The Compton Pledge

Insights for Tax Credit Policy Design

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Executive Summary

The Compton Pledge: Insights for Tax Credit Policy Design

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The Jain Family Institute, the Fund for Guaranteed Income and the Office of Mayor Aja Brown implemented the Compton Pledge: a two-year initiative delivering between $300-600 a month to 800 families in Compton, CA. The pilot was designed to identify policies and issues meaningful to the Compton community, applicable to broader policies, and timely to the challenges facing low-income households today. The study specifically tested policy reforms related to the 2021 Pandemic-Era Expansion of the Child Tax Credit in a randomized control trial. This allowed researchers to isolate the effects of design choices in a way that the expanded CTC could not, offering new insights and responding to criticisms with hard data.

The policy brief uses the results of the guaranteed income pilot to rebuke conservative arguments for abandoning Child Tax Credit (CTC) reforms. It offers the following recommendations for tax credit policy design: Expand choice: Monthly advanced CTC payments should be allowed. Expand eligibility: Conservatives argue expanding the CTC (like 2021) will discourage single mothers from working, but they worked more, earning an additional $317 per month. Expand generosity: Compton households who receive the equivalent of a more generous CTC (they got CTC plus pledge payment) worked more.

I. Context: The Compton Pledge

The Jain Family Institute, the Fund for Guaranteed Income, and the Office of Mayor Aja Brown implemented the Compton Pledge, a pilot program that randomly selected 800 low-income households to receive guaranteed income payments averaging $500 per month for a period of two years. At launch, the Compton Pledge was the largest city-based unconditional cash transfer program in the United States.

Reflecting a commitment to build sustainable, cash-based programs, the pilot was specifically designed to generate applicable insights for existing policies on refundable tax credits such as the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC). Low-income households who earn income from work receive these tax credits as an annual, lump sum payment after filing taxes. Because the government refunds cash to those who have no income tax liability, these credits are the main policy lever for providing financial support to low-income households.

What's a refundable tax credit? Low-income families who owe little to no federal income taxes, receive refundable tax credits as a direct cash payment from the IRS

The Pilot Design

Exploring cash transfer implementation strategies

The Compton Pledge explored how different implementation strategies affected the outcomes of direct cash for recipients, addressing unanswered questions for policymakers. For example, it tested the efficacy of lump sum payments (simulating large tax refunds) versus smaller, more frequent payments. The pilot was designed to inform three different aspects of tax credits design: A) payment frequency, B) eligibility, and C) generosity. These aspects of tax credit design were adjusted during COVID to help the Child Tax Credit (CTC) reach more children in low-income families. The table below relates the 2021 CTC Expansion to the design of the Compton Pledge.

2021 Child Tax Credit Expansion

A.Higher payment frequency: The credit could be taken in six monthly advances instead of an annual lump sum.	**B. Expansive eligibility:** The payments had no work requirements.	**C. More generous payments:** From $2,000 per child under 17 to $3,000 per child 6-18 and $3,600 per child 0-5

Compton Pledge GI Pilot

A.Varied payment frequency: Half received ~$250 every 3 weeks; half received ~$1,500 every 3 months.	**B. Expansive eligibility:** The payments had no work requirements.	**C. Payment generosity:** The payments were given to people who simultaneously received the Expanded CTC and other benefits

