



The Child Tax Credit

Calculating the Credit

When calculating the total amount of federal income taxes owed, eligible taxpayers can reduce their federal income tax liability by the amount of the child tax credit. Currently, eligible families that claim the child tax credit can subtract up to \$2,000 per qualifying child from their federal income tax liability. The maximum amount of credit a family can receive is equal to the number of qualifying children in a family multiplied by \$2,000.

If a family’s tax liability is less than the value of their child tax credit, they may be eligible for a refundable credit calculated using the earned income formula. The refundable portion of the credit is referred to as the additional child tax credit, or ACTC. Under this formula, a family is eligible for a refund equal to 15% of their earnings in excess of \$2,500, up to the maximum amount of the refundable portion of the credit. The maximum amount of the refundable portion of the credit is \$1,400 per qualifying child.

The \$2,000-per-child value of the credit falls by a certain amount as a family’s income rises. Specifically, for every \$1,000 of modified adjusted gross income (MAGI) above a threshold amount, the credit falls by \$50—or effectively by 5% of MAGI above the threshold. The threshold amount depends on a taxpayer’s filing status, and equals \$200,000 for single parents and married taxpayers filing separate returns, and \$400,000 for married taxpayers filing joint returns. The actual income level at which the credit is entirely phased out (i.e., equals zero) depends on the number of qualifying children a taxpayer has. Generally, it takes \$40,000 of MAGI above the phaseout threshold to completely phase out \$2,000 of credit. For example, the credit will completely phase out for a married couple with two children if their MAGI exceeds \$480,000.

The child tax credit can offset a taxpayer’s Alternative Minimum Tax (AMT) liability. Currently, the maximum credit per child, refundability threshold, and phaseout thresholds are not indexed for inflation. From 2018 to 2025, the maximum amount of the ACTC is indexed for inflation. **Table 1** provides an overview of key provisions of the child tax credit under current law and how they will change, as scheduled under P.L. 115-97.

Table 1. Overview of Key Aspects of the Child Tax Credit Under Current Law

Credit Parameter	Current Law	Post 2025
Max Credit Per Child	\$2,000 (NII)	\$1,000 (NII)
Max Refundable	\$1,400 (II)	\$1,000 (NII)
Refundability Threshold	\$2,500 (NII)	\$3,000 (NII)
Refundability Rate	15%	15%
Phase-Out Threshold	\$200,000 unmarried taxpayer \$400,000 married joint return (NII)	\$55,000 married separate return \$75,000 unmarried taxpayer \$110,000 married joint return (NII)
Offsets AMT tax	Yes	Yes

Source: Internal Revenue Code, 26 U.S.C. §24.

Notes: NII = not indexed for inflation. II = indexed for inflation.

Definition of a Qualifying Child

In order to claim the child tax credit, a taxpayer’s child must be considered “a qualifying child” and meet several requirements that may differ from eligibility requirements for other child-related tax benefits:

1. The child must be under 17 years of age during the entire year for which the taxpayer claims the credit.
2. The child must be eligible to be claimed as a dependent on the taxpayer’s return.
3. The child must be the taxpayer’s son, daughter, grandson, granddaughter, stepson, stepdaughter, niece, nephew, or an eligible foster child of the taxpayer.
4. The child must live at the same principal residence as the taxpayer for more than half the year for which the taxpayer wishes to claim the credit.
5. The child cannot provide more than half of their own support during the tax year.
6. The child must be a U.S. citizen or national. If they are not a U.S. citizen or national, they must be a resident of the United States.

The age and citizenship requirements for a qualifying child for the child tax credit differ from the definition of qualifying child used for other tax benefits and can cause

confusion among taxpayers. For example, a taxpayer's 18-year-old child may meet all the requirements for a qualifying child for the earned income tax credit (EITC), but will be too old to be eligible for the child tax credit.

ID Requirement to Claim the Child Tax Credit

The law requires that taxpayers who intend to claim the child tax credit provide a valid taxpayer identification number (TIN) for each qualifying child on their federal income tax return. Under a temporary change in effect from 2018 through the end of 2025, the child's TIN must be a work-authorized Social Security number (SSN). The SSN must be issued before the due date of the tax return. Failure to provide the child's SSN may result in the taxpayer being denied the credit (both the nonrefundable and refundable portions of the credit).

