates largely to the Tax Cuts and Jobs Act of 2017 (TCJA). TCJA doubled the nominal CTC from $1,000 to $2,000 per child, but it retained an earnings-based refundable formula and set the refundable portion below the maximum credit.[8]

Under OBBBA, the maximum CTC is $2,200 per qualifying child, but no more than $1,700 per child is refundable.[1] The credit still phases in with earnings, so families with low earnings may receive less than the full amount and none of the $200 increase.

The Full Credit Is Out of Reach for Many Working Families

In 2025, a married couple filing jointly with two children needs at least $41,500 in income to receive the full CTC under OBBBA. The earnings required to receive the full credit rise as the number of children rises: $36,500 for one child, $46,500 for three children, and $51,500 for four children.[9]

45% OF BLACK CHILDREN COULD NOT RECEIVE THE FULL CHILD TAX CREDIT UNDER OBBBA IN 2025 BECAUSE THEIR FAMILY INCOME WAS TOO LOW TO QUALIFY.[3]

Source: Center on Poverty and Social Policy, Columbia University, Children Left Behind by the H.R.1 "One Big Beautiful Bill Act" Child Tax Credit (Aug. 2025). Comparable estimates: 39% of Latino children and 28% of children under age 17 overall. These estimates measure earnings-based exclusion only; they do not include children excluded by the separate adult-SSN requirement.

The contrast runs in both directions. A married couple filing jointly with income up to $400,000 can receive the full $2,200 per qualifying child, with no earnings test to satisfy and no phase-in to climb.[10] A single parent earning $16,000 with one qualifying child receives only part of it. The credit's design asks the least of the households with the most, and the most of the households with the least.

Table 1. Maximum Child Tax Credit by Family Size, Tax Year 2026.

Qualifying Children	Max Nominal Credit	Max Refundable Value	Not Refundable
1	$2,200	$1,700	$500
2	$4,400	$3,400	$1,000
3	$6,600	$5,100	$1,500
4	$8,800	$6,800	$2,000

Source: Internal Revenue Code §24, as amended by OBBBA. Note: The table shows maximum annual value. Actual refundable value depends on a family's earnings, and a family that does not meet the adult-SSN rule may lose access to the CTC altogether, independent of the earnings calculation.

These earnings rules are not racially neutral in effect. Black families are more likely to face low or unstable earnings and to have less wealth available to absorb a job loss, medical bill, housing disruption, or emergency expense. A child credit that reserves its full value for children whose caregivers have enough earnings to unlock it gives less protection to children in families historically denied equal access to high-paying work, homeownership, inherited wealth and affordable credit.

An earnings-based credit also misses caregivers whose circumstances do not fit a conventional wage-income model. A grandmother raising grandchildren on Social Security retirement benefits, a disabled caregiver receiving limited income support, or an older relative who leaves work to take in a child may provide a child's full-time home and care while having little earned income to unlock the refundable credit. Taking in a grandchild raises costs immediately for food, clothing, transportation, school supplies, and medical needs. Those costs do not decline because the caregiver is retired, disabled, or between jobs. A child benefit should not be weakest when a caregiver's capacity to earn wages is limited by the very circumstances that made family care necessary.

The result is that the tax code can fail the same child twice. It may recognize a grandparent's relationship to a child but deny the household the full credit because the grandparent has little earned income. Or it may fail to recognize a cousin, godparent, or family friend providing identical care.

Congress made a choice about resources here. The same law that made the $2,200 CTC permanent also set the estate-and-gift-tax basic exclusion at $15 million per person beginning in 2026, indexed for inflation, in place of a prior-law schedule under which that exclusion would have fallen to less than half that amount. This is a priorities comparison, not a claim that one provision finances the other.[1]

The same law that permanently expanded tax-preferred wealth transfers also left the CTC permanently conditional for many children: one provision protects large accumulated wealth once it exceeds a high threshold, while the other limits support for families with the least income.

What this means in practice

A single parent with one qualifying child who works full-time at the federal minimum wage still cannot receive the full $2,200 CTC. Under partial refundability, the parent receives less than the headline amount and does not benefit from the increase beyond the refundable value available under the statute.

