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The Child Tax Credit: How It Works and Who Receives It

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The Child Tax Credit: How It Works and Who Receives It

SUMMARY

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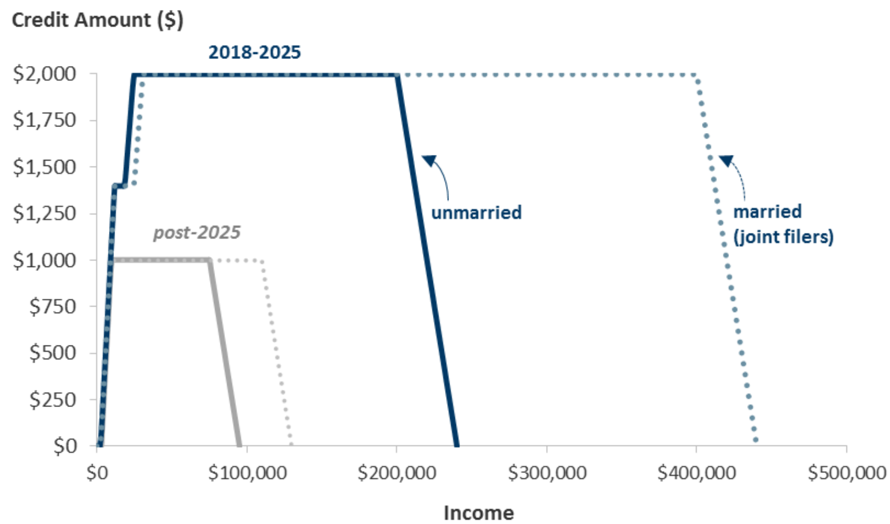
This report provides an overview of the child tax credit under current law, including a review of temporary changes made to the credit by P.L. 115-97 (often referred to as the Tax Cuts and Jobs Act or TCJA).

The child tax credit allows eligible taxpayers to reduce their federal income tax liability by up to $2,000 per qualifying child. The maximum amount of the credit is equal to the number of qualifying children a taxpayer has multiplied by $2,000. If their 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. Under this formula, a family is eligible for a refund equal to 15% of their earnings in excess of $2,500, up to $1,400 per child, the maximum amount of the refundable portion of the credit. The credit phases out for unmarried parents with income over $200,000 and married couples with income over $400,000. Many of these parameters are scheduled to expire at the end of 2025 under P.L. 115-97. The amount of the credit by income for a taxpayer with one qualifying child is illustrated below.

Child Tax Credit Amount by Income Level



Source: See **Figure 1**.

The child tax credit was created in 1997 by the Taxpayer Relief Act of 1997 (P.L. 105-34) to help ease the financial burden that families incur when they have children. Like other tax credits, the child tax credit reduces tax liability dollar for dollar of the value of the credit. Initially the child tax credit was a nonrefundable credit for most families. A nonrefundable tax credit can only reduce a taxpayer's income tax liability to zero. In contrast, a refundable tax credit can exceed a taxpayer's income tax liability, providing a cash payment to low- and some moderate-income taxpayers who owe little or no income tax.

The child tax credit has undergone significant changes over time. Most recently, at the end of 2017, Congress expanded the credit as part of the TCJA (P.L. 115-97). The TCJA doubled the maximum credit amount and more than tripled the income level at which the credit begins to phase out. Additionally, although comparatively more modest, changes were made to the refundable portion of the credit as well, including increasing the refundable credit amount from $1,000 to $1,400 per child and lowering the refundability threshold from $3,000 to $2,500. These changes are scheduled to be in effect from 2018 through the end of 2025.

Data from the IRS indicate that the total dollar amount of the child tax credit has increased significantly since enactment from approximately $23 billion in 1998 to $118 billion in 2018, with the largest increase coming after the TCJA expansions, as illustrated below.

Total Real Child Tax Credit Dollars, 1998-2018

Source: See **Figure 2**.

The Tax Policy Center (TPC) estimated the distribution of the child tax credit by income level for 2019 under current law (including the changes made by the TCJA, as illustrated in the table below). As illustrated in these estimates, the majority of taxpayers with children received the child tax credit. Slightly less than half of the lowest-income taxpayers with children received the credit and about a quarter of the highest-income taxpayers with children received the credit. TPC estimated that taxpayers with income between $100,000 and $200,000 received the largest credit on average, of more than $3,000. Taxpayers with children and income under $20,000 received a credit of less than $1,000 on average.

