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The United States' record-low child poverty rate in international and historical perspective

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LIS

Working Paper Series

No. 873

The United States' Record-Low Child Poverty Rate in International and Historical Perspective

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The United States' Record-Low Child Poverty Rate in International and Historical Perspective

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Abstract: In 2021, the federal government of the United States (US) expanded a set of income transfers that led to strong reductions in child poverty. This research note uses micro-data from more than 50 countries, and US data spanning more than 50 years, to place the 2021 child poverty rate in historical and international perspective. We demonstrate that whether using the Supplemental Poverty Measure (SPM), relative poverty measures, or an absolute poverty measure, the US child poverty rate in 2021 was at its lowest level since at least 1967. The US tax and transfer system reduced the 2021 SPM child poverty rate by more than 75 percent relative to the pre-tax/transfer child poverty rate, three times greater than its mean reduction effect between 1967-2019. Internationally, the policy changes improved the US's standing from having a relative poverty rate twice that of Germany's in 2019 to the same as Germany's in 2021. Moreover, the US tax and transfer system progressed from reducing child poverty at less than half the rate of Norway in 2019 to a rate comparable with Norway in 2021. However, the US's success was temporary: after the expiration of the 2021 income provisions, the child poverty rate doubled and returned to being higher than in most other high-income countries.

Keywords: child poverty, Child Tax Credit, child well-being, poverty

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The United States (US) has generally had higher child poverty rates compared to other advanced economies when applying a relative (percent-of-median) poverty measure (Gornick & Jäntti, 2012; National Academy of Sciences, 2019; Rainwater & Smeeding, 2005). In 2021, however, the US government passed the American Rescue Plan (ARP) Act to support US households during the second year of the COVID-19 pandemic. The ARP implemented a temporary expansion of the Child Tax Credit (CTC), a one-time Economic Impact Payment (EIP), and other income support measures. The expanded CTC marked a particularly large shift in the generosity of the American welfare state: the benefit was previously conditional on earnings and unavailable to the lowest-income families, but now acted as a temporary child allowance akin to the type of unconditional income support available to families with children in many other high-income countries (National Academy of Sciences, 2019). As a result, the U.S. child poverty rate, according to its Supplemental Poverty Measure (SPM), declined from 9.7 percent in 2020 to 5.2 percent in 2021 (Creamer et al., 2022). But these benefits expired after one year and, in turn, the SPM child poverty rate rebounded to 12.4 percent in 2022 (Shrider & Creamer, 2023).

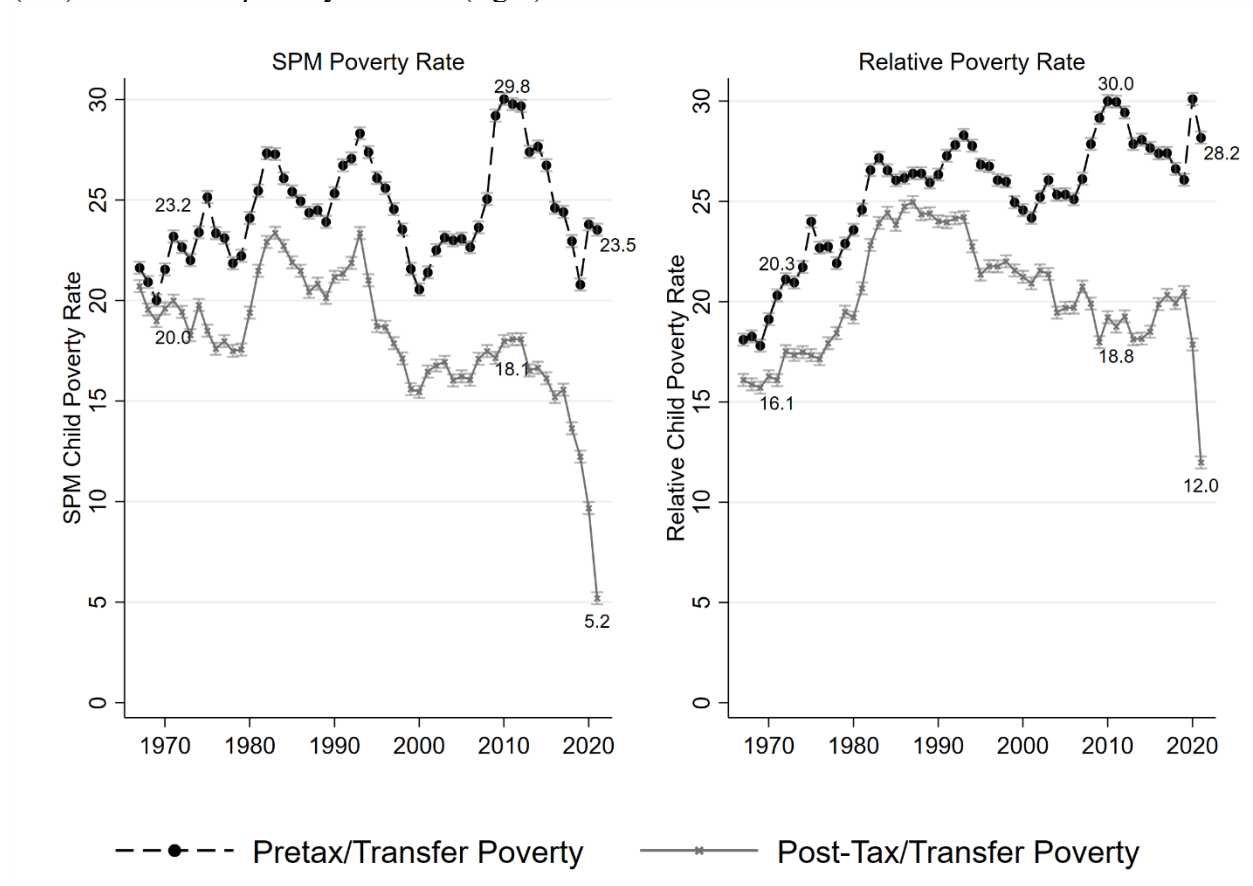
The exceptionality of the US's low poverty rate in 2021 warrants further contextualization on how the 2021 child poverty rate ranks in historical and international perspective. As such, this research note has three objectives. First, we use US data spanning more than 50 years to place the 2021 child poverty rate into historical US context. Second, we use micro-data covering more than 50 countries in recent years to place the 2021 US child poverty rate into international context. Third, we document the role of taxes and transfers in leading to the US's low child poverty rate in 2021, and place the welfare state's performance into historical and international context.

We describe our data sources and poverty measures in Appendix A section, but we emphasize several points here: our poverty measures follow best practices in the international and U.S. literatures (Atkinson, 2019), and account for all government taxes and transfers unless explicitly specified otherwise. Children are defined as being under 18 years old. In our primary cross-national analyses, we present relative (percent-of-median) poverty rates with thresholds set at 50 percent of national equivalized household median incomes while applying the square root equivalence scale. We present results with alternative thresholds (60 percent of median and an absolute poverty threshold) and equivalence scales in the Appendix. In our analysis of historical U.S. trends, we present results with same measures, but we also add trends in the SPM poverty rate, which is not replicable with available data in non-US countries. We do not include results from the U.S. official poverty measure (OPM), as it excludes the ARP’s primary income transfer expansions (the expanded CTC, the EIP, and the expanded benefits from the Supplemental Nutrition Assistance Program).

FINDINGS

In line with our note’s first objective, Figure 1 documents child poverty rates in the US from 1967 through 2021 using the SPM (left) and relative poverty measure (right). The gray line in each figure represents the post-tax/transfer measure of poverty, while the black line represents the pre-tax/transfer poverty measure. In 2021, the SPM child poverty rate in the US was 5.2 percent, while the relative child poverty rate was 12 percent. Both represent the lowest child poverty rates on record in the US (since at least 1967, the first year for which the Census Bureau has reliable data on income and poverty status).

