

# The Child Tax Credit: How Would the Biden Administration's Proposed American Families Plan Change the Child Tax Credit?

May 5, 2021

The American Rescue Plan Act (ARPA; P.L. 117-2) temporarily expanded the child tax credit for many low- and moderate-income families for 2021. The ARPA changes to the 2021 child tax credit are discussed in detail in a [previous CRS Insight](#). The ARPA legislative changes to the child tax credit are layered on top of other temporary legislative changes enacted as part of the 2017 law commonly referred to as the Tax Cuts and Jobs Act (TCJA; P.L. 115-97). The TCJA changes are in effect until the end of 2025, as summarized below in **Table 1**.

The [Biden Administration](#) has [proposed](#) as part of the American Families Plan to “extend the child tax credit increases in the American Rescue Plan through 2025 and make the child tax credit permanently fully refundable.” Absent any other legislative changes, this would mean that

- from 2022 to 2025, the ARPA expanded child tax credit would be in effect; and
- beginning in 2026, the child tax credit would mostly revert to its pre-TCJA parameters, except the credit would be fully refundable, as highlighted in **Table 2** and illustrated in the figure at the end of this Insight.

The [Biden Administration](#) has [indicated](#) that it would like to work with Congress to make all of the ARPA changes to the child tax credit permanent after 2025 (not just full refundability), a position supported by some [Members of Congress](#). In addition, Chairman Neal of the Ways and Means Committee recently released a discussion draft of the [Building an Economy for Families Act](#) that would permanently extend the ARPA changes (as well as making further modifications). [Other Members of Congress](#) have expressed concern with the ARPA expansion of the child tax credit.

**Congressional Research Service**  
<https://crsreports.congress.gov>

IN11656

**Table 1. Selected Parameters of the Child Tax Credit Under Current Law**

Tax Years Beginning in 2018 or Later

Parameter	2018-2020	2021	2022-2025	2026-
Maximum Credit	\$2,000 per child 0-16 years old	\$3,600 per child 0-5 years old \$3,000 per child 6-17 years old	\$2,000 per child 0-16 years old	\$1,000 per child 0-16 years old
Maximum Credit for Low-Income Taxpayers (the refundable additional child tax credit, or ACTC)	\$1,400 per child 0-16 years old	\$3,600 per child 0-5 years old \$3,000 per child 6-17 years old	\$1,400 per child 0-16 years old	\$1,000 per child 0-16 years old
ACTC Formula	15% of earned income above \$2,500, not to exceed \$1,400 per child.	No formula; credit is equal to fixed amount per child and is fully refundable. Taxpayers with no income tax liability and no earned income receive the maximum amount.	15% of earned income above \$2,500, not to exceed \$1,400 per child.	15% of earned income above \$3,000, not to exceed \$1,000 per child.
Phaseout Threshold	\$400,000 married filing jointly (MFJ)  \$200,000 head of household (HOH) & single (S)	<u>First Threshold</u> (Phaseout of Increased Credit) <ul style="list-style-type: none"> <li>\$150,000 MFJ</li> <li>\$112,500 HOH</li> <li>\$75,000 S</li> </ul> <u>Second Threshold</u> (Phaseout of Prior-Law Credit) <ul style="list-style-type: none"> <li>\$400,000 MFJ</li> <li>\$200,000 HOH &amp; S</li> </ul>	\$400,000 MFJ  \$200,000 HOH & S	\$110,000 MFJ  \$75,000 HOH & S
Child ID Requirements	Social Security Number (SSN)	SSN	SSN	SSN or individual taxpayer identification number (ITIN)
Maximum Child Age (at the end of the year)	16	17	16	16
Method of Receipt	Claimed on tax return	50% advanced; remainder claimed on tax return	Claimed on tax return	Claimed on tax return
Temporary Modification in Effect?	Yes, changes made by the TCJA (P.L. 115-97) in effect	Yes, changes made by the TCJA (P.L. 115-97) and ARPA (P.L. 117-2) in effect	Yes, changes made by the TCJA (P.L. 115-97) in effect	No

**Source:** CRS analysis of Internal Revenue Code (IRC) §24.

**Notes:** Tax years refers to the year in which this change is in effect. For most taxpayers, the 2021 tax year is calendar year 2021, and 2021 tax provisions, including tax credits, are generally claimed on 2021 income tax returns, filed in 2022. In the case of the child credit, at least 50% of the 2021 credit will be claimed on 2021 income tax returns.