Taxpayers with Children, by Income Level in 2019

Income Level	% of All Taxpayers	% of Taxpayers who Receive the Child Credit	Child Tax Credit as % of After-Tax Income	Average Child Credit per Taxpayer
Less than $10,000	2.4	47.8	3.5	$250
$10,000-$20,000	8.5	68.0	4.8	$850
$20,000-$30,000	10.4	84.8	5.7	$1,520
$30,000-$40,000	8.6	90.8	6.2	$2,160
$40,000-$50,000	6.9	94.3	5.7	$2,450
$50,000-$75,000	13.6	96.4	5.0	$2,790
$75,000-$100,000	9.7	98.8	3.9	$2,980
$100,000-$200,000	23.7	99.5	2.6	$3,040
$200,000-$500,000	13.2	98.2	1.2	$2,790
More than $500,000	2.5	26.9	0.1	$649
All	**100**	**90.2**	**2.2**	**$2,370**

Source: See **Figures 4** and **5**.

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Introduction

The child tax credit was created in 1997 by the Taxpayer Relief Act of 1997 (P.L. 105-34) to help ease the financial burden that families incur when they have children. Like other tax credits, the child tax credit reduces tax liability dollar for dollar of the value of the credit. Initially the child tax credit was a nonrefundable credit for most families. A nonrefundable tax credit can only reduce a taxpayer's income tax liability to zero, while a refundable tax credit can exceed a taxpayer's income tax liability, providing a cash payment primarily to low-income taxpayers who owe little or no income tax. Over the past 20 years, legislative changes have significantly changed the credit, transforming it from a generally nonrefundable credit available only to the middle and upper-middle class, to a refundable credit that more low-income families are eligible to claim. Most recently, at the end of 2017, Congress significantly expanded the credit as part of P.L. 115-97, often referred to as the Tax Cuts and Jobs Act or TCJA.[1] The law significantly expanded eligibility for and the amount of the credit for many higher-income taxpayers, with a more modest expansion for lower-income taxpayers.

This report provides an overview of the credit under current law and also provides some summary data on these benefits. For a complete legislative history of the credit, see CRS Report R45124, *The Child Tax Credit: Legislative History*, by Margot L. Crandall-Hollick.

Current Law

The child tax credit allows taxpayers to reduce their federal income tax liability (the income taxes owed before tax credits are applied) by up to $2,000 per qualifying child.[2] If the value of the credit exceeds the amount of tax a family owes, the family may be eligible to receive a full or partial refund of the difference. The refundable portion of the credit is sometimes referred to as the *additional child tax credit* or ACTC. The total amount of their refund is calculated as 15% (the refundability rate) of earnings that exceed $2,500 (the refundability threshold), up to the maximum amount of the refundable portion of the credit ($1,400 per child).

The credit phases out for higher-income taxpayers. 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.

Residents of the U.S. territories generally do not receive the federal child credit, although families residing in the territories with three or more children may receive the ACTC using an alternative formula.[3]

[1] The original title of the law, the Tax Cuts and Jobs Act, was stricken before final passage because it violated what is known as the Byrd rule, a procedural rule that can be raised in the Senate when bills, like the tax bill, are considered under the process of reconciliation. The actual title of the law is "To provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018." For more information on the Byrd rule, see CRS Report RL30862, *The Budget Reconciliation Process: The Senate's "Byrd Rule"*, by Bill Heniff Jr., The Budget Reconciliation Process: The Senate's "Byrd Rule", by Bill Heniff Jr.

[2] The child tax credit can be found in Section 24 of the Internal Revenue Code (26 U.S.C. §24).

[3] All families (including those in U.S. territories) with three or more qualifying children can calculate the ACTC using an alternative formula. The alternative formula is the amount by which Social Security taxes paid exceed the earned income tax credit (EITC) up to the maximum refundable credit. For most families, the ACTC under the earned income formula will be larger than the ACTC under the alternative formula. However, because residents of U.S. territories are generally ineligible for the EITC, the formula effectively equals the lesser of their Social Security taxes paid or their

Table 1 provides an overview of key provisions of the child tax credit under current law and how they will change beginning in 2026, as scheduled under P.L. 115-97.

Table 1. Child Tax Credit Parameters Under Current Law

Parameter	(2018-2025)	(2026-)
	Credit Amount	
Maximum Credit Amount	$2,000 per child 0-16 years old.	$1,000 per child 0-16 years old.
Maximum Additional Child Tax Credit (ACTC)	$1,400[a] per child aged 0-16 years old.	$1,000 per child aged 0-16 years old.
Refundability Formula for ACTC	15% of earnings above $2,500, not to exceed the maximum of $1,400 per child.	15% of earnings above $3,000, not to exceed the maximum of $1,000 per child.
Phaseout Threshold	$400,000 married filing jointly $200,000 head of household & single $200,000 married filing separately	$110,000 married filing jointly $75,000 head of household & single $55,000 married filing separately
Phaseout Rate	Credit is reduced by $50 for every $1,000 (or fraction thereof) above the phaseout threshold.	Credit is reduced by $50 for every $1,000 (or fraction thereof) above the phaseout threshold.
	Other Provisions	
Qualifying Child ID Requirements	Social Security Number (SSN).	SSN or individual taxpayer identification number (ITIN).
Eligibility to Residents of Puerto Rico and Other Territories	Residents of the territories generally do not receive the federal child credit, although families in territories with three or more children may receive the ACTC using an alternative formula.[b]	Same as 2018-2025.