Figure 1: US child poverty rates from 1967 to 2021 using the Supplemental Poverty Measure (left) and relative poverty measure (right)



Note: These estimates are from the U.S. Current Population Survey's Annual Social and Economic Supplement, as well as the historical SPM data series from Fox et al. (2015). The relative poverty measure assesses household resources compared to 50 percent of the national equivalized median household income. See Appendix A for more detail. Error bars represent 95% confidence intervals.

The 2021 SPM rate is more than 15 percentage points lower than its value in 1967, and more than 10 percentage points lower than any year prior to 2019. The relative child poverty rate in 2021 marks the first time since at least 1967 that the US child poverty rate fell below 15 percent. Notably, the pre-tax/transfer poverty rates in 2021 are unremarkable, and are not notably lower than in prior years. In fact, the pre-tax/transfer rates increased from 2019 to 2021 despite the large decrease in the post-tax/transfer poverty rates. This fact speaks to the large role of income taxes and transfers in reducing child poverty rates in the US in recent years, and 2021 especially. In Appendix B, we provide details of the 2021 CTC expansion and the EIP and

demonstrate that the record-low child poverty rates can be largely attributed to these temporary benefit expansions.

Figure 2: Percent reductions in US poverty rates due to taxes and transfers, 1967-2021

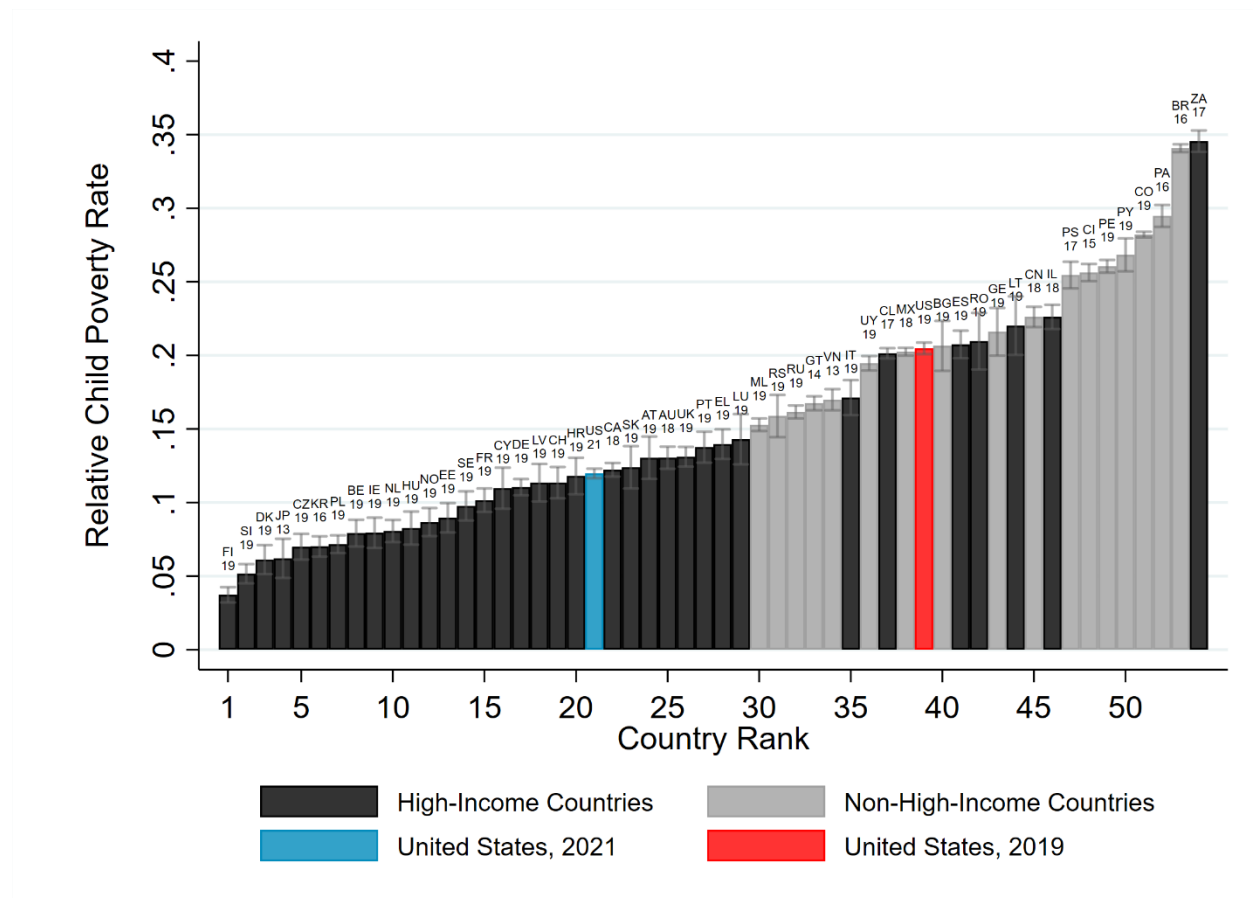


Note: These estimates are from the U.S. Current Population Survey's Annual Social and Economic Supplement, as well as the historical SPM data series from Fox et al. (2015). The relative poverty measure assesses household resources compared to 50 percent of the national equivalized median household income. See Appendix A for more detail.

To document the role of taxes and transfers in achieving these record-low poverty rates, Figure 2 visualizes the percent reduction in child poverty rates due to income transfers (or, the relative decline in child poverty rates when examining the year's post-tax/transfer poverty rate compared to the pre-tax/transfer poverty rate). In 2021, taxes and transfers reduced the U.S. child poverty rate by 76 percent. This is the largest percent reduction in the child poverty rate due to

taxes and transfers in US history. For context, the mean percent reduction from 1967 through 2019 was 24 percent.

Figure 3: Relative child poverty rates in the US (2019 and 2021) versus 51 other countries

