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Explaining the Single Parent Penalty

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What is the purpose of the child tax credit, and why should we increase it?
The child tax credit (CTC) **was created in 1951 to offset the costs of raising a child** by lowering the amount that the parent owes in taxes each year. Currently, the CTC is worth up to $2,000 per child under age 17. The increased cost of and need for child care during the pandemic has prompted a proposed increase in the CTC to **$3,600 per child under age 6 and $3,000 per child between the ages of 6 and 17**.

Who qualifies for the Child Tax Credit? To target relief to families that need it most, parents must make below a certain income each year, after which point they receive less of the Child Tax Credit or become ineligible. These **phaseout thresholds** are:

- $150,000 for filers who are married and filing jointly with their spouse
- $112,500 for unmarried filers with at least one dependent (head of household)

What is the historic justification for the distinction between single and married parents and why is it flawed? The original drafters believed that since single parents have one fewer adult in the home, they need less to make ends meet. The purpose of the Child Tax Credit is to offset the costs of raising a child, such as quality child care and after school programs, nutritious food, and safe housing. Raising a child costs the same whether you're married or single. In fact, single parents must secure child care to work outside the home, which sometimes is unnecessary for married couples.

How does the proposed Child Tax Credit in the American Rescue Plan create a single parent penalty using income thresholds? This is best illustrated by a hypothetical.

- The **married filing jointly** Moore Family has an annual household income of $150,000. They have three children, ages 2, 4, and 5, with estimated annual expenses of $55,848 ($17,628 for child care plus $38,220 for child costs including housing, food, and school supplies.) Under the current proposal, the **Moore Family will receive $4,800 from the expanded Child Tax Credit**.

- The Smith Family, headed by a single parent filing as **head of household**, has an annual household income of $135,000. They have the same number and ages of children and exactly the same expenses as the Moores. Under the current proposal, the **Smith Family will only receive $1,425 in Child Tax Credit**.

The single-parent family earns $15,000 less than the married family, and then that income disparity is sharpened by the single parent penalty: children in the single-parent household receive one-third of the amount as identical children with married parents.

The child costs in these two households are the same. But the married parents will get more help giving their children their children nutritious food, quality child care, adequate housing, and medical care such as dental and vision care.

How can we eliminate the single parent penalty? This bill should use the same income threshold for married and single parents—$150,000 adjusted gross income. There is no discount in the costs and economic hardships of raising a child for single parents or guardians. Failing to treat tax filers equally hurts hundreds of thousands of children in single-parent families. In California's 45th Congressional District alone, the change could help **as many as 4,500 single-parent families**.