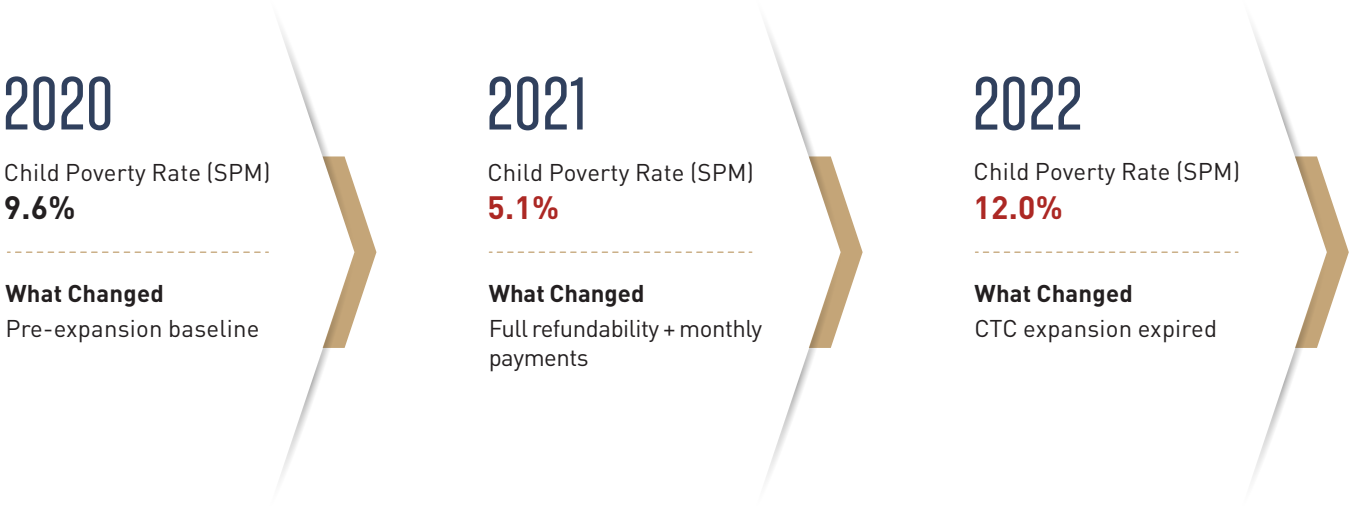
The law may describe both households as working families. The math does not treat them the same.

III. The 2021 CTC Expansion: What Full Refundability Changed and Why It Matters

The American Rescue Plan Act of 2021 changed the CTC in three important ways for 2021: it increased the credit, made the credit fully refundable and authorized advance monthly payments from July through December. Families whose low earnings had previously limited their credit could receive the full value, and families did not have to wait until the next tax-filing season for all of the support.[11]

The 2021 expansion did not begin from a blank slate: it temporarily changed the rules that had limited the credit's value for families with low earnings. The before-during-after movement in child poverty shows the broader policy context; subsequent research also estimates the expansion's separate contribution.

Figure 1. Supplemental Poverty Measure child-poverty rate, 2020–2022.



Source: U.S. Census Bureau, Poverty in the United States: 2025, revised Supplemental Poverty Measure series.[7] Multiple pandemic-era supports affected these years; Census researchers estimate the 2021 CTC expansion itself lifted 2.1 million children above poverty.

The figure is not a claim that the CTC alone caused the entire decline in child poverty in 2021 or the full increase in 2022. Other pandemic-era policies contributed to both periods. But Census researchers isolate a substantial independent CTC effect: the full CTC lifted 2.9 million children above poverty in 2021, including 2.1 million children because of the expansion itself.[2]

The most recent Census data confirm the credits' continuing effect. In 2025, refundable tax credits, including the EITC and the refundable portion of the CTC, lifted 6.1 million people above the poverty line, including 3.3 million children. They were the second-largest antipoverty program in the federal government after Social Security, reducing the overall Supplemental Poverty Measure rate by 1.8 percentage points and the child rate by 4.5 percentage points.[12]

The expansion also showed why delivery matters. Food hardship among Black adults with children fell from 20 percent to 15 percent after monthly CTC payments began in 2021, compared with a decline from 10 percent to 7 percent among white adults.[13]

Full refundability is not a substitute for broader wealth-building policy. It cannot independently close the racial wealth gap. But it can help families meet basic needs, avoid preventable debt and instability, sustain work and education, and invest in children during periods when household resources matter most.[14] For Black children, who face lower rates of upward mobility and higher risks of downward mobility in a racially unequal wealth system, strengthening the income floor is one necessary part of a broader wealth-building agenda.[15]

The expansion also answered a longstanding objection. Critics argued that a credit available without an earnings requirement would discourage parents from working. Research using real-world data from the 2021 expansion found no meaningful reduction in parental employment. Household spending research found that the payments increased spending on food and child-related goods and services, while spending on categories unrelated to children, such as alcohol and tobacco, did not appear to be affected.[16] Research on the credit's design and labor supply likewise finds that concerns about work disincentives have not been borne out at the scale opponents predicted.