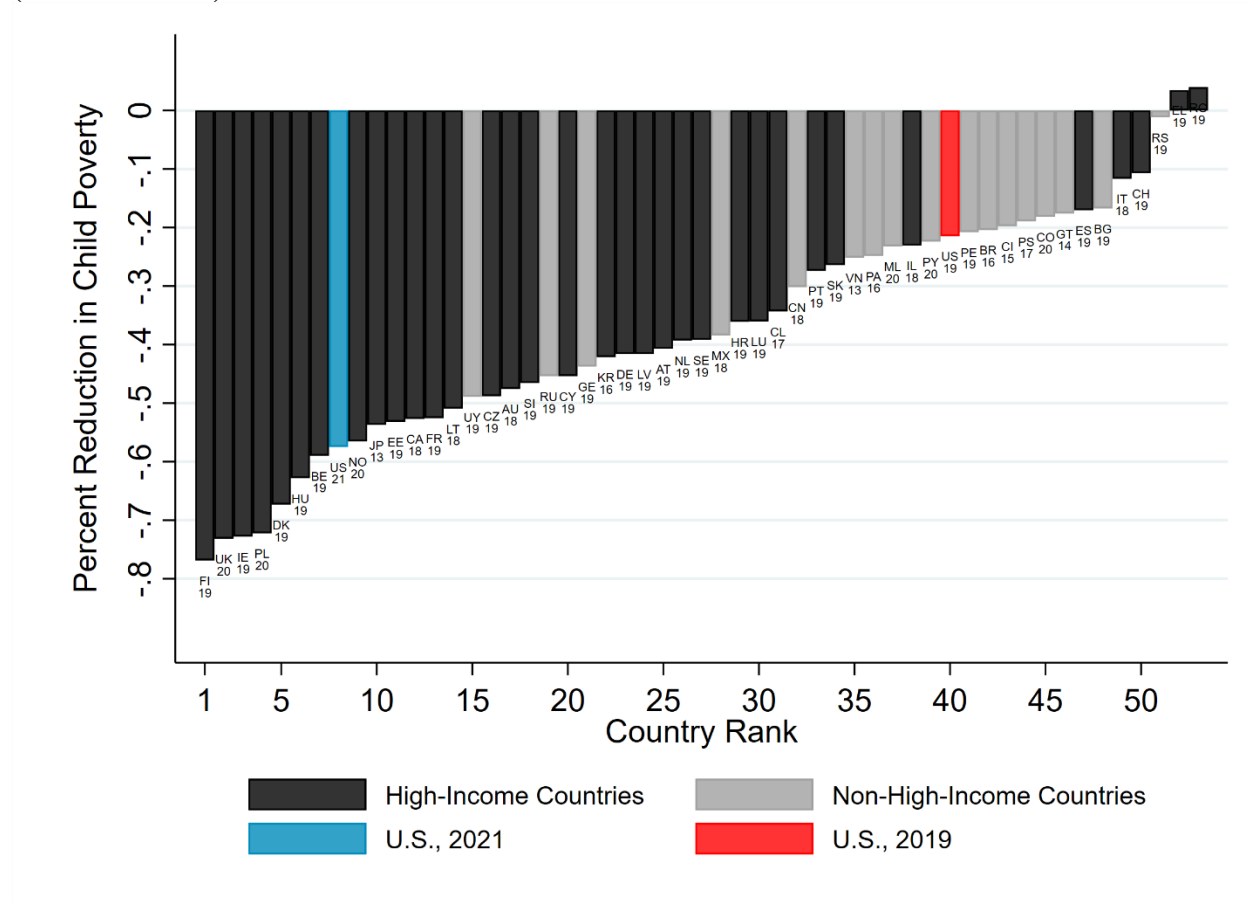


Note: US estimates are from the U.S. Current Population Survey’s Annual Social and Economic Supplement. Data for other countries are from EU-SILC and LIS, the Cross-National Data Center in Luxembourg. The relative poverty measure assesses household resources compared to 50 percent of the national equivalized median household income. We apply World Bank classifications of “high-income” countries. See Appendix A for country abbreviations and more detail. Error bars represent 95% confidence intervals.

In line with our second objective, Figure 3 compares the US child poverty rates in 2019 and 2021 to levels from other countries for which we have comparable data. As detailed in Appendix A, our primary analysis compares the U.S. performance to pre-pandemic baselines for each country (generally taken from 2019 income data); this allows us to maximize country coverage and benchmark the 2021 US performance relative to more ‘standard’ poverty rates in

other countries. Later, we also compare the U.S. performance to pandemic-era poverty rates for a smaller set of countries for which data are available. We include both high-income and middle-income countries for which we have data, though we signal the categories through different bar colors in Figure 3 (black bars indicate countries that the World Bank deems as high-income countries). In 2019, the relative child poverty rate in the US ranked 39th among the 54 country-years examined, comparable to levels observed in Bulgaria and Mexico, and twice the rate of that in Germany. In 2021, however, the relative child poverty rate in the US ranked 21st among the 54 country-years examined, comparable to levels in Switzerland and Germany.

Figure 4: Percent reduction in relative child poverty rates due to taxes and transfers in the US (2019 and 2021) versus 51 other countries



Note: US estimates are from the U.S. Current Population Survey's Annual Social and Economic Supplement. Data for other countries are from EU-SILC and LIS, the Cross-National Data Center in Luxembourg. The relative poverty measure assesses household resources compared to 50 percent of the national equivalized median household income. We apply World Bank classifications of "high-income" countries. See Appendix A for country abbreviations and more detail.

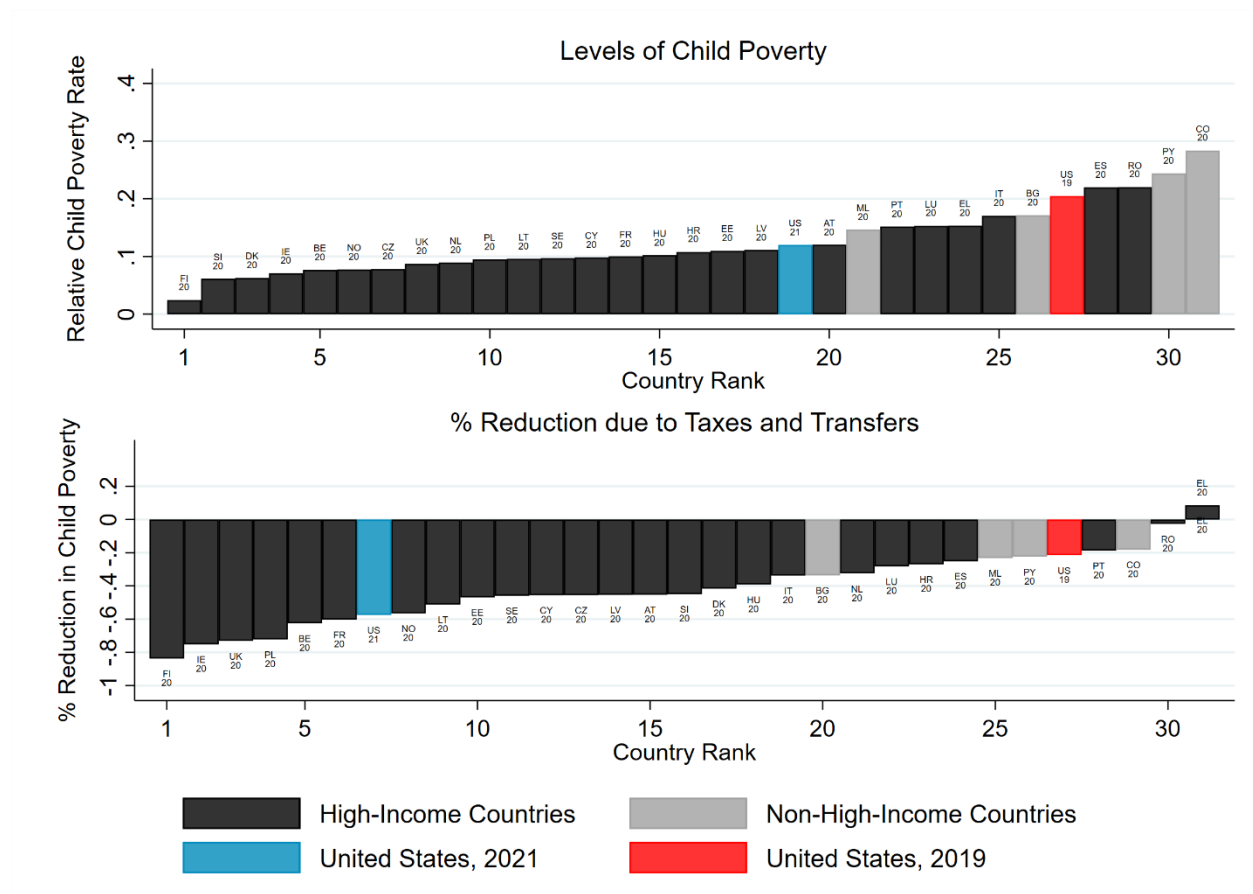
Figure 4 documents the percent decline in poverty rates due to taxes/transfers by country. In 2019, taxes and transfers reduced the US relative child poverty rate by 21.5 percent, comparable to the reduction effect of Paraguay, Peru, and Brazil, and less than half the reduction effect observed in Norway. In 2021, taxes and transfers reduced the US relative child poverty rate by 57.5 percent, placing the US among the ranks of Norway and Belgium. In Appendix B, we provide further evidence that the 2021 expansions to the CTC and the EIP payment contributed most to these strong reductions in poverty in the US.

