



## Congress is working to extend its historic improvements to the Child Tax Credit that will slash child poverty.

Congress made significant improvements to the Child Tax Credit (CTC) for 2021 that are projected to cut child poverty by [more than 40%](#). Legislation to extend these improvements is currently being considered as part of the reconciliation bill. Extending this transformative support for America's children should be an urgent priority for Congress.

## But millions of low-income families struggling with student loans may be left out.

Approximately [9 million](#) Americans are in default on their federal student loans, and available data suggests [roughly half of those borrowers have dependent children](#). Once a borrower falls behind and into default, the full balance of the student loan comes immediately due, and the government can seize thousands of dollars at a time from a tax refund or other federal payment—even if the borrower is only behind by a few hundred dollars, and even if their low income should make them eligible for a \$0/month income-driven repayment plan.

Borrowers in default are overwhelmingly from [low-income, low-wealth families and are disproportionately people of color and first-generation college students](#). Most borrowers who default are struggling with unaffordable student loan debt but never receiving the promised benefits of education.

**Unless Congress protects the CTC from government offset, CTC payments will be seized from families with defaulted student loans and redirected to the Department of Education—meaning they will never reach many of the families who need it most.** Funds meant to go toward safe housing, food, and quality childcare for millions of children in low-income families will instead be diverted to the Department of Education, leaving children in poverty who would otherwise be lifted out.

## THE SOLUTION IS EASY: CONGRESS SHOULD INCLUDE LANGUAGE FROM THE AMERICAN RESCUE PLAN PROTECTING THE CTC FROM OFFSET

Congress can easily prevent government seizure of the CTC going forward by including language protecting CTC payments from offset. The American Rescue Plan Act included language excepting advance monthly payments of the CTC in 2021 from offset to collect on debts, including federal student loans, owed to state and federal government agencies. Unfortunately, Congress did not protect CTC payments paid out as part of a tax refund from offset. The American Rescue Plan provision—*broadened to include CTC payments paid out as part of a tax refund*—should be included in the current legislation to extend the improved CTC.

*For more information, contact Abby Shafroth at [ashafroth@nclc.org](mailto:ashafroth@nclc.org).*

## LANGUAGE TO PROTECT AGAINST OFFSET OF CHILD TAX CREDIT PAYMENTS:

The following language, taken from [Section 9611\(e\)\(3\)](#) of the American Rescue Plan Act but with a minor revision reflected in redline to extend the protection from offset to CTC payments made in tax refunds, should be included in legislation to extend the improved CTC :

“(3) EXCEPTION FROM REDUCTION OR OFFSET.—Any payment made to any individual for the Child Tax Credit, including any payment under this section [7527A] and any tax refund payable by reason of section 24 of the Internal Revenue Code, shall not be—

- (A) subject to reduction or offset pursuant to subsection (c), (d), (e), or (f) of section 6402<sup>1</sup> or any similar authority permitting offset, or
- (B) reduced or offset by other assessed Federal taxes that would otherwise be subject to levy or collection.”

---

<sup>1</sup> 26 U.S.C. § 6402(c) addresses child support offsets; § 6402(d) addresses debts owed to federal agencies (i.e., student loans owed to the Education Department); § 6402(e) addresses state income tax debts; and § 6402(f) addresses unemployment overpayments.