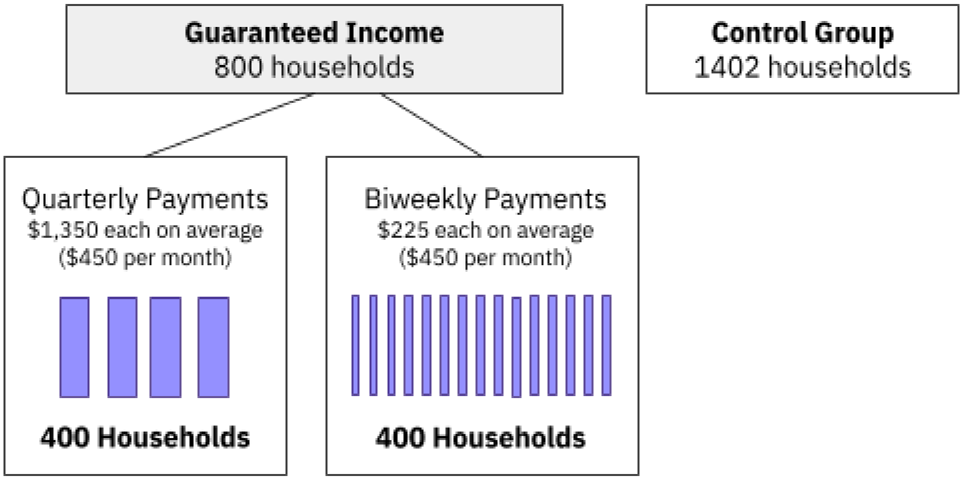
The Evaluation

Applying robust data to existing policy debates

The evaluation of the pilot used a random control trial, widely regarded as the gold standard for impact evaluation. The methodology allowed researchers to isolate the effects of design choices in a way that the expanded CTC could not, offering new insights and responding to criticisms with hard data. A subset of participants were interviewed as part of a storytelling cohort and an accompanying qualitative interview study, providing validation to findings and helping researchers understand how the program was actually experienced by the Compton community.

Households were eligible if they were located in Compton, had at least one household member aged 23 to 57, and were below 220% of the federal poverty threshold. To test the impact of cash on economic wellbeing, the study randomly assigned households into either the GI treatment group or a control group that did not receive transfers. Treatment households underwent an additional randomization: half received transfers twice a month (similar to how paychecks are issued), and the other half received transfers once every quarter. This aspect of the study design sought to address unanswered policy questions around the ideal timing of payments.

Compton Pledge study design



The full evaluation report details how households used GI payments for personal investment and advancement: to pay for training, business certificates, entrepreneurship, and for keeping their businesses alive. There was also a large increase in perceived housing security and financial security among women. The results demonstrate that direct cash is an effective mechanism to reduce poverty. Beyond simply studying the general impact of cash on low-income households, the Compton Pledge evaluation was designed to inform key debates about the structure and administration of tax credits.

Tax credits are the largest direct cash program the government operates. In 2024, families received over $100 billion dollars worth of direct cash from the refundable portions of the CTC and EITC . The 2021 CTC Expansion further increased direct cash transfers to families with children; ***it was so effective that it cut child poverty in half,*** improving households' food security and health outcomes. Conservative arguments against extending the CTC expansion marshalled stereotypes against low-income households – especially of single mothers. These rationales relied on prior evidence far weaker than the Compton Pledge's clear randomized control trial design. The rule changes expired. As a result, child poverty returned to pre-expanded Child Tax Credit levels. How can the results from the Compton Pledge inform the debate around tax credits?

II. Implications for Tax Credit Policy Design

A. Impact of higher payment frequency

The argument against monthly transfers

Influential policy analysts support the traditional tax credit payout structure: one large lump sum as part of a family's tax return. They typically cite two main reasons for opposing smaller, more frequent payments. First, critics argue that smaller payments don't enable large purchases or meaningful savings. They claim only a lump-sum payment can deliver the wealth-building benefits linked to upward mobility. Additionally, some critics claim that smaller but more frequent payments could breed dependence by mimicking receiving "income" from an employer. Public opinion seems to align with this concern – analysis has found that people associate monthly payments with work disincentives more than large lump-sum payments.

However, there are compelling reasons for allowing households the option of receiving smaller, more frequent tax credit payments. As most tax credit recipients are uncertain of how large their tax refund will be, receiving such a large payment (representing an average of 25% of EITC recipient households' annual earned income) can make financial planning difficult, especially during unexpected emergencies. When families face expenses they can't cover before they receive their tax refund, they often resort to borrowing in anticipation of the refund. The Compton Pledge randomized payment frequency: paying half the treatment group in large quarterly lump sums and the other half via smaller, bi-weekly transfers. This design allows researchers a unique opportunity to bring hard data to critics' claims that frequent tax credit payments disincentivize work and are ineffective at supporting upward mobility. Quarterly lump-sums closely resembled annual tax refunds and bi-weekly transfers were very similar to monthly payments.

The Compton Pledge evaluation found no disadvantages to monthly payments

None of the critics' arguments against smaller, more frequent payments were borne out in the data. Large lump payments did not offer unique advantages that improve upward mobility. Both bi-weekly and lump sum payments improved economic stability, as shown by recipients' ability to increase their assets and pay down an average 10% of their total debt ($2,190). Most recipients prioritized high-interest debts, like payday loans and car loans, allowing them to keep more of their future earnings.

There was virtually no evidence that the Compton Pledge discouraged recipients from working, including participants who were paid in small bi-weekly installments. Participants who received either lump sum or bi-weekly payments saw large increases in income from the start to the end of the program, debunking the idea that large lump-sum payments uniquely facilitate upward mobility and are a superior way of distributing cash assistance.