PANDEMIC-ERA COMPARISONS

Figure 5 restricts the poverty comparisons only to countries for which pandemic-era data is available; thus, all estimates are from either 2020 or 2021, as labeled, and are primarily from the European Union. Though the U.S. experienced a large drop in poverty rates during the pandemic, the average EU country did not (the mean change from 2019 to 2020 in the EU was - 0.1 percentage point). Consider that these countries had strong welfare states and lower poverty rates to begin with, and many of these countries already featured a universal child allowance prior to the pandemic (unlike the US, which introduced its temporary version in 2021). Moreover, the social policy response to the pandemic in the EU focused predominantly on job retention schemes. The increase in social protection expenditure in 2020 across EU countries was relatively large by historical standards (an increase of 6.8 percent per capita in the EU compared to 2019) though, within the social protection budget, employment expenditures (74.8 percent increase) increased substantially relative to expenditures on family and child support (5.6 percent increase).¹

¹ These data are from publicly available Eurostat figures accessed on September 18, 2023, using the variable [spr_exp_sum].

Figure 5: Relative child poverty rates and percent reductions due to taxes/transfers in the US (2019 and 2021) versus other countries with data available in 2020 or 2021



Note: Sample is limited to countries with estimates during the COVID-19 pandemic. US estimates are from the U.S. Current Population Survey's Annual Social and Economic Supplement. Data for other countries are from EU-SILC and LIS, the Cross-National Data Center in Luxembourg. The relative poverty measure assesses household resources compared to 50 percent of the national equivalized median household income. We apply World Bank classifications of "high-income" countries. See Appendix A for country abbreviations and more detail.

As a result, EU poverty rates were relatively stable from 2019 to 2020, and thus our conclusions are largely unchanged when restricting countries to pandemic-era poverty rates. The US performance advanced the country from having a poverty rate was nearly twice Austria's in 2019 to being on level with Austria in 2021 (see top panel). Similar to our primary findings, the US in 2021 was cutting child poverty with taxes and transfers at the rate of Belgium, France, and Norway in 2020 (see bottom panel).

ALTERNATIVE POVERTY MEASURES

We present results from several alternative poverty measures in our appendices. In Appendix Figures C1 and C2, we document the 2021 US performance using an absolute (‘fixed’) measure of poverty in which all countries and years are evaluated to 50 percent of the U.S. median in 2021. We update income values in all country-years using the Consumer Price Index (CPI) and Purchasing Power Parity (PPP) deflators to directly compare absolute monetary values. Figure C1 shows that absolute poverty rate also reached a record low in the U.S. in 2021. Figure C2 shows that, when applying this absolute poverty measure in cross-national comparisons, the US advanced from 10th in the rank order of available countries in 2019 to 2nd (only trailing Norway) in 2021.

In Figure C3, we evaluate relative US poverty trends when applying the modified OECD equivalence scale and when setting the relative poverty line at 60 percent of median income. The change in equivalence scale has no meaningful effect on levels or trends. Setting the poverty threshold at 60 percent of median increases levels of poverty in any given year, but does not affect trends. In Figure C4, we compare international poverty rates using this 60 percent of median poverty threshold. The large increase in the US performance from 2019 to 2021 is comparable to the results demonstrated in our primary analyses.

DISCUSSION

Child poverty rates are typically higher in the US compared to peer nations, at least when measured using a relative (percent-of-median) measure. After the American Rescue Plan Act, however, the American welfare state temporarily featured an unconditional child allowance and also provided a one-off Economic Impact Payment (EIP) (Parolin, 2023). These policy changes contributed to the lowest child poverty rates in US history (since at least 1967, when reliable

income data first became available). This is true whether examining trends in the Supplemental Poverty Measure, a US-specific tool for measuring poverty; a relative poverty measure, in which the poverty threshold is set at 50 or 60 percent of equivalized national median household income; or an absolute poverty measure, in which we fix the poverty threshold at the 2021 relative poverty line.

The US tax and transfer system contributed to the largest reduction in child poverty rates (relative to pre-tax/transfer rates) in US history in 2021, placing the relative decline in child poverty on par with countries such as Denmark and Norway. Regarding levels of child poverty, the US advanced from a relative child poverty rate that was roughly twice that of Germany's in 2019 to being on par with Germany's in 2021.

However, the US's success was temporary. The income supports that led to its record-low child poverty rate expired after 2021; in turn, the SPM child poverty rate in 2022 rebounded to 12.4 percent, a more-than-doubling from the 2021 rate. The rebound in 2022 poverty emphasizes the exceptionality of 2021 and the usefulness of placing the 2021 rate in international and historical context. As scholars and policymakers go on to debate why the US tends to have higher child poverty rates than other countries, and the relative role of demographic composition, structural forces, or politics and institutions in shaping poverty, the example of 2021 now serves as an integral source of evidence regarding the role of child-oriented policies in improving the U.S.'s relative standing (Brady et al., 2017; Chen & Corak, 2005; Gornick & Jäntti, 2012). Specific policy changes, such as the provision of an unconditional cash allowance, can help bring the US in line with child poverty rates of peer nations (Rainwater & Smeeding, 2005).

One perspective could see the exceptional US policy response of 2021 as a temporary response to quell discontent in the midst of the pandemic (Piven & Cloward, 1972); a counter-

perspective, however, would acknowledge that the 2021 poverty rates in the US were even lower than 2020, when the pandemic's labor market effects peaked, and that the key policy responses that the US introduced were present in other high-income countries prior to the pandemic. Regardless, the policy efforts showed that the US is capable of reducing child poverty to the extent of other high-income countries. Evidence suggests that returning to those low child poverty rates in the future would help the country reduce temporary hardships and increase children's longer-run well-being and economic productivity (National Academy of Sciences, 2019).

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APPENDICES

APPENDIX A: Data and Methods

Measures of Poverty: This study’s primary findings feature two different measures of poverty: the Supplemental Poverty Measure (SPM; exclusively producible for the US) and a ‘relative’ measure of poverty, referring to the percent-of-median poverty measure commonly applied outside of the U.S. and in internationally-comparable estimates of poverty. We also present results with an absolute poverty measure in Appendix D. We estimate both pre-tax/transfer and post-tax/transfer measures of poverty, a common practice to identify the role of the country’s tax and transfer system in reducing poverty rates. Table A1 outlines the core differences between the SPM and relative poverty measures.

Table A1: Summary of differences between poverty measures

	Supplemental Poverty Measure	Relative Poverty Measure
Time and Country	United States, 1967-2021	All countries and years
Measurement of Resources	All taxes and transfers, minus out-of-pocket expenses related to work, medical care, and child support paid to other households	All taxes and transfers
Poverty Threshold	Set based on a five-year moving average of expenditures on food, clothing, shelter, and utilities; varies regionally based on local housing costs	Set at 50% of the national equivalized median household income in the given year
Income Sharing Unit	Resource-sharing units (in 95%+ of cases, this is equivalent to the household, but some households have multiple units)	Household
Equivalence Scale	Poverty thresholds vary by family size, so household incomes are not directly applied an equivalence scale	Square root equivalence scale applied to household income
Income Accounting Period	Annual income received during the calendar year	Annual income received during the calendar year

Note: Regarding the income accounting period, income surveys typically ask about income received in the prior calendar year. For example, the 2022 CPS ASEC provides income for the calendar year 2021. One exception is the UK, in which the survey year and income reference year are identical. In all cases, our year values represent the income reference year and not necessarily the survey year.

