

2021 Advance Child Tax Credit Reach, Payment Methods, Costs to Recipients, and Uses

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Executive Summary

Direct government payments can provide meaningful support for the financial health of households. In the case of the 2021 expansion of the Child Tax Credit (CTC), advance CTC payments reduced monthly child poverty by nearly 30%, according to research from Columbia University.¹ Close to half of all recipients with household incomes under \$30,000 reported they would struggle to afford essentials, such as food, without the advance CTC payments. However, not all eligible households received those payments. And for some that did, the impact of the payments was diminished by the cost of accessing the funds and time spent waiting to access them.

Leveraging publicly available data, as well as a national survey of households with children under 18, this report explores:

- the reach of advance CTC payments in 2021.
- the form in which people received the payments.
- the costs incurred to access payments.
- time delays to receive and access payments.
- how recipients used the payments.

This report follows in the footsteps of another report we prepared in February 2021 for the Brookings Institution on the [Economic Impact Payments](#). Together, these reports provide insight into the reach and impact of direct government payments, highlighting how eligibility challenges and costs to access check payments decrease these programs' impact.

¹ Paroline, Collyer, & Curran, "[Sixth Child Tax Credit Payment Kept 3.7 Million Children Out of Poverty in December](#)," Columbia University Center on Poverty and Social Policy, January 2022.

Key Findings

85% percent of surveyed households with children under 18 received advance CTC payments.

- Across nonrecipient households, one in four (28%) reported not knowing why they did not receive payment, and one in eight (13%) said they tried to access the payments but were not successful.

One in five respondents (20%) with household incomes under \$30,000 reported neither they nor another parent or guardian received the advance CTC payment.

- Nearly one-third of these low-income nonrecipients (31%) said they tried to access the advance CTC payments but were not successful.
- Only 6% of these low-income nonrecipients said they preferred to receive the full credit at tax time.

About 5 million households received advance CTC payments as mailed checks, facing delays of a week or more to receive their funds, compared with their peers who received direct deposits.

- Using federally available data, we estimate approximately 16% of all advance CTC payments distributed were issued as mailed checks.

About three-quarters of a million households paid check cashing fees to access their funds.

- Based on the average CTC payment size and current check cashing fee structures, households relying on check cashers to access all of their funds could have paid \$78 in fees during the six-month period of advance CTC distribution. For households with more children and younger children, this figure could exceed \$150.
- If recipients who used check cashing did so for just half of their CTC payments (a conservative estimate), then based on average payments and check cashing fee structures, recipients might have collectively paid over \$16 million in total fees.

Around three in 10 advance CTC payment recipients (29%) said their household would struggle to pay for essentials if the monthly payments were not extended past December 2021.

- In addition, nearly half of recipients with household incomes under \$30,000 (47%) reported they would have struggled to pay for essentials without the advance CTC payments.

Given the challenges low-income households face establishing eligibility and the costliness of accessing payments via checks, policymakers should design future direct payment programs to create universal access for vulnerable households and increase electronic delivery of funds. Public-sector and private-sector stakeholders who seek to maximize the impact of government disbursements have an opportunity to rethink how the delivery mechanisms could lower these burdens on households who need to access these funds most.

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Background: The Child Tax Credit Expansion

In March 2021, Congress passed the American Rescue Plan Act (ARPA) in response to the ongoing COVID-19 pandemic. This legislation expanded the existing Child Tax Credit, offering the largest annual payment in the CTC's history, in order to support households with children as they continued to navigate the financial impacts of the pandemic.^{2 3}

As part of this legislation, the CTC underwent multiple temporary changes. Half of the total CTC amount was distributed as advance CTC payments, issued on a monthly basis from July through December 2021. This report explores the distribution of these advance CTC payments.

The CTC also became a fully refundable tax credit, expanding eligibility to low-income households that previously did not qualify for payments. For households above a certain modified adjusted gross income, the tax credit amount was gradually reduced until it reached zero.⁴ Qualifying households that did not receive the advance CTC payments could prove their eligibility to receive the full CTC payment when they filed their 2021 tax return or through the nonfiler portal that reopened in May 2022.⁵ Qualifying households also had the option to opt out of the advance CTC payments, instead receiving the full amount at tax time in 2022.

Methodology

The data in this report comes from both publicly available data and a nationally representative survey on expanded CTC payments. The survey was sent electronically to members of the University of Southern California's Understanding America Study panel. The survey data used in this report were collected between December 2021 and January 2022, with a sample size of 2,059 respondents.⁶ Respondents with children of their own or in their household were asked about whether and how they received advance CTC payments over the six-month period (July 2021 - December 2021), how they accessed funds

² ["The Child Tax Credit," The White House, accessed April 19, 2022.](#)

³ *The ARPA raised the maximum 2021 CTC credit amount to \$3,600 for each child under the age of 6 and \$3,000 for each child ages 6 to 17.*

⁴ *Households received the full CTC credit if their modified adjusted gross income (AGI) was: (a) \$150,000 or less if they were married and filing a joint return, (b) \$112,500 or less if they filed as head of household or (c) \$75,000 or less and they were a single filer or married and filing a separate return. Married households filing a joint return with a modified AGI of \$440,000 or above did not qualify to receive any CTC payment for 2021. Households of all other filing statuses with a modified AGI of \$240,000 or above did not qualify to receive CTC for 2021. ["2021 Child Tax Credit and Advance Child Tax Credit Payments — Topic C: Calculation of the 2021 Child Tax Credit." IRS.](#)*

⁵ ["The Child Tax Credit: Legislative History," Congressional Research Service, December 2021.](#)

⁶ *Respondents were first screened for whether they had children of their own or in their household. Of all respondents, 83% reported that they had a child under 18 of their own or in their household. Only these households were eligible to complete the remainder of the survey.*

received as checks, and how they spent the funds. The total sample data is nationally representative and weighted using the U.S. Census Current Population Survey as a benchmark.