The 2021 expansion also narrowed racial income gaps directly. Hardy and Hokayem find that the expansion is associated with reduced Black-white and Hispanic-white income inequality in the bottom half of the income distribution, particularly at the 10th and 25th percentiles.[13] This is the mechanism the series describes: a facially neutral credit, made fully refundable, produced measurably different outcomes by race because the prior design had excluded Black and Latino children at higher rates.

The effects extended beyond the year of the expansion. Research following children into adulthood finds that each additional $1,000 in childhood exposure to refundable credits is associated with higher rates of high school and college completion, higher employment, and higher earnings in young adulthood.[17] Bastian and Harvey find that each $1,000 in lost CTC benefits reduced consumer sentiment by 1.7 points, with effects concentrated among lower-income families with several children and persisting two years after the expansion ended.[18] Withdrawing the credit did not only reduce household income for one year. It changed how families assessed their prospects well after the payments stopped.

Congress has recently considered expanding refundable CTC access. The Tax Relief for American Families and Workers Act of 2024 passed the House and would have raised the maximum refundable amount, demonstrating that this is a live legislative choice rather than an administrative impossibility.[19]

IV. Adult-SSN Rules Can Block Child-Credit Access

A child with a Social Security number valid for employment can lose access to the CTC because of the status of the adult claiming that child. The rule conditions a child benefit on an adult requirement, even when the child's citizenship, residency, and need for support have not changed.

The OBBBA's adult-SSN requirement is enacted law. The Treasury/IRS proposal is a separate, pending restriction. Each conditions a child benefit on an adult's status, and each matters most for the families least able to absorb lost cash income.

An Individual Taxpayer Identification Number (ITIN) is an IRS tax-processing number. The IRS issues it to people who need a U.S. taxpayer identification number for federal tax purposes but are not eligible for a Social Security number. An ITIN does not confer immigration status or prove legal presence. ITIN filers include undocumented immigrants, but they also include certain resident and nonresident aliens, spouses and dependents, students, researchers and other people with U.S. tax obligations who cannot obtain an SSN.[20]

Under OBBBA, a taxpayer claiming the CTC must have a Social Security number valid for employment in the United States, issued before the due date of the return. This brief uses that statutory phrase throughout. A married couple filing jointly needs at least one spouse with one. The qualifying child must also meet the child-level SSN requirement. An ITIN does not satisfy the adult claimant's requirement.[21]

The statute conditions the credit on the taxpayer, not on a parent. Any adult claiming a qualifying child, including a grandmother or aunt raising a child in place of a parent, must hold a Social Security number valid for employment. The joint-return exception offers no relief: it applies only when two spouses file together, so a single kinship caregiver filing as Head of Household has no second filer to satisfy it. A U.S.-citizen child with a Social Security number valid for employment can lose the credit entirely because of the status of the relative who took responsibility for their care.

Black immigrant communities are not monolithic, with roots across Africa, the Caribbean, Latin America and elsewhere. Public tax data do not identify how many Black taxpayers use ITINs or how many Black children are directly affected by the adult-SSN rule. That absence is itself a policy-relevant gap.

Consider a household in which a Haitian mother works under an ITIN while her two children, born in the United States, hold Social Security numbers. Before 2025, she could claim the CTC for both children. Under the enacted rule, she cannot, unless she files jointly with a spouse who holds a Social Security number valid for employment. Her children's citizenship, residency and need are unchanged. What changed is a condition attached to the adult who files the return.

The Adult-SSN Requirement, by the Numbers

The Tax Policy Center estimates that 500,000 children with Social Security numbers receive no CTC at all because of the parent-SSN requirement, and roughly 1 million more drop from the full credit to the $500 Credit for Other Dependents. Together, as many as 1.5 million children see reduced or eliminated eligibility under this single provision.[22]

About 1.8 million Black children are immigrants or the U.S.-born children of immigrants (nearly one in five Black children in the United States), and the vast majority are U.S. citizens.[23]

No public estimate identifies how many Black children are directly affected by the adult-SSN requirement. These figures describe related, not additive, populations.