The SPM is commonly used in US-focused poverty research (Fox & Burns, 2021; Short, 2012). Unlike the US official poverty measure, the SPM includes all taxes and transfers, including benefits from refundable tax credits and food/nutrition assistance (such as benefits from the Supplemental Nutrition Assistance Program). The resource definition of the SPM also deducts expenses related to work, medical care, and child support, unlike the relative poverty measures commonly applied in international and comparative research. The SPM thresholds vary based on family size, local housing costs, and whether the resource unit is renting or owns its place of residence (and, among owners, whether the mortgage is being paid or is paid off). The SPM poverty threshold for a two-adult, two-child family renting a home in an average-cost city was \$31,453 in 2021.

The relative poverty measure, which is commonly applied in internationally comparative research, applies a poverty threshold set at 50 percent of the national equivalized median income for the country and year. Income is measured at the household level. We apply a square root equivalence scale, which accounts for economies of scale by dividing household income by the square root of the number of household members. Results are not meaningfully changed if we apply the modified OECD equivalence scale. The relative poverty threshold in the US was \$39,793 before equivalizing household incomes, and \$23,365 after equivalizing household incomes.

We follow established practice in international poverty measurement in primarily presenting post-tax/transfer measures of poverty (Atkinson, 2019). Our post-tax/transfer measures of poverty include near-cash benefits such as food and nutrition support (primarily relevant for the US), but do not include the monetary value of publicly-provided services (such as education or healthcare), following common practice in the literature. Our pre-tax/transfer measures include all private income, such as earnings from employment, but also capital income gross of income taxes or social security contributions. The difference between the post-tax/transfer and pre-tax/transfer estimates in a given year is commonly applied, as in this study, to assess the relative strength of a country's tax and transfer system; this is an accounting exercise, however, and does not take into account behavioral differences should the tax and transfer system be altered (Gornick & Jäntti, 2012).

In comparing the relative performance of the US to other countries, we primarily focus on progress from 2019 to 2021, as the intervening year (2020) marked the start of the COVID-19 pandemic and featured an unusual set of pandemic-related stimulus checks and expanded unemployment benefits (Fox & Burns, 2021). Figures 1 and 2 (US comparisons over time) include all years, including 2020.

Data Sources: For our US measures of poverty, we rely exclusively on the Current Population Survey's Annual Social and Economic Supplement (CPS ASEC), the dataset commonly applied to estimates of poverty and household income. We download datasets from IPUMS (Flood et al., 2018). We compute relative poverty rates directly from the CPS ASEC datasets from 1967 through 2021. To compute SPM poverty rates, we use the historical SPM series within the CPS ASEC from Wimer et al. (2016) and Fox et al. (2015). The Census Bureau adopted a new processing system in 2018, which contributed to a slightly lower (around 1 percentage point)

SPM poverty rate as a result; this difference does not meaningfully affect our trends. Our 2019 US estimates apply public-use weights that adjust for non-response during the COVID-19 pandemic.

Our non-US estimates come from LIS, the Cross-National Data Center in Luxembourg; or the European Union’s Statistics on Income and Living Conditions (SILC). LIS and SILC both provide harmonized micro-data across a wide range of countries. LIS collects data from national statistical agencies, and includes middle-income and non-European countries (in addition to high-income European countries), while SILC provides data for all EU Member States. We prioritize poverty estimates from 2019, the year prior to the onset of the COVID-19 pandemic. In a subsequent appendix, we present results with poverty rates from 2020 for available countries. For countries observed in both the LIS and SILC datasets in 2019, we prioritize the LIS estimates for convenience; by definition, the estimates do not vary meaningfully for most countries observed in SILC and LIS. (Rare exceptions are European countries in which SILC is not the input data used in LIS, such as in Germany).

Given the criteria above, we adopt a broad approach to case selection: we include all countries that have micro-data available in LIS or SILC from at least 2012. This includes all EU Member States and common comparison countries to the US, such as Australia, Canada, and the United Kingdom. An alternative approach would be to arbitrarily exclude certain countries, but such a practice is difficult to defend. We separate higher- and lower-income countries with alternate colors in our primary findings. Table A2 provides the data source used for each of our estimates, and also clarifies the country abbreviations used in the study’s primary results.

Table A2: Data sources and country abbreviations

Country	Abbreviation	Data Source
Australia	AU	Survey of Income and Housing (via LIS)
Austria	AT	EU-SILC
Belgium	BE	EU-SILC
Bulgaria	BG	EU-SILC
Brazil	BR	National Continuous Household Sample Survey (via LIS)
Switzerland	CH	EU-SILC
Cyprus	CY	EU-SILC
Czechia	CZ	EU-SILC
Canada	CA	Canadian Income Survey (via LIS)
Chile	CL	National Socio-Economic Characterization Survey (via LIS)
China	CN	Chinese Household Income Survey (via LIS)
Colombia	CO	Great Integrated Household Survey (via LIS)
Denmark	DK	EU-SILC
Estonia	EE	EU-SILC
Spain	ES	EU-SILC
Finland	FI	EU-SILC
France	FR	EU-SILC
Georgia	GE	Household Income and Expenditure Survey (via LIS)
Germany	DE	German Socio-Economic Panel (via LIS)
Greece	EL	EU-SILC

Guatemala	GT	National Survey of Living Conditions (via LIS)
Croatia	HR	EU-SILC
Hungary	HU	EU-SILC
Ireland	IE	EU-SILC
Italy	IT	EU-SILC
Israel	IL	Household Expenditure Survey (via LIS)
Ivory Coast	CI	Household Living Standards Survey (via LIS)
Japan	JP	Japan Household Panel Survey (via LIS)
Lithuania	LT	EU-SILC
Latvia	LV	EU-SILC
Luxembourg	LU	EU-SILC
Mali	ML	Modular and Permanent Household Survey (via LIS)
Mexico	MX	Household Income and Expenditure Survey (via LIS)
Netherlands	NL	EU-SILC
Norway	NO	Household Income Statistics (via LIS)
Portugal	PT	EU-SILC
Palestine	PS	Palestine Expenditure and Consumption Survey (via LIS)
Panama	PA	Continuous Household Survey (via LIS)
Paraguay	PY	Continuous Household Survey (via LIS)
Peru	PE	National Household Survey (via LIS)
Poland	PL	Household Budget Survey (via LIS)
Romania	RO	EU-SILC
Russia	RU	Survey of the Population Income and Participation in Social Programs (via LIS)
Sweden	SE	EU-SILC
Slovenia	SI	EU-SILC
Slovakia	SK	EU-SILC
Serbia	RS	EU-SILC
South Korea	KR	Household Income and Expenditure Survey and Farm Household Income and Expenditure Survey (via LIS)
United Kingdom	UK	Family Resources Survey (via LIS)
United States	US	CPS ASEC
Uruguay	UY	Continuous Household Survey (via LIS)
Vietnam	VN	Vietnam Household Living Standards Survey (via LIS)
South Africa	ZA	National Income Dynamics Study (NIDS)

Note: LIS = Luxembourg Income Study, which harmonizes input data from national statistical agencies. EU-SILC = European Union's Survey on Income and Living Conditions. CPS ASEC = Current Population Survey Annual Social and Economic Supplement.

