



How Would the Child Credit Be Calculated for 2023 Under H.R. 7024?

January 23, 2024

H.R. 7024, [ordered to be reported](#) by the House Ways and Means committee on January 19, includes [several provisions that would expand the child tax credit for low-income families](#) by increasing the refundable portion of the credit. The refundable portion of the child credit is sometimes called the additional child tax credit or ACTC.

These changes include the following:

1. **The ACTC would be calculated per child:** After the ACTC amount is calculated under current law (15% of earned income above \$2,500), it would then be multiplied by the number of children, effectively phasing in the credit faster for families with more children (i.e., a 30% phase-in rate for two children), capped by the maximum ACTC (see below).
2. **The maximum amount of the ACTC would increase:** The ACTC maximum would rise from \$1,600 to \$1,800 per child in 2023 and from \$1,700 to \$1,900 per child in 2024 and equal \$2,000 (adjusted for inflation) in 2025.
3. **Taxpayers could use prior-year earned income to calculate the ACTC:** Taxpayers could calculate the ACTC using their prior-year earned income if their current-year earned income was less than their prior-year earned income. This would apply for 2024 and 2025. Hence, in 2024, a taxpayer could elect to use their earned income for 2023 to calculate their ACTC if that amount was more than their 2024 earned income (under current law, they could only use their 2024 earned income for this calculation).

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Selected Child Credit Parameters

Under Current Law and H.R. 7024

Parameter	Current Law	H.R. 7024
Maximum credit	\$2,000 per child 0-16 years old	\$2,000 per child 0-16 years old (adjusted for inflation for 2024 & 2025)
Maximum ACTC The additional child tax credit (ACTC) is the refundable portion of the credit available to those with no income tax liability. The ACTC is the primary mode by which many low-income taxpayers receive some or all of the child credit.	\$1,600 per child 0-16 years old for 2023 \$1,700 per child 0-16 years old for 2024 <i>This amount is statutorily \$1,400, adjusted for inflation</i>	\$1,800 per child 0-16 years old for 2023 \$1,900 per child 0-16 years old for 2024 \$2,000 per child 0-16 years old for 2025 (this amount would be adjusted for inflation for 2025)
ACTC formula	15% of earned income above \$2,500 capped at the maximum ACTC per child x number of children	15% of earned income above \$2,500 multiplied by the number of children capped at the maximum ACTC per child x number of children

Source: CRS based on IRC Section 24 and H.R. 7024 (as introduced).

Notes: Current law reflects temporary changes to the child credit made by P.L. 115-97, commonly referred to as the Tax Cuts and Jobs Act (TCJA). In addition, under H.R. 7024, taxpayers could calculate the ACTC in 2024 and 2025 using their prior-year earned income if their current-year earned income was less than their prior-year earned income.

To illustrate the potential impact of these changes, **Tables 1-3** provide examples of how the credit would be calculated under current law and H.R. 7024 for hypothetical low-income taxpayers for 2023 (i.e., on 2023 tax returns). Broadly, these illustrate that the lowest-income taxpayers with one child and moderate-income families will likely see no additional benefit for 2023 (**Table 2** and **Table 3**), and that low-income families with two or more children and sufficient earnings are likely to receive a larger credit for 2023 (**Table 1**).

Table 1. Example 1 of Child Credit Amounts for 2023 under H.R. 7024

Calculation Step	Current Law	H.R. 7024
Married couple (joint filers) with \$20,000 of earned income and two children		
I. Calculate the maximum child credit per taxpayer. This is the overall child credit cap.	\$4,000=\$2,000 x 2 children	Same as current law

Calculation Step	Current Law	H.R. 7024
2. Calculate the maximum amount of the child credit that can be received by low-income taxpayers who owe \$0 in taxes. This is the additional child tax credit (ACTC) cap.	\$3,200 =\$1,600 × 2 children	\$3,600 =\$1,800 × 2 children
3. Calculate the ACTC under the earned income formula.	\$2,625 =15% of earned income greater than \$2,500	\$5,250 =15% of earned income greater than \$2,500 multiplied by the number of children (i.e., multiplied by 2)
4. Pick the <i>lesser</i> of the amounts calculated in steps 2 and 3.	\$2,625 because \$2,625 < \$3,200	\$3,600 because \$3,600 < \$5,250
5. If the taxpayer has any income tax liability, increase the total credit amount by that liability until it reaches the cap in step 1.	Not applicable. \$0 in income tax liability so all of the child credit is received as the ACTC.	Same as current law
If income tax liability + ACTC exceeds the cap in step 1, the credit will equal the max credit in step 1, with the refundable portion of the credit (ACTC) recalculated as the total credit minus income tax liability.		
6. Final credit amount	\$2,625 (all as the ACTC)	\$3,600 (all as the ACTC)

Source: IRC Section 24 and H.R. 7024 (as introduced).

