

Evaluating the Impact of an Income Shock on Crime: Evidence from 2021 Child Tax Credit Expansion

Abstract: This paper investigates how a temporary income shock brought about by the 2021 expansion of the U.S. Child Tax Credit (CTC) affects local crime rates. The expanded CTC provide temporary income shock to low-income households with children. Using administrative arrest data from the 2021–2022 National Incident-Based Reporting System (NIBRS) and a difference-in-differences framework, we exploit cross-county variation in exposure to the CTC driven by number of eligible children and household income. We find that each additional \$1,000 in CTC payments received by eligible families at the county level is associated with 0.15 more arrests per 1,000 residents. We detect no effect on violent offense arrests and a small negative effect on property offense arrests. The results are consistent with previous literature where cash transfers show little or no clear reduction in crime.