

The Potential Poverty Reduction Effect of President Biden’s Economic Relief Proposal

Relief Package Could Cut Child Poverty in Half

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This fact sheet provides an analysis of the poverty reduction effects of a set of policy elements within President Biden’s [American Rescue Plan](#), his proposal for economic relief amidst the ongoing COVID-19 crisis. It projects annual poverty rates for 2021.

Table 1. 2021 Poverty Projections Under President Biden’s Proposal

	Poverty Rate, 2021			Poverty Impact, 2021		
	Without December 2020 relief	Baseline (with Dec. 2020 relief)	With Biden Proposal (to baseline)	Percentage Point Reduction	Percent Change	Number of People
<i>US Population</i>	13.6%	12.3%	8.2%	-4.1%	-33.3%	13,100,000
<i>Under 18</i>	15.1%	13.5%	5.7%	-7.8%	-57.8%	5,700,000
<i>18-64</i>	12.7%	11.3%	7.9%	-3.4%	-30.1%	6,700,000
<i>65+</i>	14.6%	14.2%	12.7%	-1.5%	-10.6%	790,000
<i>Asian</i>	13.6%	12.8%	9.8%	-3.0%	-23.4%	630,000
<i>Black</i>	21.9%	19.2%	11.7%	-7.5%	-39.1%	3,220,000
<i>Hispanic</i>	21.8%	18.9%	10.7%	-8.2%	-43.4%	4,930,000
<i>White</i>	9.2%	8.6%	6.5%	-2.1%	-24.4%	4,040,000
<i>Asian Children</i>	12.7%	12.1%	6.7%	-5.4%	-44.6%	210,000
<i>Black Children</i>	24.8%	21.5%	9.4%	-12.1%	-56.3%	1,220,000
<i>Hispanic Children</i>	22.3%	19.5%	8.7%	-10.8%	-55.4%	2,030,000
<i>White Children</i>	9.0%	8.3%	3.0%	-5.3%	-63.9%	1,920,000

Note: Percentage point reduction, percent change, and number of people moved out of poverty compare the "Baseline (with Dec. 2020 relief)" and "With Biden Proposal" columns. Estimates are rounded to nearest tenth of a percent before calculating percent change. Also due to rounding, some totals may not correspond with the sum of separate figures.

Our model incorporates the [December 2020 COVID-19 relief package](#) and the anti-poverty impacts of a set of items from President Biden's proposal are assessed from this baseline.

The proposed policy elements featured in this analysis include (see Assumptions & Policy Details):

- Extension of SNAP benefit increases through the end of 2021
- One-time direct payment at a value of \$1,400 per eligible adult and child recipient
- Extension of current unemployment insurance expansions through September 30, 2021 (with a \$400 per week national supplement)
- A fully refundable Child Tax Credit valued at \$3,000 (ages 6-17) and \$3,600 (under 6)
- An expanded Earned Income Tax Credit for workers without children
- An expansion of the Child and Dependent Care Tax Credit
- An increase of the federal minimum wage to \$9.50 per hour (President Biden proposes an increase to \$15 per hour; this would phase-in over five years, beginning with \$9.50 in 2021.)

The President's proposal includes a number of other items likely to impact poverty, including additional child care funding, rental assistance, and more. This analysis does not account for these items. Our results are based on policy parameters available at the time of the modeling.

Our analysis uses the [Supplemental Poverty Measure \(SPM\)](#) framework to project an annual poverty rate for 2021. The SPM which accounts for cash and noncash government benefits, necessary expenses like taxes, health care, commuting, and child care, and adjusts for family size and local housing costs. For a two-parent, two-child family in an average cost city, the SPM income threshold is about \$28,000 per year.

Methodology

Calculated by the Center on Poverty and Social Policy at Columbia University following methods introduced in Parolin, Curran, and Wimer. 2020. "[The CARES Act and Poverty in the COVID-19 Crisis: Promises and Pitfalls of the Recovery Rebates and Expanded Unemployment Benefits.](#)" Poverty & Social Policy Brief, Vol. 4, No. 8. New York, NY: Center on Poverty and Social Policy and Parolin, Curran, Matsudaira, Waldfogel and Wimer. 2020. "[Monthly Poverty Rates in the United States during the COVID-19 Pandemic.](#)" Poverty and Social Policy Discussion Paper. New York, NY: Center on Poverty and Social Policy.

Note

This is an update to the original brief released on January 14, 2021. We have since updated our analysis to include the proposed Child and Dependent Care Tax Credit expansion and the federal minimum wage increase, as well as account for small adjustments in our simulation model.

Assumptions & Policy Details

Our model assumes a 6.0% average unemployment rate for 2021. Our baseline accounts for H.R. 133, the Consolidated Appropriations Act, 2021, otherwise known as the December 2020 short-term COVID-19 relief package.

- The Supplemental Nutrition Assistance Program (SNAP) benefit increases include a continuation (through December 31, 2021) of the 15% monthly benefit increase passed in H.R. 133 in December 2020 and the SNAP administrative flexibilities that enable states to raise households up to the maximum SNAP benefit passed earlier in H.R. 8337.
- The one-time \$1,400 direct payments are allocated to each eligible adult and child under the same income parameters as the CARES Act and H.R. 133 direct payments; the baseline in our model incorporates the \$600 direct payments from H.R. 133. Similar to H.R. 133, the \$1,400 payments are allocated to adults and children with Social Security Numbers (SSNs) in mixed-status households; undocumented individuals are not allocated payments here. H.R. 133 made adults and children with SSNs in mixed-status households retroactively eligible for the CARES Act direct payments (\$1200 per adult/\$500 per child). Because these individuals must claim these payments on their next tax returns and estimates of take-up and receipt are not yet available, these payments are not included in our model. President Biden's plan extends the \$600 direct payments to dependents aged 17 and over left out of previous rounds of relief; our analysis accounts for this.
- With respect to unemployment insurance, the baseline in our model includes the 11-week H.R. 133 extensions of the Pandemic Emergency Unemployment Compensation (PEUC) and Pandemic Unemployment Assistance (PUA), plus a \$300 per week Pandemic Unemployment Compensation (PUC) supplement through March 14, 2021. Our model adds 28 more weeks of PEUC, PUA, and a \$400 per week PUC through September 30, 2021.
- The Child Tax Credit (CTC) and Earned Income Tax Credit (EITC) expansions are modelled along the parameters of the CTC and EITC changes included in the first HEROES Act, H.R. 6800, passed by the US House of Representatives on May 15, 2021.
- The Child and Dependent Care Tax Credit expansion would make the credit fully refundable and offer families a credit worth up to half of their child care spending, with a maximum credit value of \$4000 for one child and \$8000 for two or more children. The full credit would be available to families with annual incomes up to \$125,000; above this income level, a partial credit is available for families up to annual incomes of \$400,000.
- Our model incorporates an increased federal minimum wage at a level of \$9.50 per hour in 2021. President Biden proposes an increase to \$15 per hour—an increase that would phase-in over a five-year period. Because our analysis looks only at the potential effect on poverty in 2021, we use only the federal minimum wage increase that would occur within this time period.

Suggested Citation

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