Jain Family Institute

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Tax Provisions of the House-passed 'One Big Beautiful Bill': Impact on Low-Income Families with Children

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Summary

- The House-passed "One Big Beautiful Bill" (OBBB) tax section preserves Trump-era tax breaks slated to expire and layers on new cuts.
- In 2025, when most new OBBB cuts are implemented but before the Trump-era Tax Cuts and Jobs Act (TCJA) expires, I estimate that OBBB's tax provisions will leave child poverty unchanged. Although the new tax cuts would slightly decrease child poverty, that gain is erased by restricting Child Tax Credit eligibility for U.S. citizen children with undocumented parents.
- OBBB's proponents tout several new tax breaks for low-income working families—exempting tips and overtime pay from income taxation, creating a deduction for car-loan interest, and expanding the standard deduction for seniors. In practice, these changes bypass lower-income families: a typical household with children must earn nearly $50,000 before gaining even a dollar in benefits from these provisions.
- In 2026, OBBB's tax provisions would cut child poverty by 5 percent, according to my projections. This child poverty reduction comes from preserving expiring tax breaks in TCJA, not from the new cuts in OBBB. In fact, I project OBBB has the same poverty-reducing effect as a bill that only extends the TCJA, despite the OBBB's broader tax cuts.
- Tax provisions in the bill are the only part that increase benefits for lower-income families. OBBB's large cuts to Medicaid and SNAP will undoubtedly cause an overall increase in child poverty, as the tax benefits for low-income families are modest.

Individual income tax provisions in OBBB fall into two buckets. The first bucket extends expiring tax cuts in the Tax Cuts and Jobs Act (TCJA) enacted during the first Trump administration. The second bucket adds additional tax cuts on top of TCJA.

To the extent OBBB increases benefits for lower-income families, it largely comes from the first bucket—preserving changes made in the original TCJA. The new tax cuts offer very little benefit to low-income families with children. A typical family must earn at least $36,000 to see a dollar from the new provisions. However, by preserving the TCJA's increase to the refundable part of the Child Tax Credit, the tax provisions in OBBB would prevent a modest increase in child poverty that would occur if TCJA expired.

Analysis of New Tax Cuts that Benefit Families With Children

Most of the new tax cuts in OBBB are scheduled to take effect in 2025. The main provisions benefiting families with children are an increase to the standard deduction (a $1,500 boost for single parents and $2,000 boost for married couples) and the non-refundable part of the Child Tax Credit (to $2,500 from $2,000 per child).

To benefit from these provisions, a family must have at least $25,000 of earnings—families that earn less will not see any change to their taxes. Most families with children will need significantly higher earnings, as shown in the table below.

Filing Status	Number of Children	Minimum Income To Receive Any Benefit From OBBB in 2025	Minimum Income to Receive Full Child Tax Credit in OBBB[2]
Head of Household (Single Parent)	1	$25,500	$32,000
Married Filing Jointly	1	$33,000	$40,000
Head of Household (Single Parent)	2	$28,500	$40,000
Married Filing Jointly	2	$36,000	$48,000
Head of Household (Single Parent)	3	$34,500	$46,900
Married Filing Jointly	3	$39,000	$56,000

[2] All numbers refer to tax year 2025

These income requirements are so high that one in four children will not benefit from the larger Child Tax Credit (CTC) or standard deduction.[3] Over 90 percent of the children excluded from benefiting have parents who work—they just do not earn enough to receive any benefit from a larger nonrefundable credit.[4] In fact, I estimate one-third of children with working parents who are excluded from any benefit increase have a parent who works full-time, year-round, but still does not make enough to receive any increase in benefits.[5] To receive the full CTC in OBBB, a typical single-earner household would need to work full-time, 52 weeks a year, at an income level more than triple the federal minimum wage ($23 per hour).[6]

The limited reach of OBBB's CTC expansion appears poorly understood. For instance, the Ways and Means Committee website advertises that 40 million families will receive the boosted $2,500 CTC; in reality, just 30 million families will receive any benefit from the larger credit, as the other ten million will have earnings too low to qualify.[7]

