GAME CHANGERS
Economic Policies for a Working America

POLICY BRIEF

A Universal Basic Income for Children

The Problem

U.S. policy treats parenthood as a consumer choice rather than a productive contribution. While most other affluent countries offer monthly family allowances, the U.S. relies on a complicated mix of small tax breaks and cash payments that have uneven effects. Parenthood now feels economically out of reach for many young people and a large proportion of children live in poverty.

Past Failures

The U.S. has largely restricted family assistance to low-income families, imposing both paid work requirements and time limits. One benefit without these restrictions that reaches a larger constituency is the Child Tax Credit, which now maxes out at $2,200 per child under 17 and is at least partially refundable for those with lower tax liabilities. In 2021, this benefit was expanded to $3,600 for children under 6 and $3,000 for children 6 to 17, dramatically reducing child poverty and also boosting middle-class incomes. Lack of political will led to cancellation of this expansion for 2022. A new federal baby bonus (a "Trump Account") will provide a one-time deposit of $1000 into a tax-advantaged investment account for eligible children to draw on as adults but will not provide direct support for childrearing.

Game Changer

The current patchwork of tax deductions and credits and bonuses should be replaced by a universal basic income for all children, to be paid directly to their caregivers. If accompanied by changes in the structure of federal and state income taxes, this would resemble a negative income tax providing universal benefits that gradually phase out for families with high incomes, who would pay more in taxes than they receive in benefits.

BY NANCY FOLBRE

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PERI
University of Massachusetts Amherst

A minimalist version of a basic income for children based on universalizing the Child Tax Credit was outlined in a Congressional proposal by Mitt Romney (R-UT), offering transfers less than the value of today's Child Tax Credit. Prominent researchers have advocated a more generous proposal along these lines, closer to the levels of the 2021 Child Tax Credit.

One well-known proposal for a universal basic income, advocated by entrepreneur Andrew Yang, targets adults between 18 and 64 for a transfer of about $1,000 per month. Yet children place big demands on family budgets, even when they have access to public child-care. In recent years, many local small-scale programs have offered cash transfers between $500 and $1,000 to families for significant periods, with positive outcomes for both parents and children.

A range of transfers between $500 and $1,200 per child per month, depending on the state, child's age, and number of children in the household, approximates the range of payments for foster parents, designed to cover daily costs rather than to compensate for parental time.

Current progressive proposals for a family allowance are largely based on inflation-adjusted levels of the 2021 Child Tax Credit, combined with the child benefit portions of the Earned Income Tax Credit and the Credit for other Dependents.

The End Child Poverty Act introduced in Congress in 2022 by Representatives Tlaib and Jones provides a clear template: a monthly allowance of $393 per month to be paid out by the Social Security Administration. Updated to 2025, this would amount to about $426.

Rationale & Feasibility

This proposal represents the capstone of an ambitious plan to increase public investment in the true wealth of our nation — our own capabilities. It will strengthen our families and communities, reduce economic insecurity, and improve productivity. Financing this proposal will require some redistribution of income from rich to poor, old to young, and non-parents (defined as those not actively contributing to the support and care of children under 18) to parents. This can be achieved partly through taxes on accumulated and inherited wealth but will also require other changes in the structure of federal and state taxes.

Because public expenditures on family and community care represent investments in a socially and environmentally sustainable future, increased taxes on the consumption of goods and services with negative environmental effects (such as carbon emissions) also make sense. Within our current system of public finance, consumption taxes (such as tariffs) would have a larger impact on low-income than on high-income families. However, greater taxation of high levels of income and wealth in order to fund universal services, as recommended in this and other Game Changer proposals, could more than counterbalance this regressive impact.

*For more information on this topic, including the **Background Paper**, please visit our policy page.*

Contact: Nancy Folbre: nancy.folbre@gmail.com