Source: CRS analysis of IRC Section 24, P.L. 115-97, and Joint Committee on Taxation, JCX-17-20.

Notes:

a. Annually adjusted for inflation.

b. The alternative formula is the amount by which Social Security taxes paid exceed the earned income tax credit (EITC) up to the maximum refundable credit. Because residents of territories are generally ineligible for the EITC, the formula effectively equals the lesser of their Social Security taxes paid or their maximum ACTC. For more information, see Joint Committee on Taxation, JCX-17-20.

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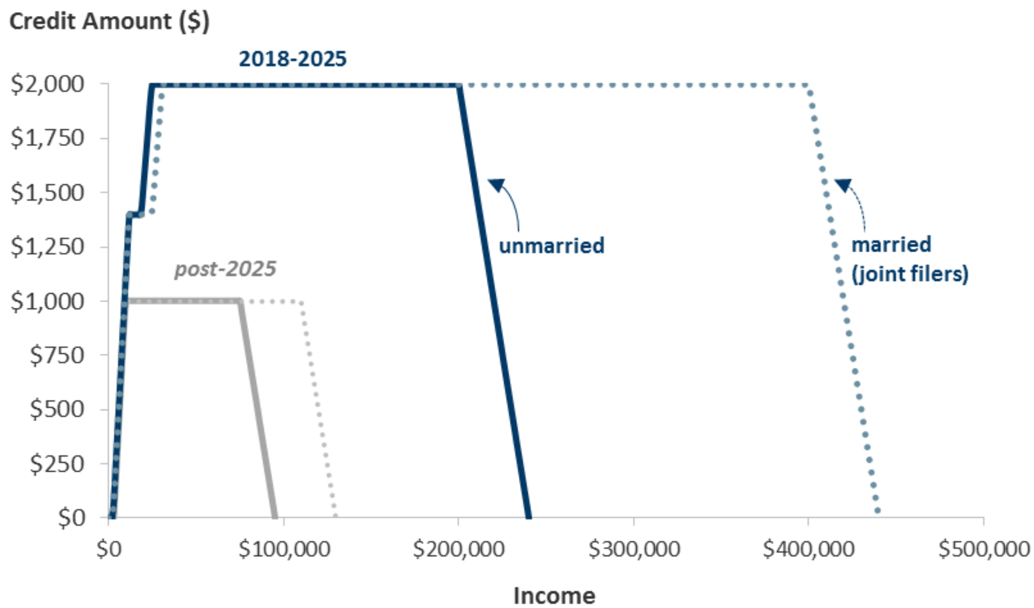
maximum ACTC. Under the alternative formula, taxpayers with one or two qualifying children are effectively ineligible for the ACTC.

Residents of American Samoa who file an American Samoan tax return may claim the nonrefundable portion of the child tax credit against their America Samoan income taxes. Residents of American Samoa who have three or more qualifying children may also claim the ACTC, but only under the alternative formula. The Treasury covers the cost of any amount of the ACTC provided to America Samoan residents under the alternative formula. Puerto Rico has no child tax credit under Puerto Rican tax law. Puerto Rican residents with three or more qualifying children may claim the federal ACTC under the alternative formula, but only if they file Form 1040-SS with the Internal Revenue Service (IRS). Residents of mirror-code territories (Guam, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands) may claim the child credit (including the ACTC) under both the earned income formula and the alternative formula as part of their respective territorial systems. The Treasury covers the cost of any amount of the ACTC provided to mirror-code territory residents under the alternative formula (it is unclear if the Treasury also covers the cost of the ACTC under the earned income formula).

Overview of Current Credit

Each of the key parameters of the child tax credit as in effect from 2018 through 2025 is described in more detail below. 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. Child Tax Credit Amount by Income Level



Source: Internal Revenue Code (IRC) Section 24.

Notes: This is a stylized example assuming the taxpayer has one qualifying child. In actuality, the ACTC is calculated based on earned income and the credit is phased down based on modified adjusted gross income (MAGI). Married refers to married taxpayers filing joint returns. The "notch" in the graph when the credit amount equals $1,400 (the vertical axis) occurs when the maximum ACTC amount has been reached.