Several other tax breaks in the proposal have been branded as helping working-class families, including deductions for tipped income, overtime income, car loan interest, and the enhanced standard deduction for seniors. Jason Smith, Chairman of the House Ways and Means Committee, has argued that these provisions are core to putting "the interests of

[3] If a family cannot receive the full child tax credit under status-quo law, they will not benefit from any of OBBB's provisions in 2025. The Tax Policy Center estimates that 25 percent of children have an income too low to receive the full CTC in 2025. Tax Policy Center. T24-0082 - Distribution of Tax Units, Children, and Dependents by Size of Child Tax Credit (CTC), 2025. Urban Institute and Brookings Institution, December 10, 2024.
https://www.taxpolicycenter.org/model-estimates/CTC-Dec-2024/T24-0082

[4] Landry, Jack. *The Impact of Families with No Income on an Expanded Child Tax Credit.* New York: Jain Family Institute, November 8, 2023.
https://jainfamilyinstitute.org/wp-content/uploads/2023/11/How-Important-Was-Including-Parents-Without-Income-in-the-Expanded-Child-Tax-Credit.pdf
According to the Tax Policy Center, 88 percent of children who will not receive the full CTC in 2025 will receive a partial CTC, which means their parents had at least some earnings.
Tax Policy Center. T24-0082 - Distribution of Tax Units, Children, and Dependents by Size of Child Tax Credit (CTC), 2025. Urban Institute and Brookings Institution, December 10, 2024.
https://www.taxpolicycenter.org/model-estimates/CTC-Dec-2024/T24-0082

[5] Full-time, year-round work is defined as working at least 40 hours per week, 52 weeks a year, inclusive of paid sick and vacation time.

[6] The median family with children is married with two children, requiring $48,000 in earnings to receive the full CTC.

[7] U.S. House Committee on Ways and Means. *Delivering Tax Relief: 2025 Reconciliation.* Accessed May 20, 2025.
https://waysandmeans.house.gov/2025reconciliation/

low-income, working families ahead of the wealthy by expanding tax relief to those who need it the most."[8]

It is true that these tax breaks do not benefit the wealthy. However, they also do not benefit most low-income families. To receive any benefit from any of these special tax breaks in the proposal on top of the standard deduction and larger non-refundable CTC, a family with children must have earnings high enough to receive the full, newly enhanced CTC—at least $32,000, and closer to $48,000 for the typical family with children.[9] Although the provisions are marketed as helping low-income workers, the required earnings thresholds place the benefits beyond the reach of most families with income near the poverty line.

Effect of OBBB on Child Poverty in 2025

In tax year 2025, the original cuts from the TCJA will still be in place, so the main benefits to families with children are the boosted CTC and the larger standard deduction. I estimate these two policies would decrease child poverty by 1.7 percent (.02 percentage points, pulling 160,000 children out of poverty) in tax year 2025.[10]

I do not model the poverty impact of new deductions for tipped income, overtime income, car loan interest, and the enhanced standard deduction for seniors. However, after accounting for the increase in the CTC and the standard deduction, just six percent of families below the poverty line have an income high enough to potentially receive any tax benefit from these

[8] "It puts the interests of low-income, working families ahead of the wealthy by expanding tax relief to those who need it the most – including the President's priorities of no tax on tips and overtime pay and additional relief for America's seniors." U.S. House Committee on Ways and Means, Chairman Jason Smith. "*The One, Big, Beautiful Bill Delivers on President Trump's Priorities to Restore and Expand Trump-Era Growth and Relief for Families, Workers, and Small Businesses*." *Ways and Means Committee Republicans*, May 12, 2025. https://waysandmeans.house.gov/2025/05/12/the-one-big-beautiful-bill-delivers-on-president-trumps-priorities-to-restore-and-expand-trump-era-growth-and-relief-for-families-workers-and-small-businesses/

[9] Technically, people eligible for these other tax breaks may receive them instead of a larger Child Tax Credit, but the impact on their taxes will be the same. For instance, a single parent with two children and some tip income who earned $40,000 in total would receive the same tax bill as a single parent with two children who earned $40,000 with no tip income. The single parent with tip income would receive a deduction for their tipped income, while the single parent without tipped income would receive an equivalent benefit from a larger CTC.