A Proposed Restriction on Refunded Credits

The Treasury-IRS proposed rule, REG-119882-25, would create a separate immigration-status gate for refunded credit value. It would treat only the refunded portions of the CTC, EITC, Adoption Credit, and American Opportunity Tax Credit as federal public benefits under PRWORA. A taxpayer who is neither a U.S. citizen, U.S. national, nor a qualified alien under PRWORA would be ineligible for that refunded portion; on a joint return, at least one spouse would need to meet the proposed standard.[24]

The Treasury and IRS describe this as applying an existing statute rather than creating a new restriction. But the agencies acknowledge in the proposal itself that they have not previously treated individual refundable income tax credits as federal public benefits under PRWORA. Whatever label the agencies use, the proposed interpretation would impose a new practical restriction on access to refunded CTC value for affected taxpayers, including families who receive it under current administration of the credit.

The distinction matters. The refunded portion is the part of the credit that can reach families who owe little or no federal income tax. It is therefore especially important to households with low incomes. The adult-SSN rule can bar access to the CTC; the proposed PRWORA rule would restrict the refunded value for additional taxpayers. These are different rules, and their effects should not be collapsed into a single number.

The CTC debate is unfolding as other parts of the income floor face pressure. The U.S. Government Accountability Office (GAO) estimates that in 2024, 13.8 million wage-earning adults were enrolled in Medicaid and 10.6 million lived in SNAP-recipient households.[25] Those supports are contracting. USDA data show SNAP participation fell from about 43 million people in July 2025 to roughly 37 million in April 2026, a decline of more than 4.5 million people, including 1.5 million children, during the period following the expanded work requirements and narrowed exemptions enacted in OBBBA.[26]

V. When the Tax Code Does Not Recognize the Caregiver

The CTC does not always follow a child to the adult actually raising that child. When a relative, godparent, close family friend, or other long-term caregiver takes responsibility without a formal legal relationship or placement, the tax code may not recognize the care, even though the household has absorbed the costs.

The CTC is a credit for a "qualifying child" under Internal Revenue Code §152(c), which requires that the child meet relationship, age, residency, support, and joint-return tests.

This is a relationship test, not a caregiver test. Section 152(c) asks how a child is legally related to the person claiming the credit. It does not ask who provides the child's home, meals, transportation, school enrollment, or medical care. A person can do all of that work for years and still fail the test, while a relative who does none of it can satisfy it.

Why this matters: When a child cannot remain with a parent, the adult who steps in often assumes responsibility without advance notice or a formal placement. That caregiver provides the child's home, food, clothing, transportation, school support, and daily supervision, frequently while absorbing new costs on a limited income. If the CTC does not recognize that caregiver, the credit does not follow the child to the household actually raising them. The result is less support at the moment the child and caregiver need it most.

Tax scholars have long shown that formally race-neutral rules can reproduce racial inequality when they are built around household structures that were never equally available.[27]

Many relatives can meet the qualifying-child definition. A grandparent may be able to claim a grandchild; an aunt or uncle may be able to claim a niece or nephew; and an eligible foster-care placement has a clear route. The argument is not that the tax code excludes all kin. The problem is that it does not consistently recognize actual caregiving where care falls outside a specified legal relationship, a formal placement, or a fixed residence pattern.

Table 2. When Current CTC Rules Recognize, and Miss, Actual Caregiving.

Caregiver	Generally Qualifies?	Key Caveat
Parent, stepparent, adoptive parent	Yes	Must meet all other requirements
Grandparent	Often yes	Grandchild is a qualifying descendant
Aunt or uncle	Often yes	Niece/nephew relationship can qualify
Sibling	Often yes	Must meet age, residence, support tests
Agency-placed foster caregiver	Often yes	Formal placement provides a clear route
Cousin	Generally no	Not included in the relationship test
Close family friend, godparent, fictive kin	Generally no	Usually lacks a listed relationship or formal placement
Caregiver receiving a child late in the year	May not qualify that year	More-than-half-year residency rule can create a gap
Multiple adults sharing caregiving	Only one may claim	Tiebreaker rules can exclude a second caregiver

Source: 26 U.S.C. §152(c); Congressional Research Service, "Who Can Claim a Child for the Child Tax Credit?" IN11853; IRS, "Qualifying Child Rules" and "Tie-Breaker Rule."

Kinship care refers to arrangements in which relatives, or adults with close family-like ties such as godparents, family friends, or church members, raise a child whose parents cannot. Formal kinship care operates under child welfare oversight; informal kinship care does not, and most children in kinship care are raised outside the foster system.[28] Adults in the second group, often called fictive kin, are not legally related to the child but have an emotionally significant relationship with the child or the child's parent. They are recognized as eligible kinship caregivers in 49 states and the District of Columbia. The federal tax code does not recognize them.