Maximum Credit per Child

Eligible taxpayers can claim a child tax credit and reduce their federal income tax liability by up to $2,000 per qualifying child. The maximum credit a taxpayer can receive is equal to the number of qualifying children a taxpayer has, multiplied by $2,000. For example, a taxpayer with two qualifying children may be eligible for a $4,000 credit. Taxpayers may receive the child tax credit as a reduction in tax liability (the nonrefundable portion of the credit), a refundable credit (the amount of the credit in excess of income tax liability), or a combination of both.[4] The refundable portion of the credit—the ACTC—is discussed in the subsequent section.

[4] Importantly, even if the credit both reduces tax liability and then is received as a refund, the total value of the nonrefundable and refundable portion of the credit cannot exceed $2,000 per child multiplied by the number of qualifying children. Hence, if a family with two children and a $1,500 tax liability is eligible for a $2,000 child tax credit, $1,500 of their credit will reduce their tax liability to zero (the nonrefundable portion) and the family may receive up to $500 of child tax credit as a refundable credit, depending on their income.

Beginning in 2026, the maximum amount of the credit is scheduled to revert to $1,000 per qualifying child.

Maximum Additional Child Tax Credit (ACTC) per Child, the Refundability Threshold, and Refundability Rate

For taxpayers with little or no federal income tax liability, they will be eligible for little if any of the nonrefundable portion of the child tax credit. Instead, they may be eligible to receive the refundable portion of child tax credit. The refundable portion of the child tax credit is often referred to as the additional child tax credit or ACTC. The amount of the refundable child tax credit is generally calculated using the "earned income formula"[5] up to the maximum ACTC amount of $1,400 per qualifying child.

Under the earned income formula, a taxpayer may claim an ACTC equal to 15% of the family's earned income in excess of $2,500, up to the maximum ACTC amount (i.e., up to $1,400 multiplied by the number of qualifying children).[6] The $2,500 amount is referred to as the refundability threshold; the 15% is referred to as the refundability rate. If a taxpayer's earnings are below the refundability threshold, they are ineligible for the ACTC. For every dollar of earnings above this amount, the value of the taxpayer's ACTC increases by 15 cents, up to the maximum amount of the credit ($1,400 per qualifying child). For purposes of calculating the ACTC, earned income is defined as wages, tips, and other compensation included in gross income. It also includes net self-employment income (self-employment income after deduction of one-half of Social Security payroll taxes paid by a self-employed individual).

Beginning in 2026, the refundability threshold is scheduled to increase to $3,000 and the maximum ACTC per child (the amount that exceeds income tax liability) is scheduled to decrease to $1,000 per child.

The Phaseout Threshold and Phaseout Rate

The child tax credit phases out for higher-income families. 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)[7] 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

[5] Families with three or more children may choose to calculate the refundable portion of the child tax credit using an alternative formula. If the amount calculated under the alternative formula is larger than the refundable credit calculated under the earned income formula, the larger credit can be claimed. The alternative formula is calculated as the excess of a taxpayer's payroll taxes (including one-half of any self-employment taxes) over their earned income tax credit (EITC), not to exceed the maximum credit amount. However, lower-income taxpayers will often pay less in payroll taxes than they will receive in the EITC. This is because payroll taxes are equal to 7.65% of earnings, while the EITC equals up to 45% of earnings.

[6] Congress has sometimes allowed certain taxpayers to elect to use older earned income in computing their ACTC (and earned income tax credit or EITC). In other words, if the most recent earned income results in a smaller credit than the previous year's earned income, taxpayers may use that older earned income to calculate the ACTC and EITC. For a discussion, see "EITC/CTC Credit Computation Look-Back" in CRS Report R45864, *Tax Policy and Disaster Recovery*, by Molly F. Sherlock and Jennifer Teefy. Most recently, P.L. 116-260 included a provision allowing taxpayers to use 2019 earned income (as opposed to 2020 earned income) in calculating their 2020 EITC and ACTC.

[7] With respect to the child tax credit, modified adjusted gross income (MAGI) is equal to Adjusted Gross Income (AGI) increased by foreign earned income of U.S. Citizens abroad, including income earned in Guam, American Samoa, the Northern Mariana Islands, and Puerto Rico. For more information on AGI see CRS Report RL30110, *Federal Individual Income Tax Terms: An Explanation*, by Mark P. Keightley and CRS Report R45145, *Overview of the Federal Tax System in 2020*, by Molly F. Sherlock and Donald J. Marples.

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 Nonrefundable $500 Credit for Non-Child-Tax-Credit Dependents

At the end of 2017, President Trump signed into law P.L. 115-97, which made numerous changes to the federal income tax for individuals and businesses.[8] One of these changes was the creation of a new temporary credit for non-child-tax-credit-eligible dependents. The credit is referred to by the IRS as the "credit for other dependents."

