

# How will the child tax credit inside Biden's stimulus package affect rural Ohio?

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GNADENHUTTEN – Nikki Wells crouches next to one of her young students, restless during nap time.

The at-home child care and preschool provider reassures the little girl she is a wonderful “Big Sister,” pointing to the phrase emblazoned across her t-shirt. She tells the girl her baby sister, who was born prematurely, can’t wait to be home.

Wells, or “Miss Nikki” as her kids call her, is the kind of teacher and licensed child caregiver who will buy the families of children she serves a box of diapers in a pinch.

She started a garden in her backyard and sends fresh produce home with the kids. For a couple months during the past year of uncertainty, [Nikki’s Family Childcare and Preschool](#) cooked homemade meals for their families in this Tuscarawas County village 100 miles northeast of Columbus.

“When mama’s stressed, everyone’s stressed,” Wells said.

Many of the families the child care/preschool serves have been stressed since COVID-19 hit. They make too much money to qualify for food assistance or Medicaid, but oftentimes too little to cover all their expenses, added Wells.



Nikki Wells hands out treats for kids who had good days Tuesday at Nikki's Family Childcare and Preschool in Gnadenuhnen. A child tax credit in the American Rescue Act has the potential to greatly affect children and child care providers in rural areas. *Joshua A. Bickle/Columbus Dispatch*

Instead, they struggle on the border line between aid and independence. While Wells has been fortunate to remain in business during the pandemic, some of her students' parents have been forced to cut expenses to afford child care.

Help is on the horizon.

The [\\$1.9 trillion federal coronavirus relief package](#) signed by President Joe Biden last week increased the child tax credit. The financial boost will put millions of dollars in the pockets of working and middle-class families and could reduce child poverty by 40% nationwide, backers say.

In Ohio, the credit is projected to lift more than 278,000 children out of poverty, and could lead to significant generational change.

## **What is the child tax credit?**

The changes made to the existing child tax credit under Biden's American Rescue Plan are wide-ranging.

Over the next year, the credit will provide two-parent households who make up to \$150,000 (and single parents who earn up to \$112,000) with \$3,600 per child under the age 6, and \$3,000 per child up to 17-years-old.

The legislation raises the \$2,000 child tax credit to a maximum of \$3,600. Unlike the current benefit, which the IRS deposits or cuts checks for as an annual lump sum, the credit will be delivered to families in monthly allotments: \$300 per child under age 6 and \$250 per child through age 17 beginning in July 2021.

Additionally, the benefit is fully refundable. Under the old model, taxpayers were only able to claim a refund of up to \$1,400 if the credit exceeded the amount they owe. Low-income earners could not qualify at all if they did not make at least \$2,500. But under the new law families will keep the full amount, regardless of how much it would exceed what they owe or how much they make.

The credit will apply to 27 million children from families with no or low income nationwide and over 2.3 million children who meet the same demographics in Ohio, according to [the Center on Budget and Policy Priorities](#).

## **Why is the expansion significant?**

The center estimates this particular piece of the stimulus package will reduce child poverty by 40% across the country in 2021. And for the Appalachian Ohio region, [which has a 17.5% poverty rate](#) – 3 percentage points higher than the rest of the state – that means the child tax credit will lift around 132,000 children under 18 out of poverty.

A month-to-month payment could help poorer individuals and families budget by targeting nutritional, child care and transportation needs over the course of a year, said Megan Riddlebarger, executive director of the Corporation for Ohio Appalachian Development.

"If I were to predict how this money were to be spent I would give 25% to transportation," she said. "It costs about \$5,000 to keep a car on the road and many, many families do not have a car – this could put one on the road."

In economically challenged communities outside of Appalachia, the child tax credit will provide working-class parents some breathing room, said Candace Floyd, who counts herself in that group.

The single mother of three teenagers has been fortunate to keep her job as a media specialist at Harrison Elementary School in Marion throughout the last year, and sees the stimulus package as an opportunity to buoy her family's morale.

"Giving them a few more yeses, even if it's just a Hot Pocket at the grocery store, or a trip to an amusement park, gives them a boost," Floyd said. "You're not less than (for accepting aid), you're just taking care of your family, and that's the most-honorable thing you can do."

Another need advocates like Riddlebarger predict families will spend the credit on is child care. So many don't have enough disposable income to afford day care, or there aren't enough providers, she said.

In Athens County, only half of the day care centers in one of the poorest counties in the state provide care for publicly funded children, Riddlebarger said. Meanwhile there are 395 spots available for families who can afford the private rates.



As kids nap, Nikki Wells does some administrative work Tuesday at Nikki's Family Childcare and Preschool in Gnadenuhuten. *Joshua A. Bickel/Columbus Dispatch*

It's a familiar tale for Nikki Wells, who has seen the number of child and day care centers in the area outside New Philadelphia in northern Appalachian Ohio plummet since the pandemic began.