The distinction between formal and informal care is the heart of the family-definition issue. An eligible foster child placed by an authorized agency has a clear statutory pathway. A finalized adoption creates a legal relationship the tax code recognizes. Those protections matter. But a grandmother, cousin, godparent, close family friend, or other caregiver who takes in a child after neglect, abandonment, parental incapacity, incarceration, illness, housing instability, or another family crisis may carry the same daily responsibilities without a formal order or recognized relationship. The child's need does not become less real because the care is informal.

This is what a broader definition of family in the tax code would address. The problem is not that the code lacks a definition of family; it is that the definition it uses turns on legal relationship and formal placement rather than on who provides a child's home and daily care. The practical repair is narrower than the diagnosis: Congress does not need to redefine family in the abstract, only to widen the qualifying-child relationship rules enough to reach caregivers already raising children.

In 2023, about 2.4 million children in the United States were raised by grandparents, other relatives, or close family friends because their parents were unable to care for them. GAO identifies parental death, substance use, incarceration, and related factors including poverty among the reasons. Black children accounted for 23 percent of children in these kinship families, compared with 14 percent of all children nationally.[28]

The financial strain is well documented. Roughly one in five kinship households lives at or below the poverty line. In one survey of informal kinship caregivers, more than 60 percent reported household incomes of $50,000 or less and received no government benefits at all.[29]

These rules operate independently, and they do not all produce the same result. Any one of them can reduce or block a child's access to the full credit. Low earnings limit the amount a family receives. An adult claimant who does not meet the Social Security number requirement can be barred from claiming the credit at all. A long-term caregiver outside the tax code's relationship categories may be unable to claim the child at all. In some households, more than one rule applies, leaving the child with reduced support or none.

Table 3. How Each Access Rule Affects a Child's Credit.

Access rule	What it does	Practical result
Earnings-linked refundable formula	Refundable value rises with earnings above $2,500	Reduces the amount received
$1,700 refundable cap	Limits refundable value per child	Leaves up to $500 per child unavailable as cash
Adult-SSN requirement	Requires the claiming taxpayer to have a Social Security number valid for employment	Can block the claim entirely
Qualifying-child relationship test	Requires a listed statutory relationship	Can prevent the actual caregiver from claiming
Proposed PRWORA interpretation	Would restrict refunded value further (not enacted)	Would add a barrier to the cash portion

Consider a grandmother in Georgia raising her two grandchildren after their mother's death. Both children are U.S. citizens with Social Security numbers valid for employment. As their grandmother, she satisfies the relationship test. But she works part-time and earns $14,000 a year, so partial refundability leaves her household below the credit's full value. The tax code recognizes her relationship to the children; it does not deliver the full support their household needs.

Now suppose the same children instead go to a cousin, a godparent, or a close family friend who provides the identical home and daily care. That caregiver may not satisfy the relationship test in §152(c) at all. The child may receive no credit through the person actually raising them, though the child's needs and the household's new costs are unchanged.

A practical caregiver-recognition repair

The issue is not whether every informal caregiver should automatically receive a credit. It is whether a long-term caregiver who can document that they provide a child's primary home, day-to-day care, and material support should be excluded solely because the relationship is not listed in the tax code.

Congress should amend the CTC qualifying-child rules to create a documented, low-burden safe harbor for long-term kinship and appropriate fictive-kin caregivers who provide a child's primary home, day-to-day care, and material support but do not fit the current relationship categories. The safe harbor should accommodate children who enter a caregiver's home during a tax year because of neglect, abandonment, parental incapacity, family crisis, or a child-welfare placement.

This is not a call to eliminate protections against duplicate claims. Existing residency, support, and tie-breaker rules would continue to apply. The question is whether a caregiver who can document that they provide a child's primary home, daily care, and material support should be excluded solely because the relationship is not listed in the statute.

A child benefit should follow children to the adults actually doing the work of care.

VI. What Congress Should Do Now

1 ***Make the CTC permanently fully refundable and restore a voluntary monthly-payment option***

Every eligible child should receive the full credit regardless of the caregiver's earnings or income-tax liability. Congress should eliminate the earnings-linked phase-in and the separate refundable cap so that the amount written into law is the amount an eligible child can receive. Full refundability determines whether a family receives support; delivery timing determines whether it arrives when the family needs it. Recurring child-related costs come monthly, not once a year at filing, and families receiving advance payments in 2021 reported lower food insufficiency.[16] Congress should let families choose regular payments or a larger credit at tax time, with accessible enrollment, reconciliation, and safe harbors against modest overpayments.