This credit is equal to $500 per non-child-credit-eligible dependent. The amount is not annually adjusted for inflation. The phaseout parameters of the child credit (e.g., phaseout thresholds of $400,000 married filing jointly, $200,000 other taxpayers, 5% phaseout rate) apply to the family credit. As discussed below, while P.L. 115-97 imposes a new Social Security number (SSN) requirement for qualifying children being claimed under the child tax credit, the law does not statutorily impose a similar requirement on non-child-credit-eligible dependents.

This credit is generally available for dependents not eligible for the child tax credit. Non-child-credit-eligible dependents excludes otherwise eligible dependents who are not U.S. citizens and are residents of Mexico or Canada.

This provision is scheduled to be in effect from 2018 through the end of 2025.

Definition of a Qualifying Child

In order to claim the child tax credit, a taxpayer's child must be considered "a qualifying child" of the taxpayer and meet several requirements, which may differ from eligibility requirements for other child-related tax benefits:

1. The child must be under 17 years of age by the end of the year. (In other words, if the child turns 17 years old on December 31, 2020, the taxpayer cannot claim them as a qualifying child for the child tax credit on their 2020 income tax return.)
2. The child must be eligible to be claimed as a dependent on the taxpayer's return.[9] Specifically:
    - The child must be the taxpayer's son, daughter, grandson, granddaughter, stepson, stepdaughter, niece, nephew, or an eligible foster child of the taxpayer.
    - 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.
    - The child cannot provide more than half of their own support during the tax year.
3. 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.[10]

[8] For more information on the changes made to the tax code by P.L. 115-97, see CRS Report R45092, *The 2017 Tax Revision (P.L. 115-97): Comparison to 2017 Tax Law*, coordinated by Molly F. Sherlock and Donald J. Marples.

[9] See the definition of a qualifying child for the dependent exemption in IRC §152(c). From 2018 to 2025, due to the temporary suspension of the dependent exemption enacted as part of P.L. 115-97, taxpayers may no longer claim their children as dependents for purposes of the dependent exemption, although this does not affect eligibility for the credit and the definition of a dependent remains unchanged by the law. IRC §151(d)(5)(B).

[10] See IRC §24(c)(2).

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 EITC, but will be too old to be eligible for the child tax credit.

ID Requirements to Claim the Child Tax Credit

The statute 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.

Disallowance of the Credit Due to Fraud or Reckless Disregard of the Rules

A tax filer is barred from claiming the child tax credit for a period of 10 years after the IRS makes a final determination to reduce or disallow a tax filer's child tax credit because that individual made a fraudulent child tax credit claim. A tax filer is barred from claiming the child tax credit for a period of two years after the IRS determines that the individual made a child tax credit claim "due to reckless and intentional disregard of [the] rules" of the child tax credit, but that disregard was not found to be due to fraud.[11]

Data on the Child Tax Credit

Estimates from the Internal Revenue Service (IRS) and Tax Policy Center highlight several key aspects of the child tax credit:

- **The total dollar amount of the child tax credit has grown over time with the largest increase to date occurring in 2018:** Data from the IRS indicate that the total dollar amount of the child tax credit in real terms has increased fivefold since enactment, with the largest increase occurring between 2017 and 2018, after the TCJA; see **Figure 2**. Initially, the total dollar amount of the credit grew modestly between 1998 and 2003 in real terms, with increases reflecting, in part, legislative expansions of the credit. More recently, prior to the TCJA, the total credit amount fell in real terms. Then, between 2017 and 2018, total credit dollars more than doubled.

[11] See IRC §24(g).

- **In 2018, the majority of aggregate credit dollars were received by taxpayers with income between $50,000 and $500,000:** IRS data indicate that in 2018, the majority (60%) of total credit dollars went to taxpayers with income over $50,000, with nearly one-quarter of all child tax credit dollars (22%) received by taxpayers with income between $100,000 and $200,000; see **Figure 3**. In comparison, a relatively small share went to the lowest-income or highest-income taxpayers.
- **In 2019, more than 90% of taxpayers with children and income between $30,000 and $500,000 received the child tax credit, with lower shares for the lowest- and highest-income taxpayers.** The Tax Policy Center (TPC) estimates that across most income groups, the majority of taxpayers with children received the child tax credit in 2019; see **Figure 4**.[12] About half of the lowest-income taxpayers with children received the credit and about a quarter of taxpayers with children who have income over $500,000 received the credit.
- **In 2019, taxpayers with income between $100,000 and $200,000 received the largest credit on average.** The Tax Policy Center (TPC) estimates that taxpayers with children and income between $100,000 and $200,000 received a credit of over $3,000 on average in 2019; see **Figure 5**. Taxpayers with children with income under $20,000 received a credit of less than $1,000 on average, while the highest-income taxpayers with children received a credit of $649 on average.