Notes: All income is assumed to be earned income and earned income is assumed to equal adjusted gross income (i.e., no above-the-line deductions). The taxpayer is assumed to claim the standard deduction and no other nonrefundable credits aside from the child tax credit. Taxpayers and children are assumed to meet all eligibility requirements.

Table 2. Example 2 of Child Credit Amounts for 2023 under H.R. 7024

Calculation Step	Current Law	H.R. 7024
<i>Single parent (head of household filer) with \$10,000 of earned income and one child</i>		
1. Calculate the maximum child credit per taxpayer. This is the overall child credit cap.	\$2,000 =\$2,000 × 1 child	Same as current law
2. Calculate the maximum amount of the child credit that can be received by low-income taxpayers who owe \$0 in taxes. This is the additional child tax credit (ACTC) cap.	\$1,600 =\$1,600 × 1 child	\$1,800 =\$1,800 × 1 child
3. Calculate the ACTC under the earned income formula	\$1,125 =15% of earned income greater than \$2,500	\$1,125 =15% of earned income greater than \$2,500 multiplied by the number of children (i.e., multiplied by 1)

Calculation Step	Current Law	H.R. 7024
4. Pick the lesser of the amounts calculated in steps 2 and 3	\$1,125 because $\$1,125 < \$1,600$	\$1,125 because $\$1,125 < \$1,800$
5. If the taxpayer has any income tax liability, increase the total credit amount by that liability until it reaches the cap in step 1.	Not applicable. \$0 in income tax liability so all of the child credit is received as the ACTC.	Same as current law
If income tax liability + ACTC exceeds the cap in step 1, the credit will equal the max credit in step 1, with the refundable portion of the credit (ACTC) recalculated as the total credit minus income tax liability.		
6. Final credit amount	\$1,125 (all as the ACTC)	\$1,125 (all as the ACTC)

Source: IRC Section 24 and H.R. 7024 (as introduced).

Notes: All income is assumed to be earned income and earned income is assumed to equal adjusted gross income (i.e., no above-the-line deductions). The taxpayer is assumed to claim the standard deduction and no other nonrefundable credits aside from the child tax credit. Taxpayers and children are assumed to meet all eligibility requirements.

Table 3. Example 3 of Child Credit Amounts for 2023 under H.R. 7024

Calculation Step	Current Law	H.R. 7024
Married couple (married filing jointly) with \$40,000 of earned income and three children		
1. Calculate the maximum child credit per taxpayer. This is the overall child credit cap.	\$6,000= $\$2,000 \times 3$ children	Same as current law
2. Calculate the maximum amount of the child credit that can be received by low-income taxpayers who owe \$0 in taxes. This is the additional child tax credit (ACTC) cap.	\$4,800= $\$1,600 \times 3$ children	\$5,400= $\$1,800 \times 3$ children
3. Calculate the ACTC under the earned income formula	\$5,625=15% of earned income greater than \$2,500	\$16,875=15% of earned income greater than \$2,500 multiplied by the number of children (i.e., multiplied by 3)

4. Pick the lesser of the amounts calculated in steps 2 and 3	\$4,800 because $\$4,800 < \$5,625$	\$5,400 because $\$5,400 < \$16,875$
5. If the taxpayer has any income tax liability, increase the total credit amount by that liability until it reaches the cap in step 1.	\$1,230 in income tax liability (calculated by CRS based on income and other characteristics of example tax unit).	Same as current law
If income tax liability + ACTC exceeds the cap in step 1, the credit will equal the max credit in step 1, with the refundable portion of the credit (ACTC) recalculated as the total credit minus income tax liability.	Hence, the taxpayer will receive a \$6,000 credit of which \$1,230 will offset income taxes (nonrefundable portion) and \$4,770 will be received as the ACTC (refundable portion).	
6. Final credit amount	\$6,000 (\$1,230 as nonrefundable portion, \$4,770 as ACTC)	\$6,000 (\$1,230 as nonrefundable portion, \$4,770 as ACTC)

Source: IRC Section 24 and H.R. 7024 (as introduced).

Notes: All income is assumed to be earned income and earned income is assumed to equal adjusted gross income (i.e., no above-the-line deductions). The taxpayer is assumed to claim the standard deduction and no other nonrefundable credits aside from the child tax credit. Taxpayers and children are assumed to meet all eligibility requirements.

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