APPENDIX B: The American Rescue Plan Act

In March 2021, the U.S. Congress passed the American Rescue Plan (ARP) Act, which featured, among other changes, the provision of an Economic Impact Payment (EIP), a renewed extension of more generous and accessible unemployment benefits, and a large expansion of the Child Tax Credit (CTC) for one tax year. With respect to child poverty rates, the latter change is most notable. Prior to the CTC's expansion, tax filers could receive a non-refundable tax credit of up to \$2,000 per qualifying child per year (Crandall-Hollick, 2021). To be a qualifying child for the CTC, the child must be a taxpayer's dependent under the age of 17. The CTC only benefited households with positive taxable income and tax liability, leaving the lowest-income families with children with little or no benefit. One in three children did not receive the full benefit value because their families did not earn enough to qualify for it. Children with single parents, those in rural areas, those in larger families, and Black and Latino children were disproportionately ineligible for the full credit (Goldin & Michelmore, 2020).

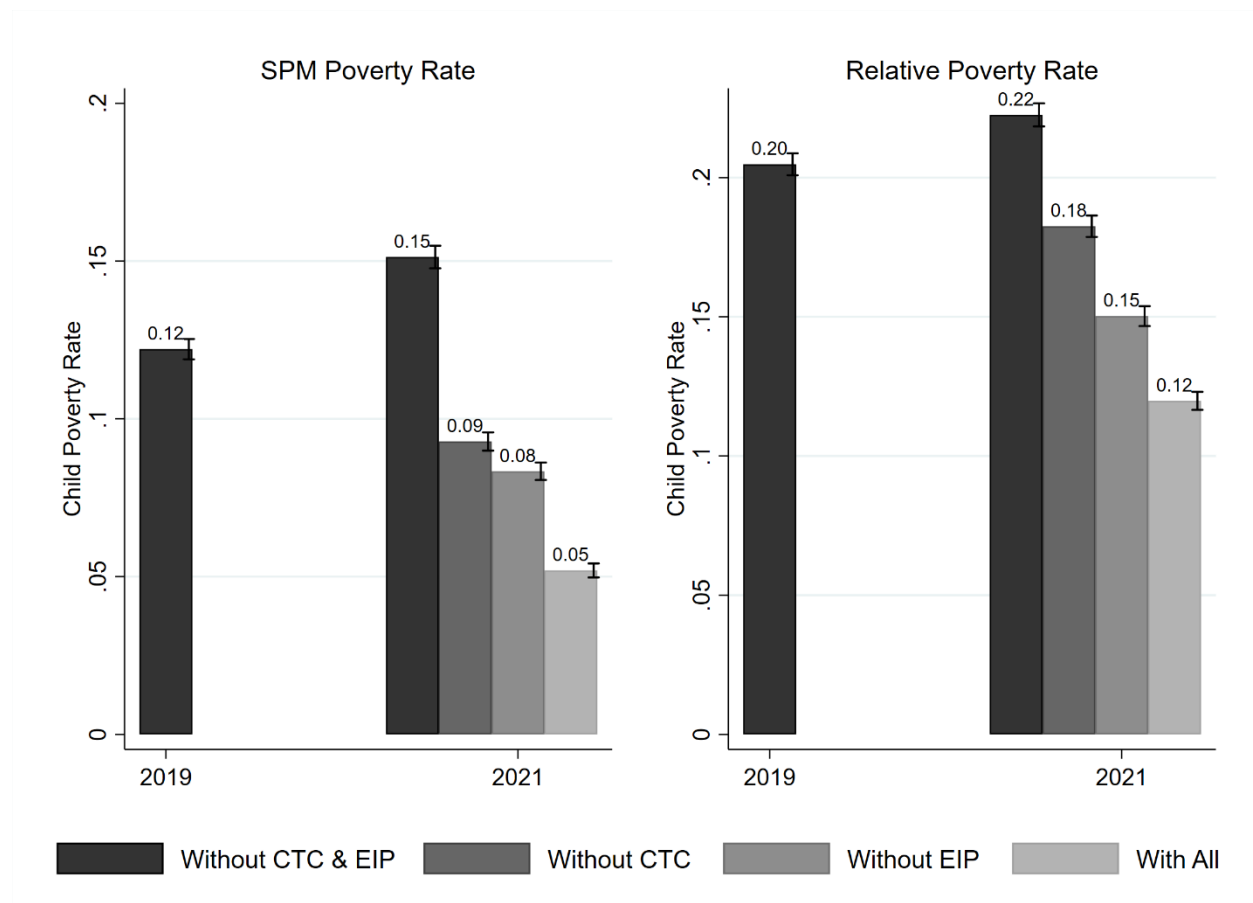
The ARP made the full benefit of the CTC fully refundable, meaning that it was available even to those in families with the lowest incomes who had been previously excluded. As a result, nearly all tax units with children were eligible to receive the payments in 2021 and 2022. Additionally, the ARP increased the maximum annual credit value to \$3,000 per child aged 6-17 and \$3,600 per child under 6. Half of the benefits were distributed in monthly installments (up to \$250 per older child, \$300 per younger child) between July and December 2021. Families then received the other half of the credit (up to \$1,800 per child) in a single, lump-sum payment when they filed taxes. The Internal Revenue Service reported that payments covering more than 60 million children were distributed in any given month between July and December 2021 (U.S. Department of the Treasury, 2021).

In the CPS ASEC, respondents self-report whether they received the advance CTC payments provided in 2021. An estimated 67.5 percent of children are in family units that report receiving the benefits (Bee et al., 2022). Families not reporting receipt of the benefit are not allocated the advanced portion of the payments; thus, underreporting of benefit receipt in the CPS ASEC may understate the CTC's real poverty-reduction effect. Census simulates the lump-sum payment (half the total CTC value) provided at tax time; consistent with prior treatment of taxes in the CPS ASEC, the lump-sum payment is provided to all tax units in the CPS ASEC who appear to be eligible, regardless of whether they reported receiving the advance CTC payments.

In contrast, the EIP was a one-off payment, often referred to as a *stimulus check*, that provided \$1,400 per person. To qualify for the full payment, the income of the tax filing unit must have been below \$75,000 for single tax filers and \$150,000 for couples filing jointly.

Figure B1 visualizes child poverty rates before and after accounting for the 2021 CTC benefits, and before and after accounting for the EIP.