Total Child Tax Credit Dollars, 1998-2018

The IRS provides estimates of the total child tax credit dollars from 1998 through 2018 (the most recent year available). These data, inflation adjusted to 2018 dollars, indicate that the value of this tax benefit has increased fivefold since enactment, from a total of $23 billion in 1998 to approximately $118 billion in 2018, with the largest increase occurring in 2018, as illustrated in **Figure 2**. Initially, the credit grew modestly between 1998 and 2003 in real terms, with increases reflecting, in part, legislative expansions to the credit. More recently, prior to the TCJA, the total credit amount fell in real terms. Between 2017 and 2018, total credit dollars more than doubled from $52 billion to $118 billion between 2017 and 2018.

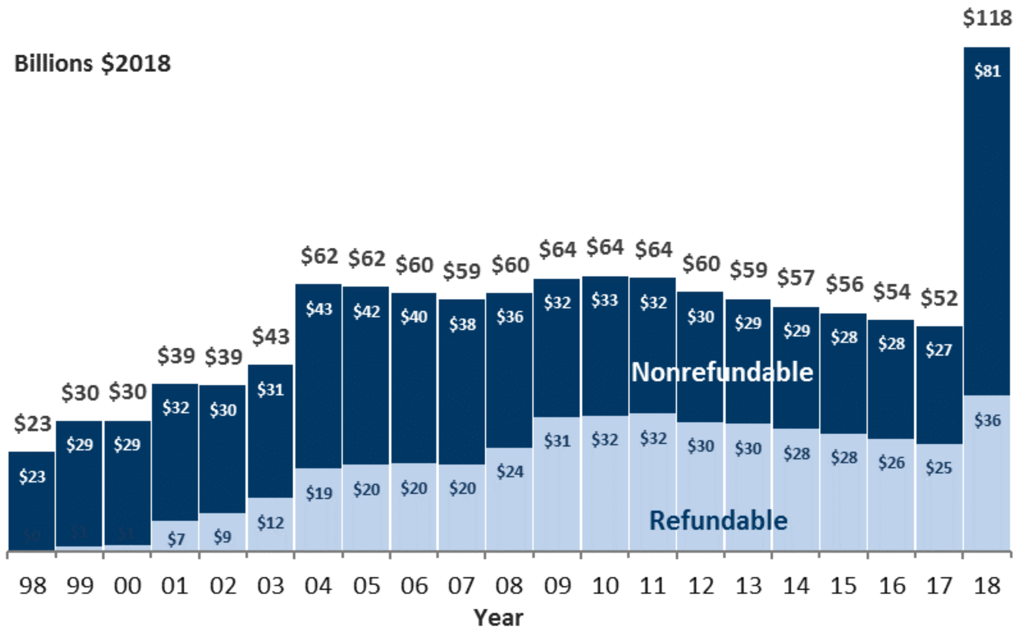
The ACTC expansions under the TCJA resulted in the total amount of the refundable portion of the credit growing from $25 billion to $36 billion (a 44% increase) between 2017 and 2018. The increased credit amount and increased phaseout amount under the law contributed to a substantial expansion of the nonrefundable portion of the credit. Aggregate dollars of the nonrefundable portion of the credit tripled from $27 billion in 2017 to $81 billion in 2018. The $500 credit for non-child-credit-eligible dependents also contributed to the increase in the nonrefundable amount estimated by the IRS, although less so than the expansions to the child credit. (The IRS refers to this benefit as the nonrefundable credit for other dependents.) Data on the breakdown of the nonrefundable portion between the child credit and the credit for other dependents are not available. However, estimates from the Tax Policy Center suggest that most dependents—nearly four out of five—would be child-credit-eligible dependents.[13] In addition, the value of the other

[12] The Tax Policy Center measure of income used in its analysis is expanded cash income (ECI), which is defined as cash income plus (1) tax-exempt employee and employer contributions to health insurance and other fringe benefits, (2) employer contributions to tax-preferred retirement accounts, (3) income earned within retirement accounts, and (4) food stamps. For more information, see http://www.taxpolicycenter.org/resources/income-measure-used-distributional-analyses-tax-policy-center.

[13] The Tax Policy Center estimated that in 2019, there were about 95 million dependents of taxpayers with income

dependent credit itself is smaller than the child credit ($500 as compared to $2,000). These data suggest that the majority of the $81 billion nonrefundable portion is from the child credit.

