



The American Rescue Plan Effect on Poverty

The American Rescue Plan Act (ARP) was signed into law on March 11, 2020, issuing much needed relief to the many suffering economically. This memo details some of the expected effects the American Rescue Plan will have on poverty.

The combined effect of key measures in the ARP is projected to reduce the poverty rate in the United States by one third in 2021. The projected number of people in poverty would fall by about 16 million, from over 44 million to 28 million this year.¹ Many of the individual components of the bill have the potential to reduce the poverty rate tremendously:

- Unemployment Insurance (UI) benefits: Unemployment Insurance policy has the potential to reduce the poverty rate from 13.7 to 12.6 percent. The UI measures in the ARP will allow up to 25 additional weeks of benefits for eligible people, with each week's benefit including an additional \$300 (totaling \$7,500 for someone receiving UI for the full additional 25 weeks) on top of a person's regular state benefit (averaging \$300 a week).¹
- SNAP benefits: The three-month extension in higher SNAP benefits is expected to reduce the projected poverty rate from 13.7 to 13.6 percent.¹
- Recovery rebate payments: The recovery rebates would produce the largest projected poverty reduction of the four policies, reducing the projected poverty rate to 10.2 percent. The rebates would substantially increase resources for families with and without children. For example, a family of three with income below the phase-out range would receive a rebate of \$4,200.¹
- Child tax credit (CTC): The projected anti-poverty effect of the advanced portion of the expanded (CTC) is similar to that of the UI benefit expansion: it would lower the projected poverty rate by nearly a percentage point, to 12.8 percent. This policy would substantially boost the income of families with children. For example, a family with two young children who would be newly eligible for the CTC if the credit became fully refundable would receive \$3,600 in advance payments in 2021.¹

¹https://www.urban.org/sites/default/files/publication/103794/2021-poverty-projections-assessing-four-american-rescue-plan-policies_0_0.pdf

The combined policies would substantially reduce poverty rates for Black and Latinx people and also shrink the gap in their rates of poverty compared to rates for white people. The projected poverty rate for Black people would fall from 18.1 percent to 10.5 percent. The projected poverty rate for Latinx people would fall from 21.9 percent to 13.3 percent. Finally, the projected poverty rate for white people would fall from 9.6 percent to 6.4 percent.

The policies in the ARP are also projected to reduce poverty across all age groups, with the largest reductions for children. Various ARP policies have the potential to cut the child poverty rate by more than half.² The greater impact on children is in large part because of the (SNAP) benefits, unemployment benefits, family and child care tax credits, as well as direct cash payments.²

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Community Change Action is a national social justice organization that builds the power and capacity of low-income people, especially low-income people of color, to change the policies and institutions that impact their lives.

²<https://www.povertycenter.columbia.edu/news-internal/2021/presidential-policy/biden-economic-relief-proposal-poverty-impact>