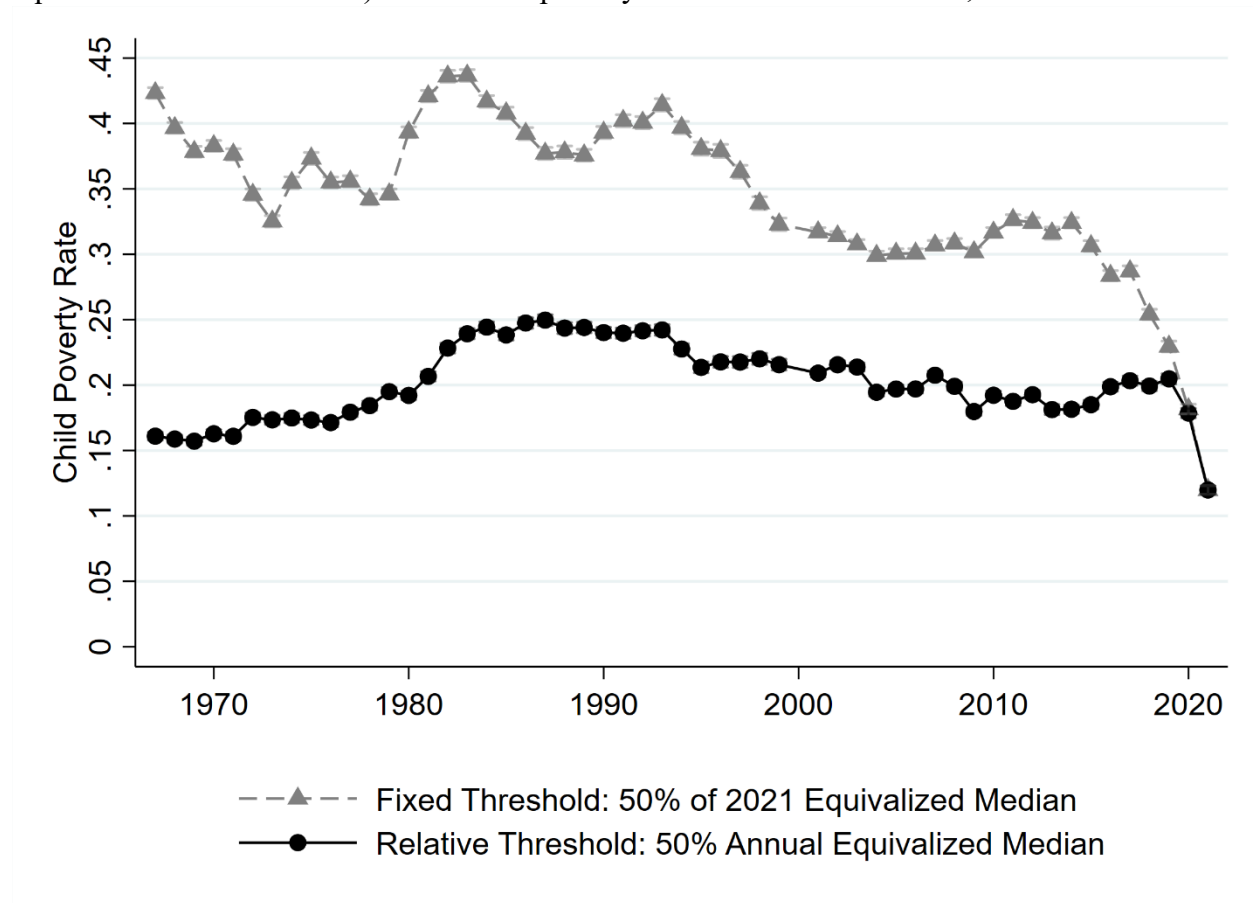
Figure B1: US Child Poverty Rates Before and After Accounting for the Child Tax Credit and Economic Impact Payment



Note: These estimates are from the U.S. Current Population Survey's Annual Social and Economic Supplement. The relative poverty measure assesses household resources compared to 50 percent of the national equivalized median household income. Error bars represent 95 percent confidence intervals. See Appendix A for more detail. For reference, excluding the (pre-expansion) CTC in 2019 increases the SPM child poverty rate from 12% to 15%, and increases the relative child poverty rate from 20% to 24%.

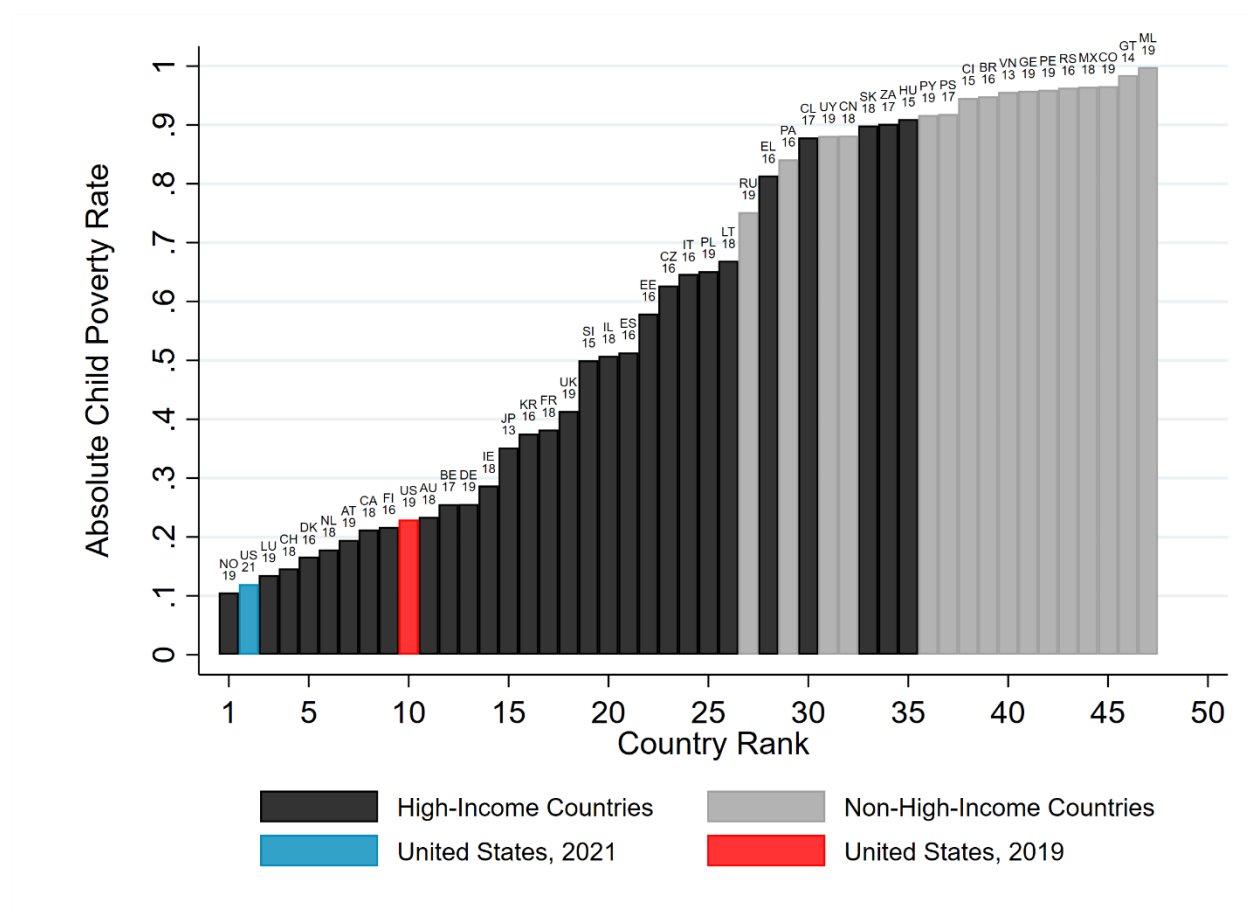
APPENDIX C: Alternative Poverty Measures

Figure C1: Trends in absolute poverty rates (fixed poverty threshold at 50% of 2021 national equivalized median income) and relative poverty rates in the United States, 1967 to 2021



