

Remarks by Secretary of the Treasury Janet L. Yellen at the White House Child Tax Credit and Earned Income Tax Credit Day of Action

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As prepared for delivery

Thank you, Gene, and thank you all for coming – and, more importantly, thank you for the work you’re doing to make sure these tax credits actually reach the people they’re intended to help. I especially want to thank Vice President Harris. We would not be here today without her work.

You know, there’s a very famous story about Harry Truman. You’ve probably heard it. He once asked to be sent to a one-armed economist. He didn’t like the way his current economic counselors were advising him, always saying “on the one hand,” before making a caveat: “but on the other…” Truman didn’t like the equivocation.

Well, I tell this story because had Harry Truman decided to expand the CTC and the EITC, he would’ve been quite pleased with his advisors. This is an issue where there actually are many “one-armed economists” so to speak. There is very little equivocation that these policies lift up the lives of millions of people and, in doing so, lift up the country. They’re good for the micro and the macro.

I think about the research of economists like Larry Katz at Harvard. There’s a whole body of literature around the EITC and what it does for single mothers and children. It improves mental health. It boosts employment and earnings. But Larry also found that expanding the EITC produces many of the same effects in single people, without children.

There’s also a wide body of research around the Child Tax Credit. For years, economists have studied government payments to families with kids, and they’ve found that the money is linked to all sorts of positive things: better health, higher lifetime earnings, better high school graduation and college attendance rates. One recent study even found some evidence that when governments make cash payments to poorer mothers, there’s better brain development in their babies.

When we took office last January, I think many of us looked at research like this and saw expanding the CTC and the EITC as one of the most promising antipoverty strategies we had in our arsenal – especially in the midst of the pandemic that swept millions of children and family under the poverty line.

And so, that’s what the American Rescue Plan did. President Biden signed it into law about a year ago on Friday. It made tax credits both more generous and fully refundable, meaning that even the lowest income families, could get them.

We had very high hopes for these policies, but as you’ve heard, the results lived up to even our most ambitious expectations. The last year witnessed the largest drop in child poverty in American history. After the first monthly CTC credit went out, food instability among low-income families with children dropped 43 percent. You could even see a nationwide sigh of relief in the data: 70 percent of caregivers reported that they were less stressed about making ends meet.

And here is perhaps the most remarkable part: There’s still so much money on the table. Most families have only received half of their Child Tax Credits – or even less – and workers are only starting to see the expanded Earned Income Tax Credit now, as they file taxes and get their refunds.

I think there’s a common notion – and it’s an understandable one – that once Congress passes a big relief package like the American Rescue Plan, the rest is almost automatic. The biggest hurdle is getting a bill to the president’s desk. The rest is easy.

The truth, though, is that the machinery of government is complicated. It’s rusty in some places, and it was not designed to do exactly this. The American Rescue Plan charged the IRS with figuring out how to get tens of millions of families a monthly advance on this year’s Child Tax Credit. But the agency had never delivered these kinds of payments before. Certainly not on this scale and to families whose incomes were low enough that they weren’t required to file taxes.

This is the problem we’ve spent many late nights solving over the past year, and your organizations have helped us. Together, we’ve built new tools for the IRS. We’ve redesigned the machinery of government, and as a result, we’ve sent out monthly payments to more than 30 million families, including 26 million lower-income children who received the full Child Tax Credit for the first time.

But our work, as I mentioned, is not done. There are still so many families who did not receive an advance payment, for example, because their child was only born last year and they'd not filed a tax return before. Or, because they're a resident of Puerto Rico. In many cases, we're talking about families who are still entitled to \$3,000 to \$3,600, depending on the age of their child.

Right now, the best way – really the only way – to get people this money is for them to file their taxes. I know what a challenge that will be. Filing taxes can be hard, and we're talking about some of the hardest-to-reach people in this country, people to whom the government has far too often been blind... but who your organizations excel at serving. Your knowledge, your experience is what's required right now, and I can promise you that the US Treasury will provide you with every resource we have to help you do the job.

The last thing I'll say is: These policies have already done enormous good. They've produced a profound moral and economic achievement for America. Imagine the new scale of that achievement, though, when we finally get these benefits to the people who need them most.

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