2 ***Expand the qualifying-child relationship test to recognize caregivers raising children***

Congress should amend the qualifying-child rules to create a documented, low-burden safe harbor for long-term kinship and appropriate fictive-kin caregivers who provide a child's primary home, day-to-day care, and material support. It should reach caregivers excluded solely because their relationship to the child, such as a cousin, godparent, or close family friend, is not listed in §152(c), and it should accommodate children who enter a caregiver's home partway through a tax year. Fictive kin are already recognized as eligible kinship caregivers in 49 states and the District of Columbia.[28] The tax code has not caught up.

3 ***Repeal OBBBA's adult-SSN requirement***

An otherwise eligible child should not lose CTC access because a parent or long-term caregiver uses an ITIN or lacks a Social Security number valid for employment. The requirement attaches to the adult filing the return, not to the child, and it reaches U.S.-citizen children whose citizenship, residency, and need are unchanged.[21]

4 ***Create a guardrail against hidden CTC exclusions***

Measurement is a guardrail. It makes foreseeable exclusions visible before they become permanent. The EITC shows why: the racial disparity in audit rates was invisible from tax filings alone, because the IRS does not collect taxpayer race, and it persisted for years until independent researchers documented it.[30] No federal estimate currently identifies how many Black children lose CTC eligibility under the adult-SSN rule. Congress and Treasury should assess who would receive less support or lose access before major CTC restrictions take effect, including effects by income, race and ethnicity where lawful, caregiver type, and mixed-status household characteristics. Analysis is not a substitute for the reforms above. It keeps the same exclusions from being rebuilt after they are fixed. Treasury and the IRS should also withdraw REG-119882-25 rather than resolve eligibility for a refundable credit Congress created through administrative reinterpretation of a 1996 welfare law.

Conclusion

The CTC cannot be considered a universal child benefit while its full value depends on a caregiver's earnings, adult taxpayer status, and fit within narrow legal definitions of family.

Congress has already shown that a fully refundable, periodically delivered CTC can reduce child poverty and reach children when families need support. OBBBA instead made a larger but conditional credit permanent, leaving millions of children unable to receive its full value and adding a new adult-status barrier.

The task ahead is not to preserve a larger number in the tax code. It is to build a child credit that reaches every eligible child and follows children to the adults actually raising them. Full refundability, periodic delivery, protections against adult-status exclusions, and caregiver recognition are not separate projects. Together, they are the income-floor infrastructure that Black children and families need to withstand economic shocks and build toward durable wealth.

Part of The Tax Code and Black Wealth series.

Sub-Series I: Refundable Tax Credits and Black Economic Security

Read the Series Introduction.

Companion brief: The Earned Income Tax Credit, Black Workers, and the Case for Reform (Brief No. I.1).

Related reading: LaToya B. Parker, "*What the Child Tax Credit Is Really Costing Black Families,*" URL Media.

Endnotes

1. Internal Revenue Code §24, as amended by the One Big Beautiful Bill Act, Pub. L. No. 119-21, https://www.congress.gov/bill/119th-congress/house-bill/1. The same public law amended Internal Revenue Code §2010(c)(3) to set the estate-and-gift-tax basic exclusion amount at $15 million per person for decedents dying and gifts made after December 31, 2025, indexed for inflation thereafter. Under prior law, the doubled exclusion enacted by the Tax Cuts and Jobs Act, Pub. L. No. 115-97, was scheduled to expire after December 31, 2025.

2. Zachary Parolin, et al., "The Impact of the 2021 Expanded Child Tax Credit on Child Poverty," U.S. Census Bureau, November 2022, https://www.census.gov/library/working-papers/2022/demo/SEHSD-wp2022-24.html. The authors estimate that the overall 2021 CTC lifted 2.9 million children above poverty and that the expansion accounted for 2.1 million of those children.

3. Sophie Collyer, Christopher Yera, Megan Curran, David Harris, and Christopher Wimer, Children Left Behind by the H.R.1 "One Big Beautiful Bill Act" Child Tax Credit, Poverty and Social Policy Brief vol. 9, no. 9 (Center on Poverty and Social Policy, Columbia University, Aug. 6, 2025), https://povertycenter.columbia.edu/sites/povertycenter.columbia.edu/files/content/Publications/Children-Left-Behind-OBBBA-Child-Tax-Credit-CPSP-2025.pdf. CPSP estimates that 19 million children, or 28 percent of children under age 17, cannot receive the full CTC because family income is too low. Its estimate covers the earnings-based limit only and does not include children affected by the adult Social Security number requirement.

