



## Presidential Candidate Joe Biden's Proposed Child Tax Credit Expansion

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<https://budgetmodel.wharton.upenn.edu/estimates/2020/9/24/biden-child-tax-credit-expansion>

Summary: Presidential candidate Joe Biden recently announced a proposal to temporarily expand the Child Tax Credit (CTC). We find that this proposal would cost \$110 billion if implemented solely for calendar year 2021 and would cost \$1.4 trillion over ten years if extended permanently. While higher income households are more likely to have qualifying children and would see larger average tax cuts (\$1160 for the 90-95th percentile), lower income groups would see the largest relative benefit, with after-tax incomes increasing by 9 percent for the bottom quintile. Refer to our analysis of the estimate\* for more information.

\* <https://budgetmodel.wharton.upenn.edu/issues/2020/9/24/biden-child-tax-credit-expansion>

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**Table 1. Budget Cost of CTC Expansion Scenarios***Billions of Dollars, Change from Current-Law Baseline*

<b>Scenario</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>Total</b>
One-Year Expansion	-85	-25	0	0	0	0	0	0	0	0	-110
Under Permanent Expansion	-85	-109	-108	-107	-106	-161	-178	-179	-179	-180	-1,391



**Table 2. Distribution of Federal Tax Change, Calendar Years 2021 and 2026**

*Distributional Effects of CTC Expansion in 2021*

Distributional Effects of CTC Expansion in 2021							
With corporate income tax burden:							
Income Group	Average Tax Change	Share with a Tax Cut	Average Tax Cut			Share of Federal Taxes Paid	
			For Those With a Tax Change	Percent Change in After-Tax Income	Share of Tax Change	Before Tax Change	After Tax Change
Bottom quintile	-410	12%	-3,825	9%	18%	0.1%	-0.6%
Second quintile	-780	28%	-3,305	3%	26%	2.9%	2.1%
Middle quintile	-515	24%	-2,720	1%	17%	10.5%	10.3%
Fourth quintile	-620	26%	-2,815	1%	17%	18.8%	18.9%
80-90%	-1,040	37%	-3,145	1%	12%	14.7%	14.8%
90-95%	-1,160	40%	-3,285	1%	6%	10.8%	11.0%
95-99%	-735	28%	-3,240	0%	3%	16.2%	16.7%
99-99.9%	0	0%	0	0%	0%	12.7%	13.2%
Top 0.1%	0	0%	0	0%	0%	12.8%	13.3%



**Table 2. Distribution of Federal Tax Change, Calendar Years 2021 and 2026**

*Distributional Effects of Permanent Expansion in 2026*

Distributional Effects of Permanent Expansion in 2026							
With corporate income tax burden:							
Income Group	Average Tax Change	Share with a Tax Cut	Average Tax Cut		Share of Tax Change	Share of Federal Taxes Paid	
			For Those With a Tax Change	Percent Change in After-Tax Income		Before Tax Change	After Tax Change
Bottom quintile	-400	11%	-3,805	8%	11%	0.1%	-0.4%
Second quintile	-965	28%	-3,735	3%	21%	3.3%	2.5%
Middle quintile	-895	25%	-3,770	2%	19%	11.0%	10.6%
Fourth quintile	-1,140	27%	-4,285	1%	20%	19.0%	18.9%
80-90%	-2,225	41%	-5,475	2%	16%	14.7%	14.6%
90-95%	-2,395	44%	-5,505	1%	8%	10.9%	11.0%
95-99%	-1,405	27%	-5,215	0%	4%	16.6%	17.2%
99-99.9%	0	0%	-8,445	0%	0%	12.3%	12.9%
Top 0.1%	0	0%	0	0%	0%	11.7%	12.3%