Receipt: Who Received 2021 Advance CTC Payments?

From July 2021 to December 2021, the U.S. Department of the Treasury issued approximately 216 million expanded Child Tax Credit payments to 36 million households, covering over 61 million children.⁷

While these are impressive numbers, it is not immediately clear what *share* of eligible households actually received the payments. Our survey estimated this by exploring whether either the respondent's household had received the payment or another parent or guardian received the payment.⁸ Under this definition, **our survey indicates that 85% of households with children received payments, while 15% did not.**⁹ Of the 15% of households that did not receive payment, 31% had household incomes below \$30,000.

Additionally, our survey reveals wide disparities in the rate of receipt of advance CTC payments across income brackets:

- One in five respondents with household incomes under \$30,000 (20%) reported neither their household nor another parent or guardian received *any* of the six monthly advance CTC payments for children in their household.
- In fact, those households were significantly less likely to have received any advance CTC payments than households earnings between \$30,000 and \$59,999 (20% vs. 16%) and were more than twice as likely to not receive the CTC payment than those with incomes between \$60,000 and \$100,000 (20% vs. 9%).

⁷ U.S. Department of the Treasury Press Releases, [July 2021](#), [August 2021](#), [October 2021](#), [November 2021](#), [December 2021](#).

⁸ Omitting receipt by another parent or guardian might undercount the number of recipients by suggesting that children with parents in different households were not covered by any CTC payments.

⁹ Of households with children, 72% reported they or someone in their household received a CTC payment. Another 13% reported another parent or guardian outside of their household received CTC payments for their child or for a child in their household.

Table 1. Percentage of CTC recipients by annual household income.¹⁰

	Total	Less than \$30,000	\$30,000 - \$59,999	\$60,000 - \$99,999	\$100,000 or More
Recipients of advance CTC payments	85%	80% ^{^ †}	84%	91%	86%
Nonrecipients of advance CTC payments	15%	20% ^{^ †}	16%	9%	14%
Share of nonrecipients who preferred to receive payment at tax time	18%	6% ^{*^}	24%	39%	15%

*Statistically significant compared with \$30,000-\$59,000.

[^]Statistically significant compared with \$60,000-\$99,000.

[†] Statistically significant compared with \$100,000 or more.

Why Didn't Households Receive Advance CTC Payments?

Eligible households were automatically enrolled in the advance CTC payments but could opt to not receive them, and instead receive the full CTC amount at tax time.¹¹

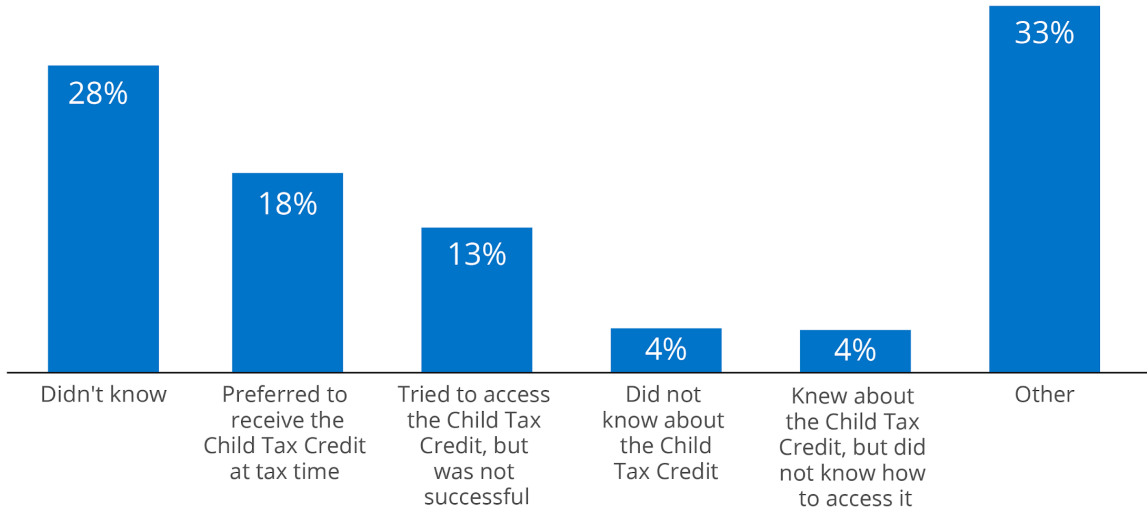
As shown in Figure 1 below, 28% of nonrecipients reported "I don't know" when asked why they did not receive the payments. Another 16% reported they knew about the CTC but didn't know how to access it (4%) or tried to access it but were unsuccessful (13%).¹² Another 4% reported they didn't know about the credit, and 18% said they preferred to receive it at tax time.

