National Academies Roundtable on Population Health Improvement

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Tax Policy and Population Health

- Tax policy is a structural determinant of health — shaping income, housing, and opportunity.
- Credits like the CTC, EITC, and LIHTC redistribute resources across families and communities.
- Their design determines who benefits, how much, and with what downstream effects on well-being.

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- 2001–2017: Higher per-child amounts; partial refundability for low earners.
- 2017 (TCJA): Credit doubled to $2,000 (offset by elimination of dependent exemptions).
- 2021 (ARP, temporary): Fully refundable, $3,000–$3,600 per child, monthly payments; only year the CTC really helped low-income families.

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- 2021 (ARP, temporary): Fully refundable, \$3,000–\$3,600 per child, monthly payments; only year the CTC really helped low-income families.
- Currently, families can claim up to \$2,000 per child, with up to \$1,700 refundable.
- CTC costs about \$122 billion per year.

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  - In 2023, 70% of CTC dollars went to families earning above $50,000.
  - Families earning under $30,000 received less than 10% of the benefits.

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  - In 2023, 70% of CTC dollars went to families earning above $50,000.
  - Families earning under $30,000 received less than 10% of the benefits.
- Full CTC benefits extend to households earning up to $400,000 (married) or $200,000 (single).
- This structure disproportionately excludes Black and Latino children, who are more likely to live in low-income households.
- As a result, the CTC is both more costly and less effective at reducing poverty than the EITC.

State Child Tax Credits

- Over a dozen states now operate CTCs, many refundable and focused on children under age 6 or 17.
- Examples:
  - **Colorado (2023):** Refundable up to $1,200 per child under 6; phases-in with earnings.
  - **Minnesota (2023):** Fully refundable up to $1,750 per child under 17; phases-in with earnings.
  - **New Mexico (2022):** Fully refundable up to $600 per child under 17; available to all and does not require earnings.
  - **California (2019):** Fully refundable Young Child Tax Credit up to $1,117 per child under 6; available to all and does not require earnings.

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  - **California (2019):** Fully refundable Young Child Tax Credit up to $1,117 per child under 6; available to all and does not require earnings.
- Design matters: refundability and phase-in determine reach to lowest-income families.
- Evidence: State CTCs reduce child poverty, improve family stability, and relieve financial stress — key health pathways.
- Minimal impact on work incentives (Goldin et al., 2024)

Earned Income Tax Credit (EITC)

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- Over 30 states (plus D.C.) operate supplemental EITCs, usually as a percentage of the federal credit.
  - **Illinois, Massachusetts, New Jersey:** 40% of federal EITC.
  - **Minnesota:** State "Working Family Credit," about 40% of federal EITC on average.
  - **Colorado:** 50% of federal EITC.
  - **Louisiana:** 10% of federal EITC.
  - **District of Columbia:** 70% of federal EITC; will rise to 100% in 2026.
- Policy design varies: refundability, age eligibility, income thresholds, and additional child supplements.
- State EITCs magnify federal benefits, reduce poverty, and increase after-tax income for low-wage workers.

Evidence: Economic Security, Poverty, and Work

- **Economic Security:** CTC and EITC reduce child poverty and deep poverty; families report fewer hardships such as food insecurity and missed bills (Shaefer et al., 2020; Maag, 2019; Bastian, 2024).
- **Stability:** Refundable credits increase liquidity and savings (Michelmore and Jones, 2018).
- **Labor Supply:** EITC strongly increases employment of single mothers, with larger effects on entering work than on hours worked (Hoynes & Patel, 2018; Bastian and Jones, 2021).
- Concern that fully refundable CTC expansion could reduce work incentives, though these effects are small and much smaller than the positive effects on families (Michelmore & Shaefer, 2022; Goldin et al., 2024).

Evidence: Health, Education, and Long-Term Outcomes

- **Health:** Mothers experience improved mental health and reduced stress; infants have higher birthweights and fewer low-birthweight births (Mendenhall et al., 2012; Hoynes, Miller, & Simon, 2015).
- **Family Well-Being:** More stable housing, improved nutrition.
- **Child Development:** Higher test scores, better attendance, and greater HS completion (Dahl & Lochner, 2012; Chetty et al., 2011).
- **College and Adulthood:** Increased college enrollment and completion; in adulthood, children exposed to credits work more, earn higher incomes, and report better health (Bastian & Michelmore, 2018; Manoli and Turner, 2018).
- **Pathways:** Income stability, reduced toxic stress, and greater educational investment drive long-run effects (Braga et al., 2020; Shaefer et al., 2020).

Low-Income Housing Tax Credit (LIHTC)

- Big picture: Rising awareness of the importance of affordable housing and neighborhood quality, in determining short-run, long-run, and intergenerational outcomes (Council of Economic Advisers, 2024)

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- Big picture: Rising awareness of the importance of affordable housing and neighborhood quality, in determining short-run, long-run, and intergenerational outcomes (Council of Economic Advisers, 2024)
- Enacted in 1986; primary tool for building and preserving affordable rental housing (Bailey et al., 2020).
- Provides stable housing — a foundational determinant of health and well-being (Diamond & McQuade, 2019).
- Evidence: LIHTC increases housing stability, reduces overcrowding, and improves neighborhood quality (Eriksen & Rosenthal, 2010; Baum-Snow & Marion, 2009).
- Locating LIHTC units in high-opportunity areas supports children's educational and health outcomes (Chetty, Hendren, & Katz, 2016).

Tax Policy and Community Capacity

- Design and distribution of tax credits determine how resources flow to families and places.
- Refundable credits strengthen household budgets and reduce strain on safety-net services.
- By addressing income and housing needs, tax credits enhance communities' capacity to support health.
- Policy choices create ripple effects across generations, shaping opportunity and well-being.