"I've been blown away by the need for child care," said Wells, who has 31 families on her registration wait list for the fall.

However, with the influx of cash from the child tax credit, she's since heard parents say they will be able to save more instead putting all their money into child care.

### **How will the benefit reach the poorest population?**

There are major challenges facing the U.S. Department of Treasury and IRS to ensure all eligible individuals, especially among the poorest Americans who don't regularly file taxes or who don't have bank accounts, receive their share of the benefit.

The nonprofit, left-leaning policy research institute, [Ohio Policy Matters](#), has been navigating federal COVID-related relief payments throughout the pandemic.

The organization's project director, Kalitha Williams, encourages everyone who doesn't regularly file taxes to do so this year in order to qualify for the child tax benefit.

Not having access to a bank account poses another set of problems. Nearly 5% of Ohioans are unbanked, slightly below the national average, [according to the FDIC's 2019 survey](#).

During the first stimulus payment last spring, Policy Matters Ohio [recommended that unbanked Ohioans](#) direct their payments to any financial tool with a bank routing number including: a prepaid debit card, online financial services such as Cash App, and online bank accounts such as Chime.

Williams said people should sign-up for those services to ensure that a payment associated with the child tax credit is more secure and reliable, as it can take weeks for the IRS to cut and send checks.

### **Advocates say credit helps course-correct welfare neglect**

Establishing a guaranteed income for families with children through the child tax credit is an historic policy change.

When President Bill Clinton ended the Aid to Families with Dependent Children cash assistance program in 1996, 89% of Ohio families living in poverty were receiving

direct aid through the program, [according to the Center on Budget and Policy Priorities](#).

Critics of the program argued that direct payments "[sapped initiative](#)" and tighter limits on assistance were necessary to ensure low-income families didn't become work-adverse.

It was replaced by the [Temporary Assistance For Needy Families](#) (TANF) federal block grant, an annual broad-purpose fund doled out to each state. Twenty-five years later, only 25% of Ohio families living in poverty are receiving direct relief through TANF.



Kids enjoy a snack of vanilla wafers and milk Tuesday at Nikki's Family Childcare and Preschool in Gnadenhutten. *Joshua A. Bickel/Columbus Dispatch*

This discrepancy in the previous and current federal welfare programs, and the inherent belief that aid begets laziness, is why the child tax credit becoming law, even temporarily, is vital, former Athens County Jobs and Family Services Director Jack Frech said.

"You never could've had Social Security without the Depression, and we're at this same inflection point right now," he said. "This time around, though, we've learned

(COVID-19) was not in any way a character flaw of people who don't have a job or can't pay for food."

The difference between President Barack Obama's stimulus and the American Rescue Plan is direct assistance, Frech added.

"Under Obama there were some modest Main Street bailouts," he said, "but the bulk of what they were doing was bailing out Wall Street. Recovery was very slow and very long."

That othering of the poor and working-class is historical, especially in rural communities like Appalachian Ohio, Riddlebarger explained.



Kids' backpacks sit in their cubbies Tuesday at Nikki's Family Childcare and Preschool in Gnadenhutten. *Joshua A. Bickel/Columbus Dispatch*

"And I think we're the victims of a culture of individuals," Riddlebarger said. "Just pull yourself up by your bootstraps and we all have equal opportunity to be successful,' is a lie."

Poverty advocates hope the child tax credit can become a permanent part of the country's budget. For child care providers such as Nikki Wells and her students'

parents, many of whom do not qualify for assistance but have struggled in the last year, this credit will provide an immense relief.

"We see both sides of the fence here," Wells said. "A lot of families in our community have just been trying to get by."

How do I file for the child tax credit?

Policy Matters Ohio recommends Ohioans seeking help to file their taxes check out two IRS programs:

- For those who make \$57,000 or less, have a disability and/or have limited English-speaking capacity visit [irs.treasury.gov/freetaxprep](https://irs.treasury.gov/freetaxprep) for free tax help.
- Anyone who earns \$72,000 or below can utilize the IRS Free File Program: [www.irs.gov/filing/free-file-do-your-federal-taxes-for-free](https://www.irs.gov/filing/free-file-do-your-federal-taxes-for-free), which partners filers with professional software at no cost.

But what if you have already filed your 2020 tax returns?

- Policy Matters Ohio project director Kalitha Williams says: Wait. Do not file a tax amendment.
- The nonprofit group is awaiting guidance from the IRS to tell those who have already filed what to do.
- The IRS can make what they call, "mass error updates," and issue refunds, but nothing has been determined yet.

Federal income taxes and payments are due on May 17 not April 15. The deadline to file was pushed back on Wednesday.

*Céilí Doyle is a Report for America corps member and covers rural issues in Ohio for The Dispatch. Your donation to match our RFA grant helps keep her writing stories like this one. Please consider making a tax-deductible donation at <https://bit.ly/3fNsGaZ>.*

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