B. Impact of broadening eligibility

The 'single mother' argument against expanding CTC eligibility

Critics of the CTC expansion argued that extending benefits to non-working families would cause many parents–especially single mothers–to stop working altogether. One well-cited study predicted that 11% of single mothers (1.16 million people) would exit the workforce due to their new eligibility for benefits. The concern wasn't based on real-world data studying what happened when the larger CTC was implemented; rather, critics used modelling assumptions that single mothers would be uniquely likely to stop working compared to married parents or non-parents.

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Like the expanded CTC, the Compton payments did not have work requirements or paternalistic eligibility burdens often promoted by conservative policymakers. Single mothers comprised 22% of Compton Pledge recipients. This enabled researchers to study how unconditional cash affected single mothers relative to other demographic groups.

The Compton Pledge evaluation found single mothers who received GI payments worked 6.43 more hours each week

Single mothers responded to these additional funds by working an additional 6.43 hours compared to a control group that did not receive GI, earning an additional $317 per month. "The grant made a difference with me having to pay my daughters' rent while attending nursing school," said Shivel, a mother who received Compton Pledge payments.

The increase in hours directly contradicted conservative predictions that single mothers would be far more likely to quit working compared to other groups. Between their increased earnings and the GI payments, single mothers raised their income by $831 per month – showing that many just need a cash investment in themselves so that they can achieve their goals.

C. Impact of more generous CTC payments

The 'work disincentive' argument against more generous CTC payments

The Covid-era expansion to the CTC made it more generous, raising its value from $2,000 to as much as $3,600 per child, per year. Even though these sums were not nearly enough to live on, many conservatives argued that, when combined with other benefits, the larger CTC would allow families to get by without working.

The Compton Pledge evaluation examined the impact of GI payments combined with other benefits. Specifically, the study examined the difference between parents in the control group to those who received GI payments (~$500/month) as well as those receiving both GI payments and the expanded CTC (combined, upwards of $1,000/month). By studying the combined impact of GI payments and the expanded CTC, the evaluation tested concerns that the cumulative value of multiple benefits would be enough to disincentivize work.

The Compton Pledge evaluation found CTC recipients who received GI worked 2.4 more hours each week

Compared to the control group, parents who received the GI payments from the pilot worked half an hour more each week, while parents who received both GI payments and funds from the expanded CTC worked

2.4 hours more each week. While the increases in time spent working were not statistically significant, they are completely opposite conservative predictions that the combined value of multiple benefits would disincentivize work. Receiving extra benefits did not trigger some kind of tipping point that encouraged parents to stop working–instead, parents worked more. The following section describes recommendations around payment frequency, eligibility, and generosity: three aspects of tax credit design that were changed during COVID to expand the CTC, cutting child poverty in half.

III. Tax Credit Policy Recommendations

A. Enable choice in how tax credit payouts are received

The results from the Compton Pledge indicate that receiving money though high or low frequency payments does not change household's ability to best use the money toward their goals. Contrary to some analysts' predictions, large lump sum payments did not show better efficacy for making parents invest in upward mobility. Similarly, offering monthly payments did not cause households to treat Compton Pledge payments as an income substitute, rejecting the main conservative argument against giving households this option.

This finding makes a case for allowing EITC and CTC recipients to receive their more generous payments in either lump sum or monthly installments. We recognize that large lump sum refund payments have certain advantages; they are easy to administer and can better support upward mobility, as annual payments allow households to concentrate capital to afford larger investments like vehicles or security deposits – and offer a time to plan ahead. However, current-law forces families into receiving large lump-sum refunds. Depending on each family's financial circumstances, households might prefer more frequent, smaller payments to smooth out fluctuations in other income sources. Going forward, tax credits should allow recipients to choose the payment frequency that best suits their financial needs. Any options for advance installment payments should come with robust repayment protections for taxpayers that end up receiving a larger credit they were eligible for.

B. Expand who qualifies for tax credits

The Compton Pledge provides clear evidence that expanding eligibility for the CTC would reduce child poverty without disincentivizing work for those most impacted. Tax credits lift millions of people out of poverty every year, but many low-income families are not eligible due to paternalistic work requirements. The Compton Pledge demonstrated that removing the work requirements and expanding the CTC could lift millions of children out of poverty, while providing their parents with the cash investment they need to make the most from their careers.