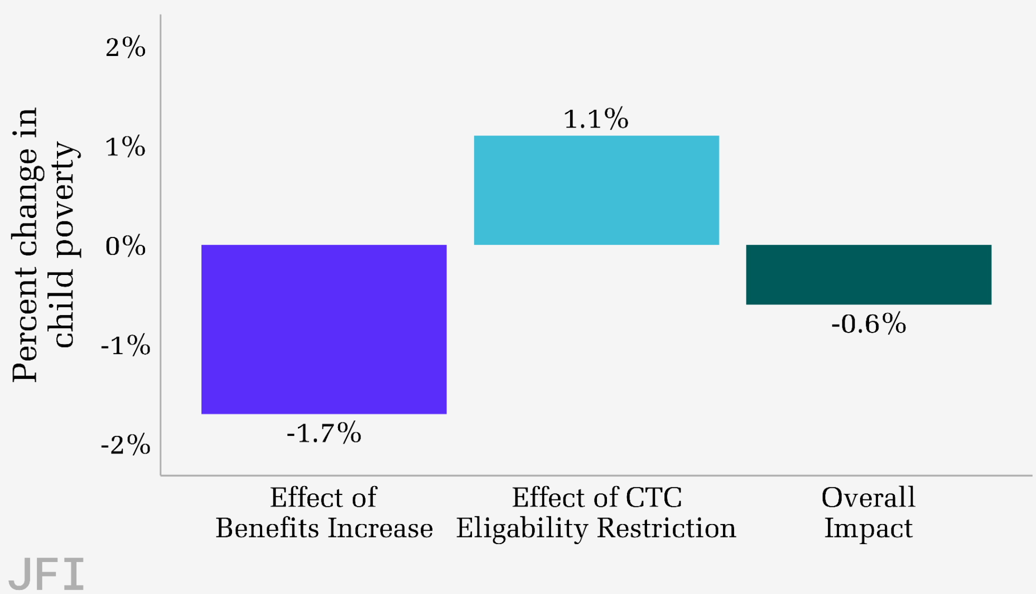
[10] If OBBB was passed as written, much of the 2025 tax benefits would be received as a larger tax refund in 2026. I use the standard policy analysis convention of counting tax policies as impacting poverty based on the year they are implemented.

provisions. Since these provisions are narrowly targeted even before accounting for their relatively high income requirements, they will have no significant impact on poverty.

OBBB also has provisions that cut benefits for lower-income families with children.[11] In 2025, the legislation bars parents without Social Security numbers from claiming the CTC, even if their children have one. Functionally, this change disqualifies U.S.-born children with unauthorized immigrant parents from receiving the CTC. Some special categories of legally authorized immigrants are also impacted by this change.[12] I estimate that this provision would increase child poverty by 1.1 percent, almost wholly offsetting the small decline in poverty from the benefit-increasing provisions.[13]

OBBB Provisions’ Effect on Child Poverty

Tax Year 2025



Source: Author’s calculations, CPS-ASEC 2024 & Tax-Calculator v4.6.2

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[11] Provisions cutting Premium Tax Credits and adding burdensome new compliance procedures to the EITC do not begin to be implemented until after 2025.

[12] Boddupalli, Aravind, and Luisa Godinez-Puig. “*‘One Big Beautiful Bill’ Child Tax Credit Would Exclude Millions of American Children*.” *TaxVox* (Tax Policy Center), May 29, 2025. https://taxpolicycenter.org/taxvox/one-big-beautiful-bill-child-tax-credit-would-exclude-millions-american-children Crandall-Hollick, Margot L., and Erika K. Lunder. Federal Income Taxes and Noncitizens: Frequently Asked Questions. Congressional Research Service, December 31, 2014. https://www.congress.gov/crs-product/R43840

[13] I detail the methodology for imputing undocumented immigrant status in the appendix.

OBBB Impact After TCJA's Scheduled Expiration: Tax Year 2026 and Beyond

In tax year 2026, the individual tax cuts in TCJA will expire unless Congress takes action. OBBB's largest change to the tax code is to permanently extend TCJA's expiring provisions: lowering tax rates, increasing the standard deduction, eliminating personal exemptions, and increasing the value of the CTC. On top of the TCJA extension and cuts implemented in 2025, OBBB would slightly cut tax rates by giving an extra year of inflation adjustment. All the important individual tax provisions for low-income families with children are shown in the table below.