4. Application of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Pub. L. No. 104-193, 110 Stat. 2105) to the Refunded Portion of Certain Federal Refundable Income Tax Credits, REG-119882-25, https://www.federalregister.gov/d/2026-16985; Regulations.gov, Docket IRS-2026-1057, https://www.regulations.gov/docket/IRS-2026-1057.

5. LaToya B. Parker and Dedrick Asante-Muhammad, "Black Wealth Infrastructure as a Safety Net," AFRO American Newspapers, September 10, 2025, https://afro.com/asset-building-programs-black-wealth/.

6. 26 U.S.C. §6409, https://www.law.cornell.edu/uscode/text/26/6409 (refunds and advance payments from refundable credits are not taken into account as income, and not as resources for twelve months, in determining eligibility for federal or federally funded benefit programs); Congressional Research Service, The Earned Income Tax Credit (EITC): How It Works and Who Receives It, R43805, https://www.congress.gov/crs-product/R43805.

7. Christina Bijou and Emily A. Shrider, Poverty in the United States: 2025, U.S. Census Bureau, Current Population Reports P60-290 (Washington, DC: September 2026), https://www.census.gov/library/publications/2026/demo/p60-290.html. All Supplemental Poverty Measure estimates for 2019 through 2024 reflect the revised thresholds released by the Bureau of Labor Statistics on July 17, 2026.

8. Tax Cuts and Jobs Act, Pub. L. No. 115-97, §11022 (2017), amending Internal Revenue Code §24, https://www.congress.gov/bill/115th-congress/house-bill/1; Congressional Research Service, The Child Tax Credit: How It Works and Who Receives It, R41873, https://www.congress.gov/crs-product/R41873.

9. Collyer et al., supra note 3, Table 1.

10. Internal Revenue Code §24, as amended by OBBBA; Internal Revenue Service, "Child Tax Credit," https://www.irs.gov/credits-deductions/individuals/child-tax-credit.

11. American Rescue Plan Act of 2021, Pub. L. No. 117-2, §9611, https://www.congress.gov/bill/117th-congress/house-bill/1319; Internal Revenue Service, "Advance Child Tax Credit Payments in 2021," https://www.irs.gov/credits-deductions/advance-child-tax-credit-payments-in-2021.

12. Bijou and Shrider, supra note 7, Figures 6 and 7. Refundable tax credits include the Earned Income Tax Credit and the refundable portion of the Child Tax Credit.

13. Bradley L. Hardy and Charles Hokayem, "The Effects of the 2021 Child Tax Credit on Racial and Ethnic Inequalities in Well-Being," The ANNALS of the American Academy of Political and Social Science 710, no. 1 (2024), https://doi.org/10.1177/00027162241265791.

14. Center on Budget and Policy Priorities, "Economic Security Programs Help Low-Income Children Succeed Over Long Term, Many Studies Find," https://www.cbpp.org/research/poverty-and-inequality/economic-security-programs-help-low-income-children-succeed-over.

15. Raj Chetty, Nathaniel Hendren, Maggie R. Jones, and Sonya R. Porter, "Race and Economic Opportunity in the United States: An Intergenerational Perspective," Quarterly Journal of Economics 135, no. 2 (2020): 711–783, https://doi.org/10.1093/qje/qjz042.

16. Elizabeth Ananat, Benjamin Glasner, Christal Hamilton, and Zachary Parolin, "Effects of the Expanded Child Tax Credit on Employment Outcomes: Evidence from Real-World Data from April to December 2021," NBER Working Paper No. 29823 (March 2022), https://www.nber.org/papers/w29823 (reporting "very small, inconsistently signed, and statistically insignificant" impacts on employment and labor force participation). On household spending, see Jake Schild, Sophie M. Collyer, Thesia Garner, Neeraj Kaushal, Jiwan Lee, Jane Waldfogel, and Christopher T. Wimer, "Effects of the Expanded Child Tax Credit on Household Spending: Estimates Based on U.S. Consumer Expenditure Survey Data," NBER Working Paper No. 31412 (June 2023), https://www.nber.org/papers/w31412. An earlier version of that analysis by the same authors, Sophie M. Collyer et al., "Effects of the Expanded Child Tax Credit on Household Expenditures during the Interview Survey Reference Period: Preliminary Evidence from the Consumer Expenditure Survey" (April 2022), reported that "[s]pending on categories unrelated to children, such as alcohol and tobacco, did not appear to be impacted by the CTC."