¹⁰ While 14% of households making \$100,000 or more reported not receiving advance CTC payments, this group includes individuals who were not eligible for inclusion in the 2021 program based on income cutoffs. Because of this, we do not directly compare the receipt rate of this group to the other income categories.

¹¹ In this section, we define a nonrecipient as a parent or guardian who did not receive an advance CTC payment for their own child, and whose child did not receive the CTC via another parent or guardian.

¹² These numbers do not add up due to rounding.

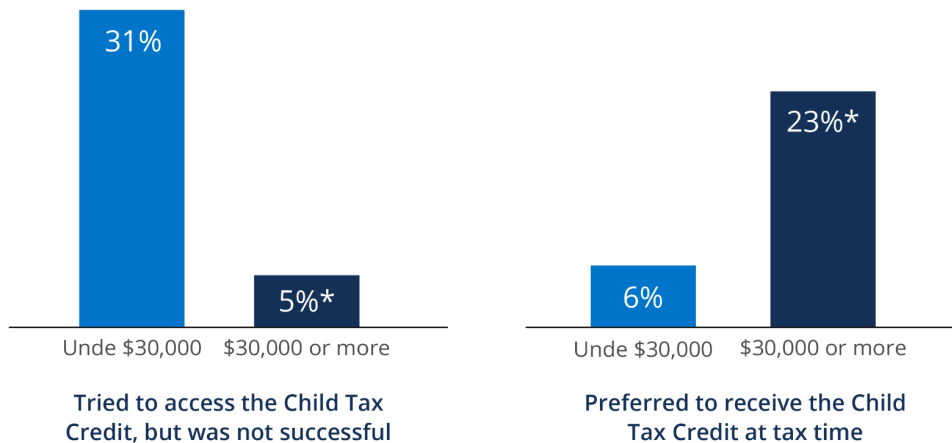
Figure 1. Reasons nonrecipients reported not receiving advance CTC payments.



N = 240 nonrecipients

Respondents with low incomes struggled the most to access CTC payments for their children. Among nonrecipient respondents with household incomes under \$30,000, three in 10 (31%) reported they tried to access advance CTC payments but were unsuccessful, compared with just 5% for those with household incomes above \$30,000. Only 6% of non-recipient households with incomes under \$30,000 said they did not receive the advance CTC payments because they preferred to receive the payment at tax time.

Figure 2. Differences in reasons for nonreceipt by household income.



*Statistically significant compared with <\$30,000.

The Risk of Vulnerable Households Never Receiving the 2021 CTC Payments

Prior to its expansion, the CTC could only be used to lower a tax burden, not be given as a refund. As a result, many low-income households were not eligible for CTC payments because they didn't have a tax burden and were not required to file income taxes at all. When the CTC was expanded and became fully refundable, these households had access to the CTC for the first time.

However, our data shows that 20% of households earning \$30,000 or less did not receive advance CTC payments during 2021. While these households are still eligible to receive the full payment guaranteed under the ARPA, **our data suggests many may never receive the payments to which they are entitled.**

Only a small group of nonrecipient households with incomes under \$30,000 (6%) indicated they opted to receive the full payment at tax time. For the remaining low-income nonrecipient households, they would need to prove their eligibility, either by filing a 2021 tax return or registering in the nonfiler portal, to receive the CTC.

Households that missed the advance CTC payments window could still prove their eligibility by filing their 2021 taxes. However, if a household did not file taxes the prior two years and did not complete a nonfiler eligibility process in 2021, it is unlikely that they would know to file taxes in 2022. In fact, this appears to be exactly what happened for many households. In May 2022, the Biden administration decided to reopen the nonfiler portal to get more low-income nonfiler households access to their CTC payments.¹³

It's not clear reopening the nonfiler portal window will fill the gap, since some low-income households were not even aware of the program. Our research found almost one in 10 low-income nonrecipient households (9%) reported they did not know about the Child Tax Credit.

With the CTC and other direct government benefits tied so closely to the tax system, many of the most vulnerable low-income households will continue to fall through the cracks.

Delivery: What Payment Methods Were Used to Deliver the CTC?

Advance CTC payments were delivered via direct deposit into a financial institution account or by mailed check. The IRS would use direct deposit if they had the recipient's account information, including checking and savings accounts, as well as those accessed solely by

¹³ ["Biden administration renews effort to get enhanced child tax credit to low-income families," CNN, May 11, 2022.](#)

prepaid cards. Advance CTC payments were delivered via check if the IRS was able to determine eligibility but lacked account information.

In our survey, we collected payment method information for the 72% of respondents who reported they or someone in their household received a CTC payment.¹⁴ The vast majority of recipients (80%) reported they received all of their payments as direct deposits into a checking or savings account. Below we explore the recipients who received any payments either by check or by direct deposit into a prepaid card account.

Check Recipients

Of all the recipients, 14% in our survey reported receiving a check for at least one of the payments. Around one in 10 recipients reported *only* receiving checks. These percentages are notably lower than expected. Treasury data released for July 2021 payments placed the check recipient rate at 14%, compared with our survey rate of 10%.¹⁵ This suggests check recipients were underrepresented in our survey population, compared with the overall recipient population.¹⁶

In our survey, the share of check recipients trended downward each month. Because of this, we use Treasury's July check recipient rate (14%) to estimate the share of those who received a check. Excluding the impact of the August technical glitch, which resulted in some direct deposit recipients being issued checks, we conservatively estimate that **about 5 million recipients received paper checks over the six-month distribution period.**¹⁷

Who Are the Check Recipients?