Important OBBB Tax Provisions for Families With Children	Tax Years In Effect
Extending individual level tax cuts in TCJA: lower tax rates, larger standard deduction, larger CTC (including refundable portion), repeal of personal exemptions, $500 credit for other dependents	2026
Raising the value of the non-refundable part of the CTC to $2,500	2025-2028
Inflation-adjusting the CTC from $2,000 after 2028 based on inflation since 2024	2029-
Further reductions in tax rates by giving an additional year of inflation adjustment below the 32 percent bracket	2026-
No tax on tips, overtime, car interest, and enhanced senior standard deductions*	2025-2028
Limiting CTC access for children with an ITIN	2026- (current law under TCJA)
Limiting CTC access for children with an SSN who have at least one parent who files with an ITIN	2025-
Cuts to Premium Tax Credits that help people buy health insurance*	2026-
$1,000 'Trump Account' investment account deposits for newborns to be used in adulthood*	2025-2028

*Not a part of poverty modeling, discussed in appendix

While the overall impact of the TCJA was regressive, on average, it cut taxes for all income groups, including lower-income families.[14] The Congressional Research Service estimated it reduced child poverty by four percent when it was first implemented.[15]

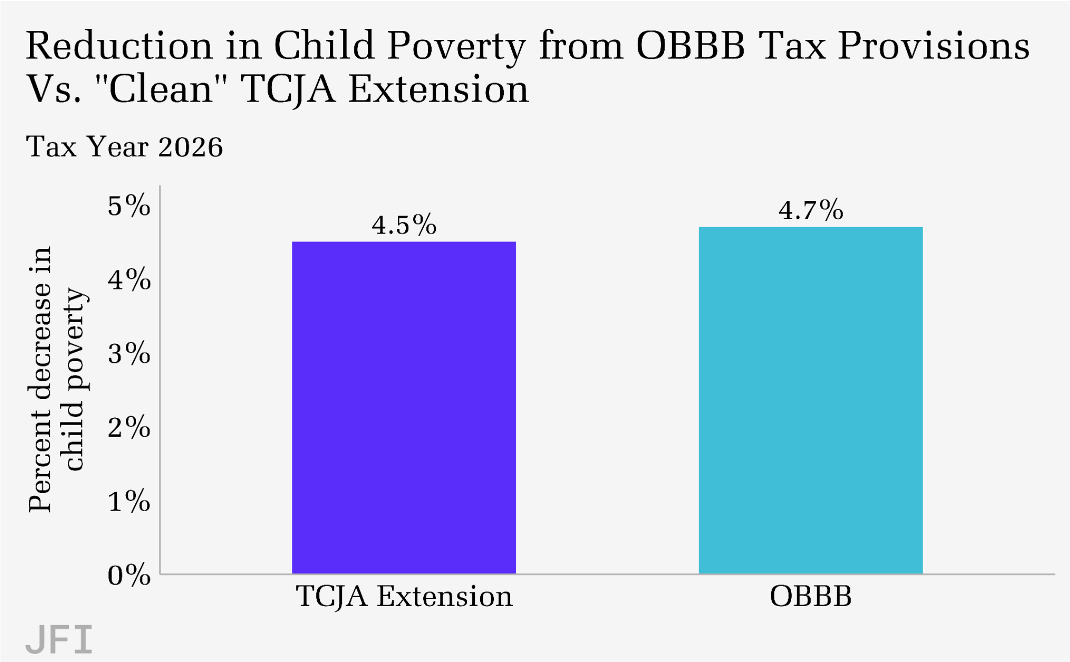
I estimate OBBB will cause a five percent decrease in child poverty in 2026 compared to allowing TCJA provisions to expire. This estimate accounts for not just extending the TCJA, but also all the other main individual tax benefits in OBBB—increasing the value of the non-refundable part of CTC to $2,500, increasing the standard deduction, and decreasing tax rates by even more than a straight extension of the TCJA (see table above). However, these additional changes do little to reduce child poverty. Most of the anti-poverty impact of the tax provisions of OBBB stems from simply preserving the CTC changes in TCJA.[16] In fact, I estimate the impact on child poverty would be almost exactly the same if the TCJA were extended without any of the additional tax cuts in OBBB. To the extent the additional tax cuts in OBBB reduce child poverty more than a clean TCJA extension, they are offset by new limits to CTC eligibility for any families that file taxes with an ITIN.[17]

