

Child Tax Benefits and Labor Supply: Evidence from California

Based on BFI Working Paper No. 2024-49, “[Child Tax Benefits and Labor Supply: Evidence from California](#),” Jacob Goldin, University of Chicago; Tatiana Homonoff, New York University; Neel A. Lal, University of Chicago; Ithai Lurie, Department of the Treasury; and Katherine Micheltore, University of Michigan

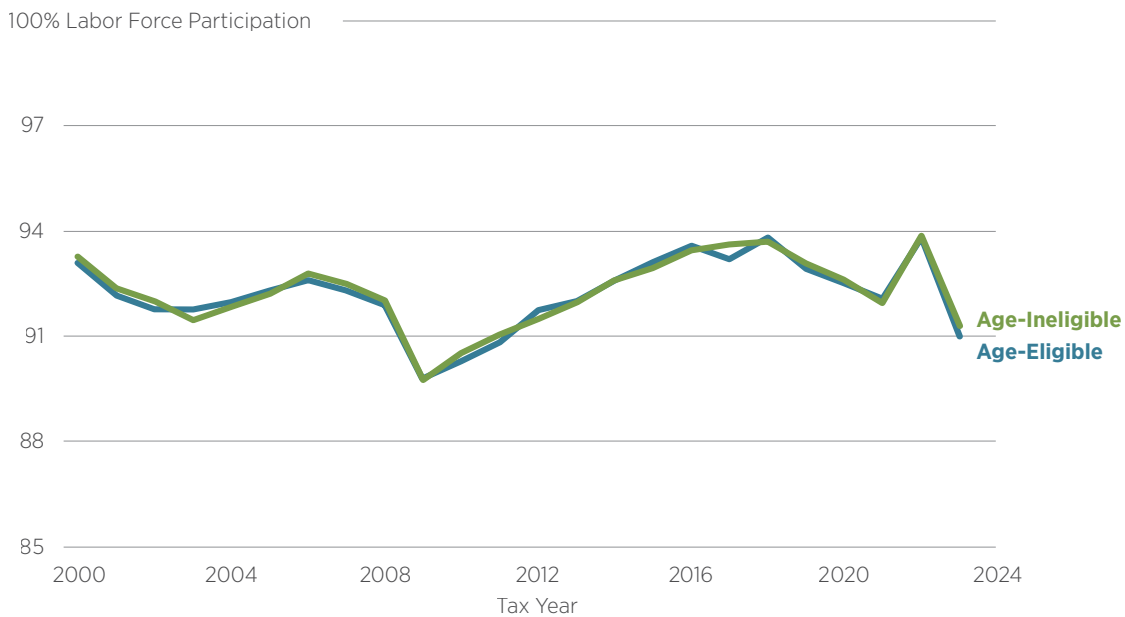
Removing the work requirement from the California child tax credit did not cause a significant number of mothers to stop working.

In the United States today, some of the largest social welfare programs focused on children – including the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC) – require that parents earn income from work. While intended to encourage recipients to work, tax credit work requirements may also harm the lowest-income

families. In this paper, the authors study whether eliminating child tax credit work requirements affects parents’ decision to work.

The authors study this question in the context of California’s Young Child Tax Credit (YCTC), a refundable state tax credit for low-income

Figure 1 • Maternal Labor Force Participation by YCTC Age-Eligibility and Year



Note: This figure shows labor force participation rates by year among California mothers whose youngest child turned six just before or just following the YCTC’s age-eligibility cutoff. The figure spans three YCTC policy periods: the pre-period years without a YCTC (2005-2018); the years with a YCTC with a work requirement (2019-2021); and two years with a YCTC with no work requirement (2022-2023). In most years, the labor force participation rates of the two groups appear similar.

parents with children younger than six. When the YCTC was enacted in 2019 it was available to any taxpayer with income over \$1. Then, beginning in 2022, California eliminated the work requirement altogether. Using federal administrative tax data, the authors compare the labor force participation of mothers with children who just barely qualify for the YCTC to those with children just above the age cutoff, before and after the work requirement was eliminated. They find the following:

- Eliminating the YCTC work requirement did not cause a significant number of California mothers to exit the labor force. The authors estimate that working mothers' labor force participation fell by no more than 0.4 percentage points with the elimination of the work requirement.

The results of the study suggest that eliminating the work requirement from the federal CTC would cause fewer exits from the labor force than prior studies suggest. The results also provide new evidence for states considering adopting or reforming their own child tax benefits, as a central issue in designing such policies is whether to condition benefits on work.

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NO. 2024-49 · APRIL 2024

Child Tax Benefits and Labor Supply: Evidence from California

bfi.uchicago.edu/working-paper/2024-49

ABOUT OUR SCHOLARS



Jacob Goldin

*Richard M. Lipton Professor of Tax Law,
The Law School*

Neel A. Lal

Research Specialist, The Law School



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