Figure 2. Total Real Child Tax Credit Dollars, 1998-2018



Source: IRS Statistics of Income Table 3.3 and the Bureau of Labor Statistics CPI-U.

Note: Items may not sum to total due to rounding. The data for the nonrefundable portion of the child tax credit also includes the amount of the $500 nonrefundable credit for non-child-tax-credit-eligible dependents.

Total Child Tax Credit Dollars by Income Level

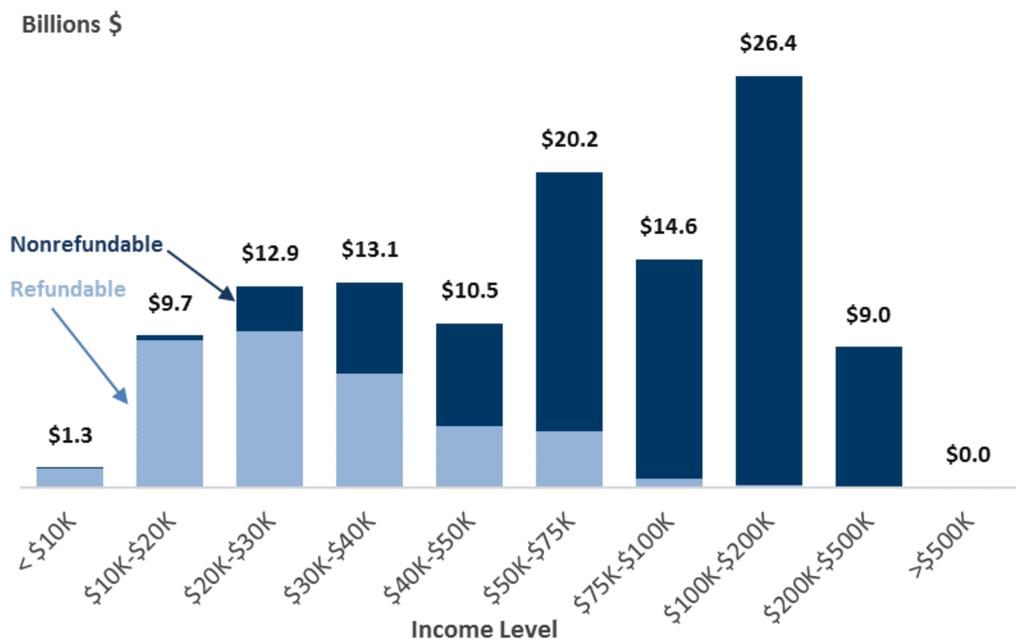
The IRS also provides estimates of the child credit by taxpayers' income level (in terms of adjusted gross income, or AGI) in 2018. These figures include the $500 credit for non-child-tax-credit-eligible dependents. The majority (60%) of total credit dollars were received by taxpayers with income over $50,000, with nearly one-quarter of all child tax credit dollars (22%) received by taxpayers with income between $100,000 and $200,000, as illustrated in **Figure 3**. Four in ten child credit dollars (40%) were received by taxpayers with income under $50,000, with almost 10% of total credit dollars received by those with income under $20,000.

Lower-income taxpayers generally receive a credit of $1,400 or less per child, depending on their earnings. In contrast, higher-income taxpayers with sufficient income tax liability receive a credit of $2,000 per child. For example, a single parent with two children and $15,000 of income is eligible for a $1,875 credit (received entirely as the refundable child credit, or ACTC), less than the maximum ACTC for two children of $2,800 (2 x $1,400) and less than the maximum credit

under $500,000. Of those, about 70 million, or about 73%, were children under 17 years old. Similar analysis by CRS found about 76% of dependents were under 17 years old. For more information, see Tax Policy Center, *T20-0132 - Alternative Definitions of an Eligible Dependent for Senate Recovery Rebate in CARES Act, By Expanded Cash Income Level, 2019*, April 15, 2020, https://www.taxpolicycenter.org/model-estimates/senate-republican-economic-recovery-proposal-march-2020/t20-0132-alternative; and CRS Insight IN11358, *Older Children, Adult Dependents, and Eligibility for the 2020 Recovery Rebates*, by Margot L. Crandall-Hollick.

for two children of $4,000 (2 x $2,000). The highest-income taxpayers do not receive a credit due to the credit phaseout.

Figure 3. Share of Total Child Tax Credit Dollars by Income, 2018



Source: IRS Statistics of Income Table 3.3.