Based on our survey results, recipients at the highest and lowest income levels were more likely to be check recipients than those in the middle. In addition, Latinx households were more likely to be check recipients than their Black and White peers. CTC recipients with household income less than \$30,000 were almost twice as likely to have received at least one check, compared with households making \$60,000-\$99,999 (16% vs. 9%). The trend of lower-income households receiving a greater share of checks is even stronger when we look at recipients that *only* received paper checks.¹⁸

¹⁴ The survey data presented in the following sections do not include the additional 13% of respondents that reported that another parent or guardian outside of their household received advance CTC payments for their child or for a child in their household.

¹⁵ The IRS reported that 86% percent of distributions were sent via direct deposit, which we used to calculate a check distribution estimate of 14%. "[IRS: Monthly Child Tax Credit payments begin](#)," IRS, July 15, 2021.

¹⁶ This disparity may be because there was a higher share of check payments to those who reported a parent or guardian outside their household received the check for their children or a child in their household.

¹⁷ In August 2021, the Treasury reported a technical issue during distribution which resulted in some direct deposit recipients receiving checks that month. We do not include any impact from that technical glitch in this estimate. Thus, it is a conservative estimate of the number of check recipients.

¹⁸ Households could submit account information for their financial institution to change how they received payment during the distribution process. This was one reason for mixed payment methods.

Table 2. All advance CTC recipients who received paper checks by household income, FHN survey.

	Total	Less than \$30,000	\$30,000 - \$59,999	\$60,000 - \$99,999	\$100,000 or More
Received any paper checks	14%	16% [^]	12% [†]	9%	18% ¹⁹
Received only paper checks	9%	13% ^{*^}	8%	3%	11%

*Statistically significant compared with \$30,000-\$59,000.

[^]Statistically significant compared with \$60,000-\$99,000.

[†] Statistically significant compared with \$100,000 or more.

Latinx households were more likely to receive at least one paper check (19%) than Black households (10%) or White households (14%).²⁰ Amongst recipients that *only* received paper checks, Latinx recipients were two times more likely (14%) to only receive checks than both Black households (7%) and White households (8%). When we focus on just those with household incomes under \$30,000, this distinction only increases, with Latinx households about three times more likely to be check recipients than Black or White households. These results likely understate the demographic differences between direct deposit and check recipients, given that, as previously noted, check recipients were underrepresented among our survey respondents.

Table 3. All advance CTC recipients who received paper checks by race and ethnicity.

	Total	Latinx	Black	White
Across all household incomes				
Received any paper checks	14%	19% [*]	10%	14%
Received only paper checks	9%	14% ^{*^}	7%	8%
Households with income under \$30,000				
Received any paper checks	16%	33% ^{*^}	10%	12%
Received only paper checks	13%	31% ^{*^}	9%	8%

*Statistically significant compared with Black recipients.

[^]Statistically significant compared with White recipients.

¹⁹ It is unclear why a relatively high percentage (18%) of recipients with household incomes of \$100,000 or more received at least one paper check. This could be because the IRS only had account information for recipients that received income tax refunds, and relatively more of these households had tax liabilities, rather than receiving refunds.

²⁰ This result is not statistically significant between Latinx and white households at the 95% confidence level.

Prepaid Debit Card Recipients

Some individuals received CTC payments to their Treasury-issued Direct Express prepaid debit card or a commercially available prepaid debit card.^{21 22} Individuals receiving benefit payments to Treasury's Direct Express card automatically received their CTC payment to their Direct Express card.²³ Individuals who opted to receive payment on their own commercially available prepaid card needed to provide the routing and account numbers associated with the card to the Treasury.²⁴ Our survey found 3% of all CTC recipients reported receiving all advance CTC payments through deposit into a prepaid card account. For recipients with household income under \$30,000, 9% reported receiving all of their payments on a prepaid card.

Table 4. Advance CTC recipients who received only direct deposit to a prepaid card by household income.

	Total	Less than \$30,000	\$30,000 - \$59,999	\$60,000 - \$99,999	\$100,000 or More
Prepaid card direct deposit only	3%	9%*	3%	0.3%	1%

*Statistically significant compared with all other income categories.

Direct deposits into a prepaid card account work similarly to a direct deposit into a checking account. In both cases, the deposits are made electronically and occur at the same time. Funds deposited onto a prepaid card can then be accessed for purchases in the same way as a checking account debit card. Prepaid cards likewise permit cash withdrawals at ATMs and provide access to e-commerce for unbanked households.²⁵

Cost: How Much Did Recipients Pay to Access Advance CTC Checks?

For recipients who paid to access their advance CTC funds, fees to access the funds reduced the impact of the financial relief. Here, we explore the types of costs paid by check recipients and prepaid card recipients, then estimate the amount spent to access payments via checks.

²¹ ["Advance Child Tax Credit Payments — Direct Express® Cards,"](#) U.S. Direct Express, July 13, 2021.