17. Jacob Bastian and Katherine Michelmore, "The Long-Term Impact of the Earned Income Tax Credit on Children's Education and Employment Outcomes," Journal of Labor Economics 36, no. 4 (2018): 1127–1163, https://doi.org/10.1086/697477.

18. Jacob Bastian and Melody Harvey, "When Policy Shapes Perception: The 2021 Child Tax Credit and Consumer Sentiment," NBER Working Paper 35059 (April 2026), https://doi.org/10.3386/w35059.

Endnotes (cont'd)

[19.] Tax Relief for American Families and Workers Act of 2024, H.R. 7024, 118th Cong. (2024), passed the House Jan. 31, 2024, https://www.congress.gov/bill/118th-congress/house-bill/7024.

[20.] Internal Revenue Service, "Individual Taxpayer Identification Number," https://www.irs.gov/tin/itin/individual-taxpayer-identification-number-itin; Internal Revenue Service, "Taxpayer Identification Numbers," https://www.irs.gov/tin/taxpayer-identification-numbers-tin.

[21.] Internal Revenue Code §24, as amended by OBBBA; IRS, "Child Tax Credit," supra note 10.

[22.] Elaine Maag, "House and Senate Plans Boost Child Tax Credit, Could Help More Low-Income Families," Tax Policy Center, https://taxpolicycenter.org/taxvox/house-and-senate-plans-boost-child-tax-credit-could-help-more-low-income-families. Estimates reflect the enacted structure requiring at least one parent to hold a Social Security number.

[23.] Migration Policy Institute, A Profile of the Growing Black Immigrant Population in the United States (2024), https://www.migrationpolicy.org/publication/profile-growing-black-immigrant-population-united-states.

[24.] REG-119882-25, supra note 4; see also 8 U.S.C. §§1611–1646.

[25.] U.S. Government Accountability Office, Federal Social Safety Net Programs: Millions of Workers, Including Many Employed by Large Employers, Continue to Rely on Medicaid and SNAP, GAO-26-108703 (Washington, DC: June 22, 2026; reissued with revisions Aug. 24, 2026), https://www.gao.gov/products/gao-26-108703.

[26.] U.S. Department of Agriculture, Food and Nutrition Service, Supplemental Nutrition Assistance Program national and state-level participation data, https://www.fns.usda.gov/pd/supplemental-nutrition-assistance-program-snap (preliminary monthly participation data, July 2025 through April 2026).

[27.] Beverly I. Moran and William Whitford, "A Black Critique of the Internal Revenue Code," Wisconsin Law Review 1996, no. 4 (1996): 751, https://scholarship.law.vanderbilt.edu/faculty-publications/740/; Dorothy A. Brown, The Whiteness of Wealth: How the Tax System Impoverishes Black Americans and How We Can Fix It (New York: Crown, 2021).

[28.] U.S. Government Accountability Office, Relatives Raising Children: Federal Support Helps, but Challenges Persist, GAO-26-107658 (Washington, DC: Dec. 10, 2025), 1–2, https://www.gao.gov/products/gao-26-107658. See also U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, Alex Adams, Cody Inman, Katie Allen, and Alayna Schreier, States Increasingly Promote Kinship Care, Though Significant Opportunity Remains for Improving Licensing, Definitions, and Reach (Mar. 11, 2026) ("Almost all states and DC also include fictive kin as eligible kinship caregivers… Only one state – Alabama – does not include fictive kin in their definition of kinship caregivers."), https://aspe.hhs.gov/reports/states-promote-kinship-care-though-opportunity-remains.

[29.] Eun Koh, Laura Daughtery, Yongwon Lee, and Jude Ozughen, "Parenting Experiences of Informal Kinship Caregivers," Societies 14, no. 3 (2024): 36, https://www.mdpi.com/2075-4698/14/3/36; U.S. Senate Special Committee on Aging, Grandfamilies Act of 2023 (fact sheet), https://www.aging.senate.gov/download/grandfamilies-act-one-pager.

[30.] Hadi Elzayn, Evelyn Smith, Thomas Hertz, Cameron Guage, Arun Ramesh, Robin Fisher, Daniel E. Ho, and Jacob Goldin, "Measuring and Mitigating Racial Disparities in Tax Audits," Quarterly Journal of Economics (2025), https://dho.stanford.edu/wp-content/uploads/IRS_Disparities.pdf. The study finds Black taxpayers are audited at 2.9 to 4.7 times the rate of non-Black taxpayers, driven primarily by audit selection among EITC claimants.