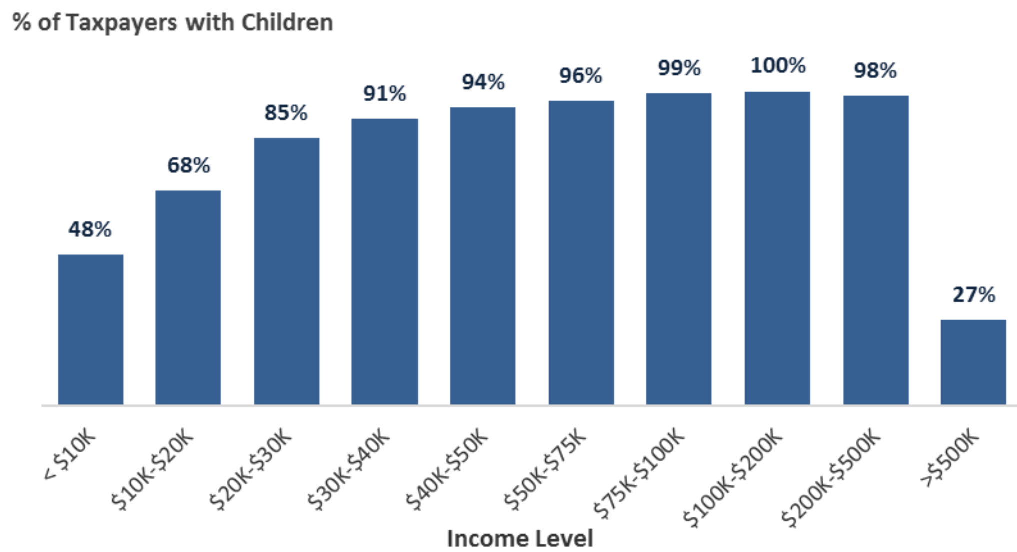
Note: The data for the nonrefundable portion of the child tax credit also includes the amount of the $500 nonrefundable credit for non-child-tax-credit-eligible dependents. Income is adjusted gross income (AGI).

Share of Taxpayers with Children Receiving the Child Tax Credit

The Tax Policy Center provides estimates on the share of taxpayers with children that received the child tax credit in 2019. The estimates indicate that among taxpayers with children, almost all—90%—received the child tax credit. More than 90% of taxpayers with children who had income between $30,000 and $500,000 received the child tax credit. In contrast, less than half (48%) of taxpayers with children who had income under $10,000 received the child tax credit in 2019. About one-quarter (27%) of taxpayers with children who had income greater than $500,000 received the credit, as illustrated in **Figure 4**.

Fewer low-income families with children receive the child tax credit since taxpayers with income under $2,500 (the refundability threshold) are not eligible for the refundable portion of the credit. Due to the phaseout of the credit at higher income levels, about a quarter (27%) of taxpayers with children who have income over $500,000 receive the credit.

Figure 4. Estimated Share of Taxpayers with Children Receiving the Child Tax Credit by Income, 2019



Source: Tax Policy Center Model T20-0091.

Notes: Taxpayers include both filers and nonfilers. Income is defined as expanded cash income (ECI), which equals cash income plus certain other tax-exempt forms of income and benefits like food stamps. These estimates include the $500 credit for non-child-tax-credit-eligible dependents. Taxpayers with children are those claiming an exemption for children at home or away from home or with children qualifying for the child tax credit or earned income tax credit (EITC).

Average Child Tax Credit Amount

TPC estimates the average child tax credit amount for taxpayers with children was $2,370 in 2019.[14] Estimates indicate that taxpayers with children and income between $100,000 and $200,000 received the largest credit on average—an estimated $3,040. Taxpayers with children and income under $20,000 received a credit of less than $1,000 on average, while the wealthiest taxpayers with children (income over $500,000) received a credit of $649 on average.

Lower-income taxpayers are eligible to receive a credit of up to $1,400 per child, although they may receive less depending on their earned income. In contrast, higher-income taxpayers, with sufficient income tax liability, are eligible for up to a $2,000 credit per child. The highest-income taxpayers are ineligible for the credit due to the phaseout.

[14] IRS data on the average total child credit per taxpayer (the refundable and nonrefundable portion) are not available. The IRS provides data for the nonrefundable child credit and refundable portion (number of tax returns and total credit amount), but does not provide data on the total credit. Hence, because a taxpayer can receive both the nonrefundable and refundable portion, one cannot calculate the average credit amount.

Figure 5. Average Child Tax Credit for Taxpayers with Children by Income, 2019

Source: Tax Policy Center Model T20-0091.

Notes: Taxpayers include both filers and nonfilers. Income is defined as expanded cash income (ECI), which equals cash income plus certain other tax-exempt forms of income and benefits like food stamps. These estimates include the $500 credit for non-child-tax-credit-eligible dependents. Taxpayers with children are those claiming an exemption for children at home or away from home or with children qualifying for the child tax credit or earned income tax credit (EITC).

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