C. Increase tax credits to reflect rising costs of living

The Compton Pledge showed that the communities most likely to be positively affected by more generous CTC payments worked the same amount or more with additional cash. Tax credits are one of the government's cheapest and most efficient tools to deliver cash to low-income families. Just 1% of the cost of the EITC is spent on government overhead, and the program delivers 99% of budgeted funds directly to families. In comparison, Temporary Assistance to Needy Families, another large government program designed to support low-income families, delivers less than 25% of budgeted funds as cash.

Tax credits and other cash transfer programs are not just cost-effective to administer—they also generate such significant benefits that they nearly offset their costs. One study found that EITC's net cost is approximately 17% of its budgetary cost, a result of increased tax collections and decreased spending on other programs. When taking into account more indirect spillovers like reduced crime, improved health, and long-term positive impacts on children when they reach adulthood, the cost of the EITC more than pays for itself. Increasing the generosity of tax credits to keep pace with the rising costs of living would be one of the most impactful and efficient ways to support household resilience to inflation.

IV. Conclusion

Implications for the future of guaranteed income

The Compton Pledge identified transformative insights because both the study and the program were specifically designed to inform refundable tax credit policies. The results demonstrate how researchers, advocates, and the policy community use findings from guaranteed income pilots to push the movement forward into policy change, right now.

A guaranteed income research agenda should explore how cash can complement, interact with, or enhance the safety net.

What are other benefits of a more tailored study? We only asked for participants' time when it mattered most and only asked them questions that made a difference to the goals of the program to ensure a less intrusive study experience and better scoped study budget.

Without tailoring GI studies and pilots to meaningfully improve access to cash, we risk reproving over and over what so many of us already know; the way to make people less poor is to give them a little more cash. Guaranteed income research that only explores general concepts of "material well-being" do a disservice to the transformational philosophy of guaranteed income, and the time the participants spend engaging in research. Programs that ask not "if," but "how" to administer a GI policy at scale can generate data that can improve federal policy and lead to sustained economic outcomes – not just short term relief for participating households.

We know that cash works. Expanded CTC helped drive child poverty to a record low in 2021, illustrating that high childhood poverty rates are a national policy choice. When you give households more cash, as over 165 guaranteed income pilots have confirmed, they don't waste it. Instead, they spend it on their children and to find ways out of poverty. Despite the constant conservative drumbeat of "eliminating waste", the true waste of tax dollars is on welfare spending that does not reach the individual – or from costly efforts to administer aid with strict conditions.

The Compton Pledge's case for an expanded CTC is only one example of how guaranteed income can complement, interact with, or enhance the existing safety net. As the field matures, it's time to ask: What insights from GI pilots can we use to advocate for new/improved cash benefits in permanent programs? How can pilots lead to programs that are resilient and realistic in the existing political climate?

Annex: More on the Compton Pledge

Former Mayor Aja Brown's advocacy for GI is part of a larger set of bold, anti-poverty policies she pursued as Mayor of an American cultural capital–where glaring inequalities overlap. 30% of residents are Black, 68% are Latinx, and, 1 in 5 are below the poverty line. Alongside local civil rights activists, Mayor Brown has taken a stand against racial injustice, linking the public health crisis of COVID-19 to pervasive PTSD following decades of police violence. The Compton Pledge was passed as a local resolution of the BREATHE ACT – the modern-day Civil Rights Act of the Movement for Black Lives. TIME Magazine has highlighted the Pledge as the largest guaranteed income initiative in US history.

86% of recipients have dependent children with an average household size of four members. The program successfully served a number of undocumented and formerly incarcerated residents in the city, providing a model for future programs across the country. Through a longitudinal, randomized control trial study and payments platform F4GI built from scratch, we are providing the empirical evidence to bolster the case for GI and the infrastructure needed to support those excluded by existing welfare programs: the unbanked, undocumented, and formerly incarcerated.

Qualitative and quantitative evaluations examined the impact of the Compton Pledge on economic well being. There were two surveys total administered to 800 participants of the Compton Pledge and 1200 residents who are not participants of the Pledge. Each survey has two, 20 minute parts ($20 compensation per survey part, with a $10 bonus for completing both parts). The surveys ask about consumption, assets, physical and mental health, child outcomes, labor supply/outcomes, and intimate partner violence. With payments as little as $300 per month, Aaron has been able to buy groceries and a bike for his son. Rosalyn is paying her water and cable bills and is finishing her final college semester. Tiffany has finally been able to afford medication for an underlying heart condition. As reported in Business Insider, Christine started a nonprofit to support the homeless community.

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