²² *Unlike with EIP distribution, the Treasury did not offer a Treasury-sponsored prepaid card product to recipients who received checks.*

²³ ["2021 Child Tax Credit and Advance Child Tax Credit Payments — Topic E: Advance Payment Process of the Child Tax Credit,"](#) IRS, March 8, 2022.

²⁴ ["IRS: Families receiving monthly Child Tax Credit payments can now update their direct deposit information,"](#) IRS, June 30, 2021.

²⁵ ["Embracing the Future of Government Payments — Federal and State Agencies Continue to Reduce Paper Checks,"](#) AGA, September 2021.

Check recipients could cash checks at banks or credit unions (generally at no cost), or pay to use check cashing services at a store that sells retail goods, such as Walmart or a check casher. These two establishments charge very different costs to cash checks. For prepaid card recipients, nongovernment-sponsored prepaid cards often come with some fees (e.g., ATM and transaction fees). Government-sponsored cards can have terms and conditions controlled by the government to help enable fee-free access to funds and appropriate consumer protections.

Estimating the Cost to Cash Checks

This section explores the household impact of paying to cash payment checks and provides a conservative estimate of the total fees households may have paid to access their advance CTC funds.

In our survey, approximately 15.6% of people who received advance CTC checks reported they paid to cash their checks at a check casher or a retail or convenience store at least once. This number is higher than the 9% of CARES Act Economic Impact Payments check recipients that paid to cash their checks.²⁶

Using our survey rate of paid check cashing, and the check distribution rate of 14%, we found **over three-quarters of a million individuals (788,000) paid to cash their advance CTC checks.**

Table 5. Check recipient figures and estimates.

Total advance CTC recipients (Treasury)	36,077,000
% of recipients receiving checks (Treasury)	14%
Percentage of check recipients paying to cash checks (Financial Health Network Survey)	15.6%
Approx. number of recipients paying To cash CTC checks	788,000

Given the small number of respondents who reported paying to cash an advance CTC check (n=13), we cannot use our survey to reliably determine the share of check recipients who used check cashers versus retail or convenience stores to access their payments, or how frequently they did so. However, we can use national survey data to develop a best estimate of the split between the share that used check cashers versus retail or convenience stores.

²⁶ Murphy, "[Economic Impact Payments: Uses, payment methods, and costs to recipients.](#)" Brookings, February 17, 2021.

Leveraging data from the Financial Health Network Spend survey and our EIP payments report published in 2021, we estimated one-third of recipients who paid to cash advance CTC checks did so at a check casher, while two-thirds did so at a retail or convenience store.²⁷ Using the same assumptions above, if one-third of check recipients used check cashers for their CTC checks, that would mean around 263,000 recipients paid a check casher to cash their advance CTC checks.

The average size of CTC checks, according to Treasury data, was approximately \$432. Assuming an average check cashing fee of 3%, households would have paid about \$13 for each check they cashed.²⁸ If these households cashed all six of their checks at a check casher, **recipients would have paid \$78 on average to access their advance CTC funds.**

²⁹

For households with younger children and more children, the cost of using check cashers rises significantly based on the higher payment amount. For households with more than two children, **these fees could exceed \$150.**³⁰

Other households cashed their advance CTC payment checks at a retail or convenience store. Using our survey finding that 15.6% of advance CTC check recipients paid to cash their checks, and assuming two-thirds of recipients who cashed their checks did so at a retail or convenience store, we estimate that an additional 525,000 households paid to cash their advance CTC checks at a retail or convenience establishment.

The average cost of cashing a check at a convenience or retail store is around \$4 per check. If these households cashed all their checks at the convenience or retail store, they would have paid \$24 on average total.³¹

²⁷ Unpublished data from our [2022 Finhealth Spend Report](#) found approximately one-third of people that used nonbank check cashing services in 2021 did so at a stand-alone check cashing service (including check cashers that also offer payday loans), while about two-thirds did so at a retail or convenience store. Additionally, the [EIP payments report](#) found, of respondents who paid to cash their EIP payments, one-third reported accessing their funds at a check casher and two-thirds reported accessing their funds at a retail or convenience store.

²⁸ 3% is the most common fee cap in states that limit the amount check cashers can charge.

²⁹ If the program had been extended through 2022, the average household using check cashing could have spent hundreds of dollars annually to access their funds.

³⁰ Under the check casher fee assumption of 3%, a household with three children receiving the full payment amount could have paid between \$135 to \$162 to access all its checks, depending on the age of the children. A household with four children receiving the full amount could have paid between \$180 to \$216.

³¹ \$4 is the cost to cash a check under \$1,000 at Walmart, the largest check cashing retail provider. This is a conservative estimate of average fees paid by all recipients who went to a retail or convenience store.

Table 6. Approximate number of recipients cashing checks.

Approx. number of recipients cashing checks at a check casher	260,000
Approx. number of recipients cashing checks at a retail or convenience store	525,000

Table 7. Approximate costs households might have paid to cash advance CTC checks.