[14] For instance, among tax filers with children, the Tax Policy Center estimates that the lowest income quantile would receive a $510 tax cut from making the TCJA permanent. Tax Policy Center. T24-0023 – Make Certain Provisions in the 2017 Tax Act Permanent, by ECI Percentile, 2026. Urban Institute & Brookings Institution, July 8, 2024. https://taxpolicycenter.org/model-estimates/make-certain-provisions-2017-tax-act-permanent-july-2024/t24-0023-make-certain

[15] Crandall-Hollick, Margot L., Gene Falk, and Jameson A. Carter. *The Impact of the Federal Income Tax Code on Poverty.* CRS Report No. R45971. Congressional Research Service, October 19, 2020. https://www.congress.gov/crs-product/R45971

[16] This is slightly larger than estimates of the anti-poverty impact when TCJA first passed because of strong wage growth for lower income groups in the intervening years.

[17] OBBB extends the TCJA restriction on children claiming the CTC without a Social Security number on top of newly added restrictions for parents claiming the CTC without a Social Security number.



Source: Author's calculations, CPS-ASEC 2024 and Tax Calculator Version 4.6.2

Conclusion

OBBB's individual tax provisions spare low-income families from the looming reversal of the TCJA's larger refundable Child Tax Credit, but they stop well short of meaningfully expanding support for the bottom of the income distribution. One in four children remains ineligible for any new benefit from OBBB, and families hovering near the poverty line must still earn roughly $50,000 before seeing a dollar from the bill's much-touted "working-class" breaks. In 2025, OBBB yields no net change in child poverty because modest gains from the larger credit are fully erased by the bill's new restrictions on children in mixed-immigration status households. Extending the TCJA in 2026 prevents a backslide, but the extra cuts layered on by OBBB do no more for low-income families than a clean extension of the TCJA. Cuts to SNAP and Medicaid in OBBB—though beyond the scope of analysis in this brief—will certainly result in an overall increase in child poverty.

Appendix

Methodology for Imputing Undocumented Status

It is difficult to estimate the impact of immigrant eligibility restrictions on child poverty because no public government dataset identifies the incomes and tax filing status of undocumented immigrants. Most simulations, including the official Supplemental Poverty Measure calculations by the Census Bureau, do not attempt to apply immigrant eligibility restrictions to tax benefits. I use the Joint Committee on Taxation estimate that this provision will stop two million children from claiming the CTC and impute undocumented status among people who are not U.S. citizens and are more likely to be undocumented.[18] These characteristics include not receiving benefits dependent on citizenship, not having arrived in the United States before 1980, not currently attending college (as these are more likely to be temporary legal immigrants) and not above 300 percent of the poverty line. This results in an imputed undocumented population with a poverty rate twice as high as that of the general population. If true poverty for this population is higher, this methodology will underestimate how much limitations in eligibility increase child poverty.

Premium Tax Credits

Premium Tax Credits make individually purchased health insurance plans more affordable for people with incomes above the poverty line who are not eligible for Medicaid. As Medicaid income limits are more generous for children, PTCs are generally more important for adults with incomes close to the poverty line. However, approximately 2.4 million children receive Premium Tax Credits (PTC) for their health coverage, and another 4.7 million children live in a household where at least one person receives a

[18] Ways and Means Committee Republicans. (2025, May 8). Part 1: Full Committee Markup of Legislative Proposals To Comply With the Reconciliation Directive [Video]. YouTube. https://www.youtube.com/live/inurboPMPks?t=6640s

PTC.[19] Over half of the value of PTCs goes to families with incomes below 200 percent of the poverty line.