Absent any legislative changes, beginning in 2026, a valid TIN for qualifying children will include individual taxpayer identification numbers (ITINs) and Social Security numbers (SSNs). ITINs are issued by the Internal Revenue Service (IRS) to noncitizens who do not have and are not eligible to receive SSNs. ITINs are supplied solely so that noncitizens are able to comply with federal tax law, and do not affect immigration status.

In addition, in order to claim the child tax credit in a given tax year, the taxpayer must also provide their own taxpayer identification number that must be issued before the due date of the tax return. This is a permanent ID requirement that is not scheduled to expire.

Refund Timing

Taxpayers who claim the ACTC may experience a delay in receiving their refund. Tax filing season often begins around the end of January. Under current law, tax returns that include a claim for the ACTC (and/or the EITC) are held until February 15. This can mean that taxpayers with ACTC claims generally don't receive their refunds until the end of February at the earliest.

History and Background

The child tax credit was enacted as part of the Taxpayer Relief Act of 1997 (P.L. 105-34). When it initially went into effect in 1998, the credit was a \$500-per-child nonrefundable credit, which primarily benefited middle- and upper-middle-income families. Since enactment, various laws have modified key parameters of the credit, expanding the availability of the benefit to more low-income families while also increasing the amount of the tax credit. The first significant change to the child tax credit occurred with the enactment of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA; P.L. 107-16). EGTRRA increased the amount of the credit over time to \$1,000 per child and made it partially refundable under the earned income formula.

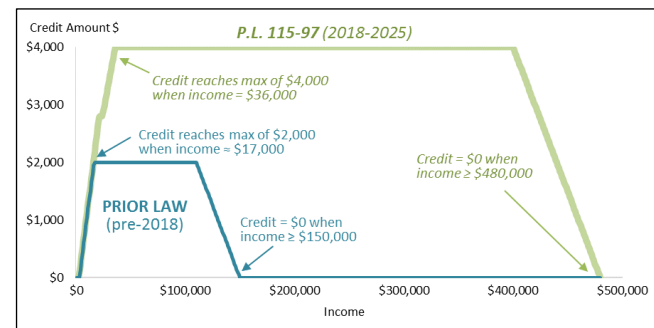
In 2008 and 2009, Congress passed legislation—the Emergency Economic Stabilization Act of 2009 (EESA; P.L. 110-343) and the American Recovery and Reinvestment Act of 2009 (ARRA; P.L. 111-5)—that further expanded the availability and amount of the credit to

taxpayers whose income was too low to either qualify for the credit or be eligible for the full credit. ARRA lowered the refundability threshold to \$3,000 for 2009 through 2010. The ARRA provisions were subsequently extended several times and made permanent by the Protecting Americans from Tax Hikes (PATH) Act (Division Q of P.L. 114-113). The PATH Act also required that beginning with tax returns filed in 2017, any refund associated with returns claiming the ACTC (and/or EITC) would be held by the IRS until February 15. This provision was coupled with a requirement that employers furnish the IRS with W-2s and information returns on nonemployee compensation (e.g., 1099-MISCs) earlier in the filing season. Many believe that more time to cross-check income on information returns will help reduce erroneous payments of the ACTC by the IRS.

At the end of 2017, President Trump signed into law P.L. 115-97, commonly referred to as the Tax Cuts and Jobs Act, or TCJA, which made numerous temporary changes to individual income tax provisions, including the child tax credit. The act increased the maximum amount of the credit per child from \$1,000 to \$2,000, increased the maximum amount of the refundable tax credit per child from \$1,000 to \$1,400, and increased the income level at which the credit phases out from \$110,000/\$75,000 for married/unmarried tax filers to \$400,000/\$200,000. The law also temporarily changed the ID requirements of the credit. These changes are scheduled to be in effect from 2018 through the end of 2025.

The legislative changes made to the child tax credit by P.L. 115-97 have significantly expanded the child tax credit, especially for upper-income taxpayers, as illustrated in **Figure 1**.

Figure 1. The Child Tax Credit for a Married Couple with Two Children by Income Level, Before and After P.L. 115-97



Note: This is a stylized example.

For more information on the child tax credit, including the \$500 nonrefundable credit for non-child tax credit dependents, see CRS Report R41873, *The Child Tax Credit: Current Law*, by Margot L. Crandall-Hollick; and CRS Report R45124, *The Child Tax Credit: Legislative History*, by Margot L. Crandall-Hollick.

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