Approx. average cost to cash one check at a retail or convenience store	\$4
Approx. average cost to cash one check at a check casher	\$13
Approx. average cost to cash all checks at a retail or convenience store	\$24
Approx. average cost to cash all checks at a check casher	\$78
Approx. cost to cash all checks at a check casher, 3 children	\$135 to \$162
Approx. cost to cash all checks at a check casher, 4 children	\$180 to \$216

Not everyone who paid to cash their checks did so for all of their payments. In our survey, the average number of checks paid to be cashed was 3.8. However, given the small sample size, we use three checks as a conservative estimate of the true number. **If these recipients paid to cash just half of their checks, then they could have collectively paid \$16.4 million to access their advance CTC funds.**^{32 33}

During a year like 2021, when the government issues multiple direct payments, check cashing fees for households rise with each payment. Instead of fully reaching households in need, millions of dollars of support are chipped away.

Time: How Long Did Households Have to Wait for Their CTC Payments?

Time Delays for Eligible Recipients

The CTC expansion was passed in March 2021, giving the IRS sufficient lead time to launch the monthly payments in July 2021. However, for households who were not previously tax filers, there could have been delays in receiving the advance CTC payments as they worked to establish their eligibility. In addition, those who received paper checks experienced more

³² This estimate was calculated using the same assumptions as above.

³³ The assumption that individuals who paid to cash any CTC checks cashed only half of all checks received is likely a conservative estimate. For one, individuals paying to cash checks are more likely to be unbanked. Additionally, if individuals were banked but decided to pay to cash a check to avoid any risk of garnishment at their banks or because they needed liquidity more quickly than provided by their bank, it is a reasonable assumption that they would have continued to cash all of their checks outside the banking system.

delays than those who received electronic deposits into an account at a financial institution.

Check Delays

For individuals eligible for advance CTC payments who received payments by check, the main time delay was check delivery time. According to the Postal Service shipping times, two to eight days were required on average for the checks to arrive.³⁴ After receiving checks, recipients who paid to cash their checks may have faced additional time burdens to arrange to cash their check, including any transportation time needed to reach their check cashing location. The same could have been true for those who deposited their checks in person at a bank branch.

Other Delays

Other than time delays for mailed checks, the IRS also experienced a technical issue in September that delayed payments by at least nine days for 2% of eligible recipients.³⁵ This issue was not isolated to a specific payment method, so an individual receiving a check payment could have seen delays of upwards of 2.5 weeks from the September 15 payment date. While this delay may be manageable for most households, households counting on these payments to arrive on time may have faced difficulties in their financial planning.

Time Delays in Eligibility

Households that were not automatically recorded as eligible experienced additional delays to prove their eligibility. This group includes many low-income households that did not previously qualify for the CTC payments before it became a fully refundable tax credit.

Most of these households that established their eligibility were able to do so by August, the second month of advance CTC payments. In August 2021, approximately 1.1 million more households, covering 1.6 million children, received payments than in July 2021, according to Treasury data. Over the remaining four months, CTC payments reached 28,000 more households and over 300,000 additional children. These time delays do not include households that might never receive the CTC funds if they do not prove their eligibility, an issue we address in the section above exploring who received CTC payments.

³⁴ ["Mail & Shipping Services,"](#) United States Postal Service, accessed March 17, 2022.

³⁵ Unlike other direct payments, such as the Economic Impact Payments (EIP) under the CARES Act, this program was not set to be implemented immediately. Rather, the agencies had a lead time of four months, with the legislation stipulating the first payment would be issued in July 2021. Since this lead time was stipulated in the legislation, we do not count it as a time delay. In our EIP brief, the lead time was not legislated so it was factored into the time delays in that analysis.

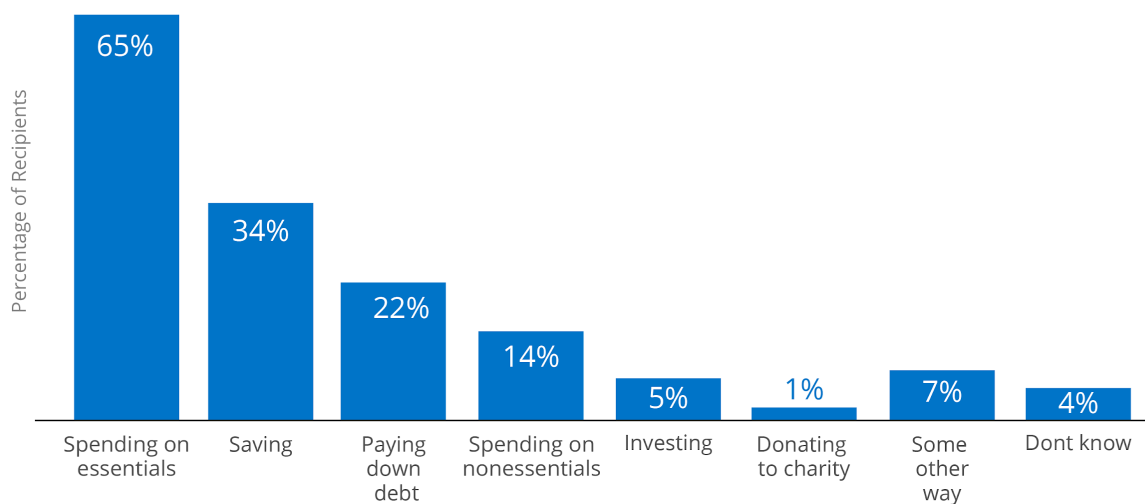
Use: How Did Recipients Use Their CTC Payments?