While the House proposal extends many expiring tax provisions, it does not extend expiring provisions that made PTCs more generous.[20] The Congressional Budget Office projects this will cause almost four million people to lose their health insurance.[21] Beyond opting not to extend expiring provisions, the proposal cuts PTCs. While I do not incorporate this change into the poverty modeling, according to the Tax Policy Center, cuts to PTCs reduce tax benefits for the lowest income quantile by about $100 in tax year 2026, which would not significantly impact poverty.[22]

Trump Accounts

A provision for "Trump Accounts" provides tax-advantaged investment accounts for young children, and seeds these accounts with $1,000 for children born between 2025 and 2028. As the account seeding has no explicit income requirement, it is the only new tax provision in the bill that could directly help low-income families with children. However, these children will need to wait until adulthood to see any benefit, and cannot withdraw more than half the income in the account before age 25. These restrictions mean the accounts will have no impact on child poverty. Moreover, a single $1,000

[19] Using fraction of self-reported child marketplace enrollees with subsidized coverage or whose income is eligible for subsidized coverage from the CPS-ASEC, and the latest Premium Tax Credit usage information from KFF. KFF. *Estimated Total Premium Tax Credits Received by Marketplace Enrollees.* State Health Facts, 2024.
https://www.kff.org/affordable-care-act/state-indicator/average-monthly-advance-premium-tax-credit-aptc/
Imputation follows Department of Labor methodology: "we edited the subsidy responses to indicate that coverage was subsidized for those under 400 percent of the federal poverty level." Callahan, Cathi, and Rodelle Williams. *Technical Appendix: March 2023 CPS Auxiliary Data.* U.S. Department of Labor, Employee Benefits Security Administration, August 30, 2024.
https://www.dol.gov/sites/dolgov/files/EBSA/researchers/data/health-and-welfare/technical-appendix-2023.pdf

[20] The bill has various provisions expanding Health Savings Accounts, which provides 75 percent of the benefits to people with incomes over $100,000. Lukens, Gideon. "Five Reasons Lawmakers Should Reject Expansions of Health Savings Accounts." Center on Budget and Policy Priorities, May 7, 2025.
https://www.cbpp.org/blog/five-reasons-lawmakers-should-reject-expansions-of-health-savings-accounts

[21] Congressional Budget Office. The Effects of Not Extending the Expanded Premium Tax Credits for the Number of Uninsured People and the Growth in Premiums. December 5, 2024. https://www.cbo.gov/system/files/2024-12/59230-ARPA.pdf

[22] Tax Policy Center. (2025, June 2). *T25-0187 – Tax Provisions in the One Big Beautiful Bill Act, as Passed by the House, by ECI Percentile, 2026* [Model estimate]. Urban Institute & Brookings Institution.
https://taxpolicycenter.org/model-estimates/T25-0187

deposit to be used in adulthood will do far less good for low-income children than an expansion of the CTC that reaches low-income children every year—poor children need resources in childhood to combat the harms of poverty rather than waiting decades until they become adults.

While "Trump Accounts" are ostensibly universal, the program's restrictions mean that 14 percent of children will not receive a $1,000 deposit. To receive a deposit, families must claim a child on a tax return and provide the child's and the parent's Social Security numbers (for both parents', if married). The Social Security number requirement will prevent citizen children with at least one undocumented parent (who would not have a Social Security number) from benefiting, while the tax filing requirement will exclude low-income families who do not file tax returns from benefiting. Research has found that about 10 percent of children are not claimed on a tax return in any given year.[23] Using the JCT cost estimate for the Trump Account contribution program and CBO population projections for new births, I estimate these restrictions will prevent over two million children (14 percent of all children born between 2025-2028) from receiving $1,000 contributions.[24]

[23] About two-thirds of children not claimed on a tax return in one year were claimed in the earlier or subsequent year. Gee, Geoffrey, Jacob Goldin, Joseph Gray-Hancuch, Ithai Z. Lurie, and Vedant Vohra. *The Claiming of Children on U.S. Tax Returns.* Forthcoming, *National Tax Journal*, December 11, 2024.

[24] The CBO projects there will be 15,044,766 births between 2025 and 2028. The JCT estimates the Trump Account contribution program will cost $12.872 billion dollars. This implies 2.2 million children will be excluded—14.4 percent of all new births during the time period of eligibility.