

# HARDWORKING PARENTS DESERVE CREDIT

ZEROTOFIVE  
MONTANA

## WHAT ARE CHILD TAX CREDITS?

Child tax credits allow families with children (typically ages 16 and under) to keep up with rising costs, and help afford housing, food, transportation, and child care. A handful of states across the country offer a child tax credit or family tax benefit. [1]

## HOW DO CHILD TAX CREDITS HELP?

- **Strengthen families and increase self-sufficiency**
  - Child tax credits are known to increase educational attainment, result in higher wages when children grow up, improve maternal health, reduce child maltreatment and result in less involvement from child protective services and the criminal justice system, as well as increase economic self-sufficiency. [2]
- **Child tax credits have a positive return on investment**
  - A dollar invested in child benefits results in eight times that amount in social benefit. [2]
- **Support hardworking parents so they can keep their jobs and provide for their families**
  - In a national survey, 27% of respondents said the expanded credits helped them work, allowing them to afford transportation and child care. [3]
- **Reduce financial stress among parents**
  - Child tax credits result in positive impacts on the health of parents and children, as well as better learning outcomes for children. [3]
  - 76% of surveyed parents reported the credit had an impact on their financial stress. [3]
  - When parents face fewer financial burdens, they are also more likely to stay in a healthy, strong marriages and choose to have children. [4]
- **Support parents with the costs of raising a child (especially with rising inflation)**
  - Economists agree that child tax credit payments are "a proven success at helping families keep up with everyday costs." Child tax credits do not contribute to inflation. [5]
  - Help families keep up with the rising cost of food
  - 86% of families in Montana have used other tax credits for basic needs like food or rent, as well as education [6]
- **Raises children out of poverty while strengthening economic self-sufficiency and increasing work participation among parents**
  - In 2021, other child tax credits lifted 2.9 million children out of poverty [7]
  - Roughly 1/3 of those children were also under age 6. [8]
  - In a six-month span, the temporary Advance Child Tax Credit cut the country's childhood poverty rate in half while still encouraging parents to work and be productive. [4, 9]

## WHO DO CHILD TAX CREDITS HELP?

Child tax credits have the power to help a variety of families at many income levels, depending on how the tax credits are structured and who they target. The most impactful credits are distributed monthly, in higher amounts to families with young children, are refundable, and include a phase out. Refundable refers to making the credit fully available to all households with eligible children, independent of their earnings. A phase out adjusts the amount of the credit at increments as the families income rises, rather than setting an income cap where even a few dollars over would disqualify the family for the credit.

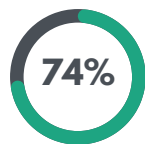
- In 2021, roughly 40% of Montana children birth to age 8 lived in a low-income family. [10]
  - For example, a two parent, two child household making below \$60,000 a year in 2023. [12]
- Parents in rural areas may not have the same economic or work opportunities as parents in other parts of the state and are more likely to also have lower wages. Thus, they are less likely to receive the federal child tax credit because it phases in based on income and is not refundable. Veteran and active-duty families are also less likely to receive the federal child tax credit. [14]
  - 44% of Montanans live in rural areas. [15]
  - Montana has a higher proportion of veterans (9.4%) compared to the rest of the country (6.4%). [16]

## WHAT WOULD HB 268 DO?

- Establish a \$1,200 tax credit for working parents with children ages 0-5 to temporarily help families with rising costs. The tax credit would begin to phase out at a household income of \$50,000 and end at \$56,000, and would expire in at the end of 2026.
- Only working families would be eligible for the credit.
- Positively impact more than 50,000 kids ages 0-5. [13]

## IS THERE SUPPORT FOR CHILD TAX CREDITS IN MONTANA? YES!

- A survey of registered voters in Montana found:



**74%** agree that tax credits help parents offset the cost of raising a child. [17]



[www.zerotofive.org](http://www.zerotofive.org)

Sources: 1. National Conference of State Legislatures. (2022). Child Tax Credit Overview. 2. McCabe, J. (2022). Child Tax Credit Proposal Would Strengthen State's Pro-Family Standing. Common Wealth Magazine. 3. Center for Law and Social Policy, Berkely University of California, Children's Defense Fund, Ideas 42, National Women's Law Center, Prosperity now, Unidos US, Urban Institute. (2022). The Expanded Child Tax Credit is Helping Families, But National Survey Shows Continued Outreach Remains Essential. 4. Hammond, S., and Orr, R. (2020). The Conservative Case for a Child Allowance. Niskanen Center. 5. Aja, A., Albelda, R., Ali, A., Ananat, E., Appelbaum, E., Ash, M., Badgett, L., Bahn, K., Baker, D., Banks, N., Benner, C., Berman, E., Blinder, A., Bohmer, P., Braunstein, E., Chernick, H., Chora, I., Christensen, K., Cohen, J., Cohn, S., ... Zimbalist, A. (2022). Open Letter from Economists: Extend the Expanded Child Tax Credit to Help Families Keep Up with Rising Costs. 6. Zippel, C. (2021). 9 in 10 Families With Low Incomes Are Using Child Tax Credits to Pay for Necessities, Education. Center on Budget and Policy Priorities. 7. United States Census Bureau. (2022). The Impact of the 2021 Expanded Child Tax Credit on Child Poverty. 8. Annie E. Casey Foundation. (2022). New Data Show That the Child Tax Credit Fueled a Substantial Reduction in Child Poverty. 9. Burns, K., Fox, L., Wilson, D. (2022). Expansions to Child Tax Credit Contributed to 46% Decline in Child Poverty Since 2020. United States Census Bureau. 10. Montana Kidscount. (2021). Children Ages Birth to 8 Below 200% Poverty in Montana. 11. United States Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation. (2023). HHS Poverty Guidelines for 2023. 12. Marr, C., Cox, K., Calame, S., Hingten, S., Fenton, G., Sherman, A. (2022). Year-End Tax Policy Priority: Expand the Child Tax Credit for the 19 Million Children Who Receive Less Than the Full Credit. Center on Budget and Policy Priorities. 13. Montana Legislature. (2020). Montana Census 2020. 14. United States Census Bureau. (2020). Montana. 15. Institute on Taxation and Economic Policy. (2023). Data Analysis on HB 249 and HB 268. Retrieved via email request. 16. Poll Commissioned by Zero to Five Montana through the Montana State University Human Ecology Learning and Problem Solving Lab among 501 registered voters in Montana. (2022).