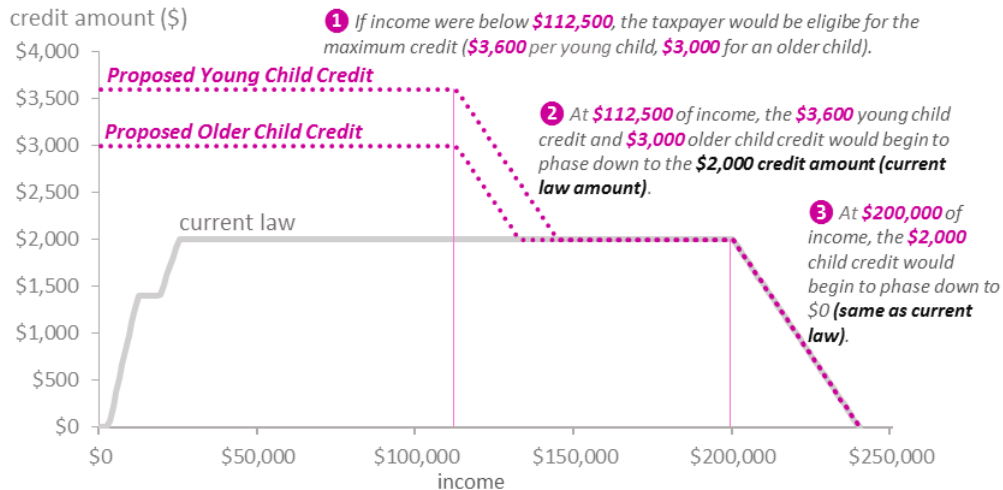
**Table 2. Selected Parameters of the Child Tax Credit Under President Biden's Proposed American Family Plan & Absent Any Other Legislative Changes**

Parameter	Proposed for 2022-2025	After 2025
Maximum Credit	\$3,600 per child 0-5 years old \$3,000 per child 6-17 years old	\$1,000 per child 0-16 years old
Maximum Credit for Low-Income Taxpayers (the refundable additional child tax credit, or ACTC)	\$3,600 per child 0-5 years old \$3,000 per child 6-17 years old	\$1,000 per child 0-16 years old
ACTC Formula	No formula; credit would be equal to fixed amount per child and would be fully refundable. Hence, taxpayers with no income tax liability and no earned income would receive the maximum amount.	No formula; credit would be equal to fixed amount per child and would be fully refundable. Hence, taxpayers with no income tax liability and no earned income would receive the maximum amount.
Phaseout Threshold	<u>First Threshold</u> (Phaseout Increased Credit) <ul style="list-style-type: none"> <li>• \$150,000 MFJ</li> <li>• \$112,500 HOH</li> <li>• \$75,000 S</li> </ul> <u>Second Threshold</u> (Phaseout Prior-Law Credit) <ul style="list-style-type: none"> <li>• \$400,000 MFJ</li> <li>• \$200,000 HOH &amp; S</li> </ul>	\$110,000 MFJ  \$75,000 HOH & S
Child ID Requirements	SSN	SSN or ITIN
Maximum Child Age (at the end of the year)	17	16
Method of Receipt	50% advanced; remainder claimed on tax return	Claimed on tax return

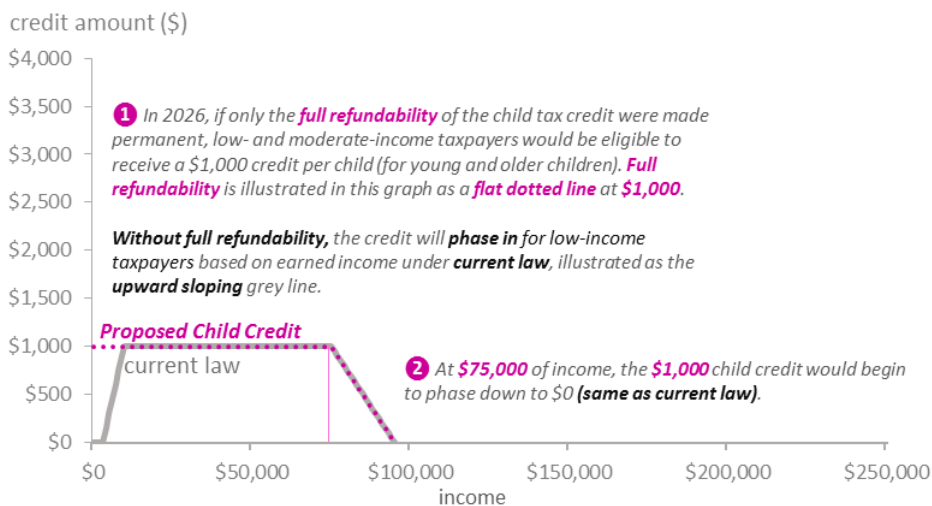
**Source:** CRS analysis of the American Family Plan Fact Sheet and IRC §24, assuming no other legislative changes.

## Child Credit Amount for Unmarried Taxpayer with One Child Under the Biden Administration's Proposed American Families Plan (AFP)

Tax Years 2022-2025



Tax Years 2026-



**Source:** CRS calculations based on IRC §24 and the American Family Plan as discussed in the Biden Administration's Fact Sheet from April 28, 2021.

**Note:** A stylized example assuming the taxpayer has one qualifying child and all income is earned income, with no other sources of income and no above-the-line deductions claimed. Unmarried taxpayers are assumed to file as head of household, although in some cases they may file as single filers.

## Author Information

Margot L. Crandall-Hollick  
Acting Section Research Manager

---

## Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.