The main determinant of the CTC payments' financial impact is in how the funds are used. According to research from Columbia University, the advance CTC payments contributed to keeping 3.7 million children out of poverty in December 2021.³⁶ We found the CTC payments helped households with children pay for essentials such as food, utilities, and rent, as well as to pay down debt and build savings. Many low-income recipient households reported they would struggle to pay for their essential expenses without the support of the advance CTC funds.

Recipients Spent Their Payments on Essentials, Savings, and Debt

From July 2021 to December 2021, households in our survey reported they spent their CTC payments on essentials (65%), saving (34%), and paying down debt (22%).³⁷

Figure 3. How advance CTC funds were used.



To compare our findings with other national data, we chose week 41 of the U.S. Census Household Pulse Survey, which was fielded December 29, 2021, through January 13, 2022. This survey asked households if they had received CTC payments in the last four weeks, and if so, how they used the funds.³⁸

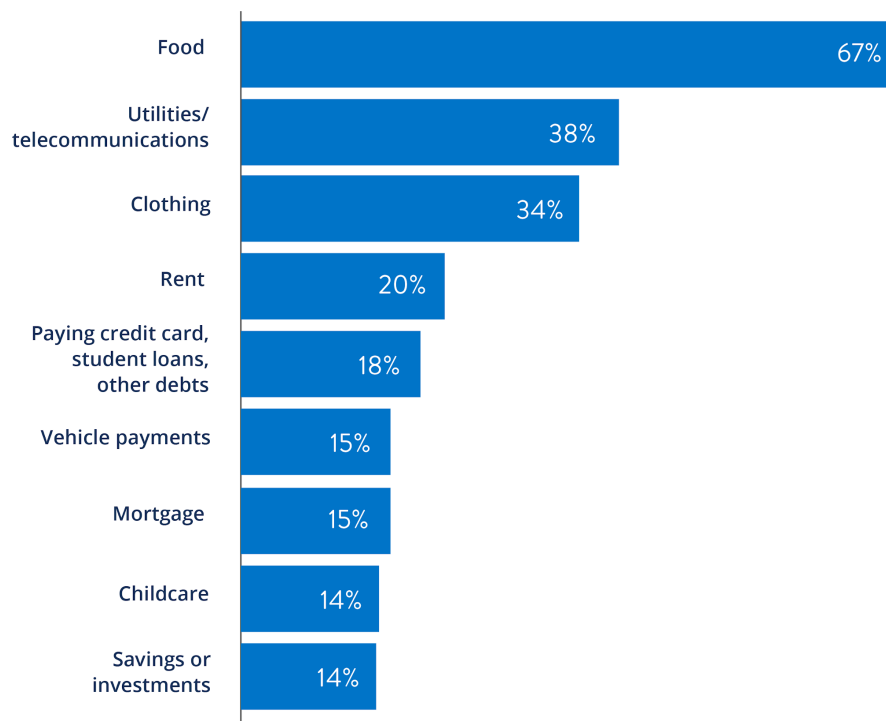
³⁶ Paroline, Collyer, & Curran, "[Sixth Child Tax Credit Payment Kept 3.7 Million Children Out of Poverty in December](#)," Columbia University Center on Poverty and Social Policy, January 2022.

³⁷ The totals add up to over 100% because respondents could select up to three responses.

³⁸ We chose this period because the lookback window should capture the vast majority of December payment recipients and reveal how households spent their last advance CTC payment.

The two surveys reveal that funds were principally used toward essential expenses, debt payment, and building savings. Compared with the Household Pulse Survey, however, our survey found higher rates of saving CTC payments (34% compared with 14%). This is likely because our survey asked about use of funds over the course of six months, while each U.S. Census Household Pulse Survey only asks about use of one payment. Other factors, such as question wording and number of answer choices, could also account for the difference.

Figure 4. Top 9 reported uses of advance CTC funds, U.S. Census Household Pulse Study, Week 41.

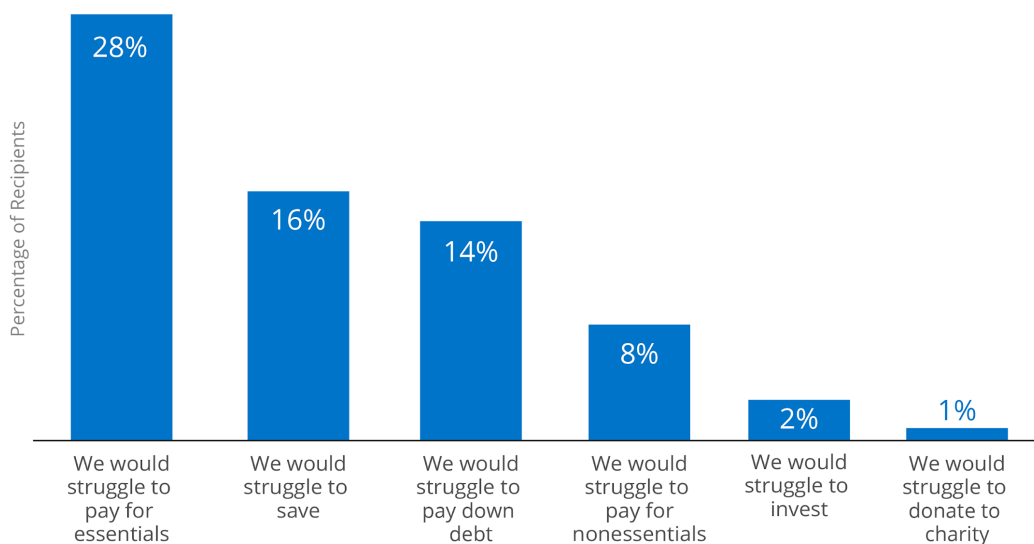


What Was the Marginal Impact of the Advance CTC Funds?