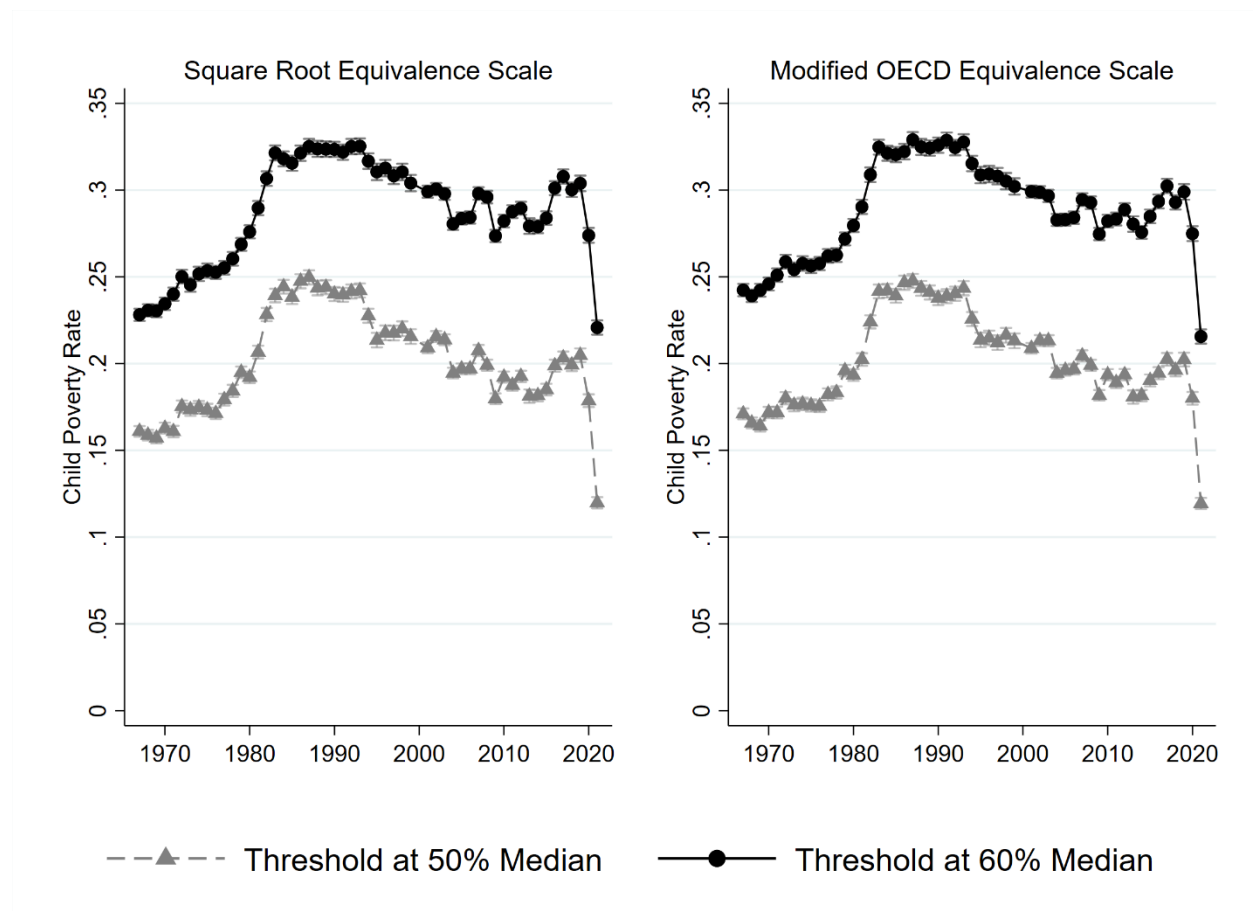
Note: These estimates are from the U.S. Current Population Survey's Annual Social and Economic Supplement. The relative poverty measure assesses household resources compared to 50 percent of the national equivalized median household income. The fixed threshold keeps the poverty threshold at 50 percent of the 2021 median across all years (with incomes in all years converted to 2021 USD using the CPI). See Appendix A for more detail.

Figure C2: Comparing absolute poverty rates across countries with thresholds fixed at value of 50% of national median equivalized income in the United States in 2021



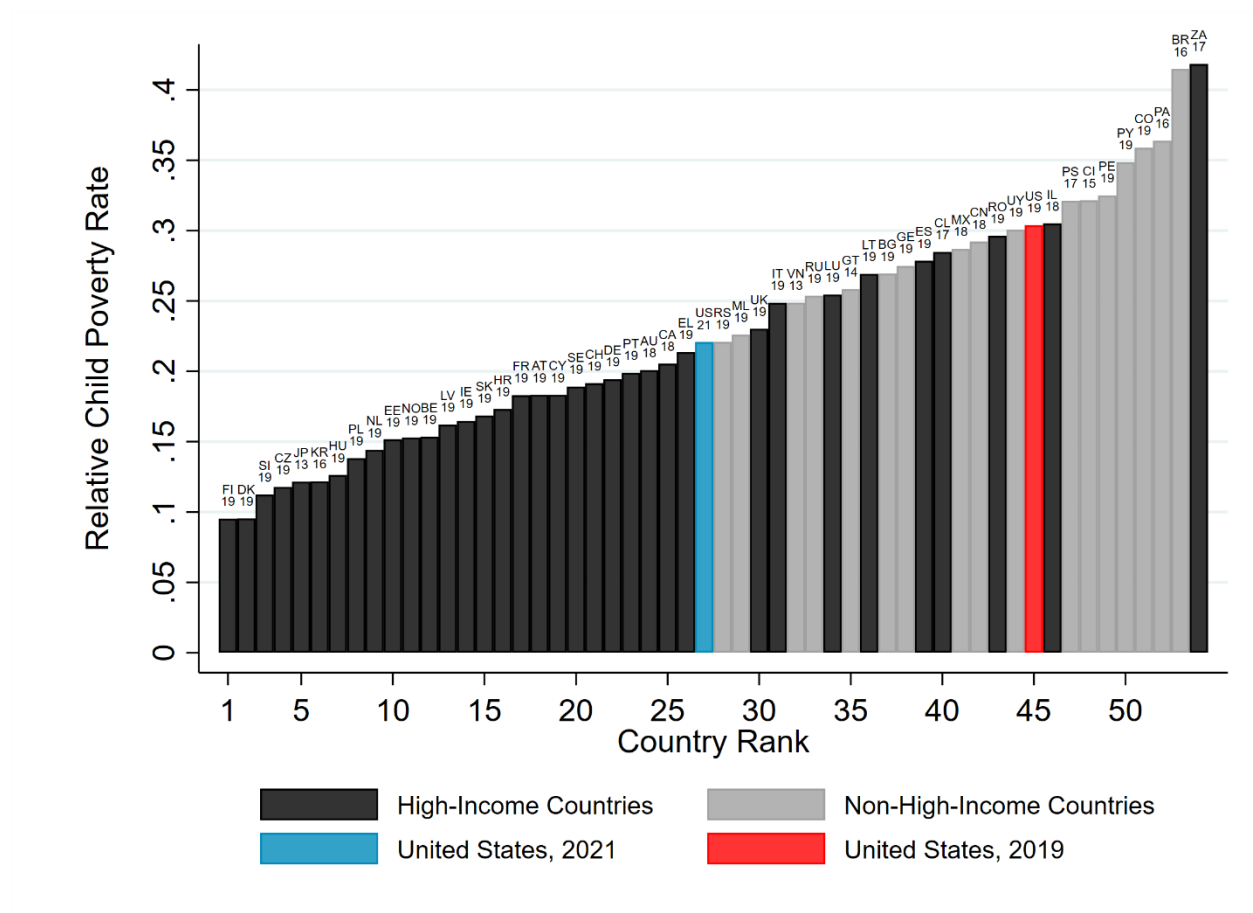
Note: US estimates are from the U.S. Current Population Survey's Annual Social and Economic Supplement. Data for other countries are from EU-SILC and LIS, the Cross-National Data Center in Luxembourg. The fixed poverty threshold keeps the poverty threshold at 50 percent of the 2021 US median across all countries and years (with incomes in all country-years converted to 2021 USD PPPs). We apply World Bank classifications of "high-income" countries. See Appendix A for country abbreviations and more detail.

Figure C3: Trends in relative poverty rates in the United States, 1967 to 2021, by choice of poverty threshold and equivalence scale



Note: These estimates are from the U.S. Current Population Survey's Annual Social and Economic Supplement.

Figure C4: Comparing poverty rates across countries with thresholds fixed at value of 60% of national median equivalized income (instead of 50%)



Note: US estimates are from the U.S. Current Population Survey's Annual Social and Economic Supplement. Data for other countries are from EU-SILC and LIS, the Cross-National Data Center in Luxembourg. The relative poverty measure assesses household resources compared to 60 percent of the national equivalized median household income. We apply World Bank classifications of "high-income" countries. See Appendix A for country abbreviations and more detail.