We also explored the marginal impact of the CTC funds, digging into what expenses were made possible by the added funds. While most respondents used the payments for essentials, savings, and paying down debt, this does not mean they would have foregone all of these expenses without the advance payments. Rather, they could have shifted funds from another expense category.

Unique to our survey, we asked respondents what would be the top impacts of the termination of the advance CTC payments if they ended after December 2021.³⁹ Importantly, the most common reported impacts of not receiving the payments were that recipients would struggle to pay for essentials (28%), struggle to save (16%), and struggle to pay down debt (14%). These findings align with the top three reported uses of the funds, revealing that without the CTC payments, around half of households would struggle with these three categories. For example, about half of all respondents who reported spending their CTC funds on essentials also said they would struggle to pay for essentials if the payments ended after December 2021 (28% vs. 64%). This means that more than **one-fourth of households that received advance CTC payments felt they would struggle to afford essentials, such as food and housing costs, when the payments were not extended after December 2021.**

Figure 5. Reported impact on household if the advance CTC payments ended.



This sentiment was felt most keenly by lower-income households. Almost half of all recipient households with incomes under \$30,000 (47%) reported they would struggle to pay for essentials if the advance CTC payments were not extended.

Analysis of our nonpublic U.S. Financial Health Pulse transactional dataset confirms that, for households with children, spending on essentials did go down significantly after the program ended. Average monthly food spending per person declined by 18% over the three months after the advance CTC payments expired at the end of December 2021,

³⁹ Respondents were asked "If you did not receive any more Child Tax Credit payments after December 2021, what would be the most immediate impact on your household? Please select up to three top three impacts this would have on your household."

relative to the six months these households received CTC payments from July to December 2021.^{40 41} While the U.S. Financial Health Pulse transactional dataset isn't representative of the U.S. as a whole, it directionally shows a clear drop in one category of essentials spending for many households.

Conclusion

Programs like the Child Tax Credit can have a major effect in reducing poverty. However, relying on the tax system as a distribution mechanism means too many low-income households risk getting left out altogether. For households that did receive advance CTC payments, many had to wait for paper checks and then pay to cash them.

Future programs should be designed to create universal access for vulnerable households, with increased electronic delivery. For example, expanding access to direct deposit payments, either into a bank account or government-sponsored prepaid card, could offer lower-cost and faster alternatives to check payments for households receiving monthly direct payments through the CTC or other government programs. Absent a system of universal federal accounts, prepaid cards that were newly issued to deliver a benefit initially would face a delay comparable to the delay in mailing checks, but then allow for direct deposit for each subsequent payment.

For financially struggling households, receiving direct government payments, such as the advance CTC payments, can be a significant lifeline to help keep food on the table and provide a needed savings buffer. However, the use of the tax system to determine eligibility and the use of check payments can decrease the impact of the programs, especially for the unbanked. The costs and delays many vulnerable households face to access advance CTC funds demonstrate the need for policymakers and private-sector stakeholders to work together to leverage delivery mechanisms that maximize the impact of these programs.

Technical Notes

In this report, we use two definitions of CTC recipient. When discussing access to the CTC, we use a broad definition of recipient that includes: the respondent, someone else in the household, or a parent or guardian outside the household. In discussing these recipients in the text, we state the CTC was received "within their household or by another parent or guardian." When exploring payment methods and cost to access funds, we only have data for respondents who received payments within their households. Therefore, this analysis only includes the 72% of respondents who received the advance CTC payments within their

⁴⁰ Unpublished U.S. Financial Health Pulse Transactional Dataset Findings, Financial Health Network.

⁴¹ For households without children, meaning they did not receive advance CTC payments, their spending on food increased by 12% for the first 3 months of 2022, relative to the July through December 2021 average.

household, and excludes the 13% of households who reported a parent or guardian outside of their household received the payment.

All comparison figures in the text of this report are statistically significant at the 95% confidence level. Statistically significant differences are also noted in each table. Percentage estimates are rounded to the nearest whole number.

In this report, we discuss some findings across race and ethnicity. We define race and ethnicity using a single, mutually exclusive variable. Respondents answer two questions that are used to determine their race/ethnicity categorization. Respondents who answer “yes” to the question, “Are you Spanish, Hispanic, or Latino?” are categorized as Latinx, regardless of their answer to an additional question asking them about their race. Respondents who do not indicate that they are Latinx are categorized based on their response to the question about race. Due to small sample sizes, we are only able to make statistically significant comparisons between Latinx, White, and Black or African American respondents.

About the Financial Health Network

The Financial Health Network is a trusted resource for business leaders, policymakers, and innovators united in a mission to improve the financial health of their customers, employees, and communities. Through research, advisory services, measurement tools, and opportunities for cross-sector collaboration, we advance awareness, understanding, and proven best practices in support of improved financial health for all.

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