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The Child Tax Credit: Legislative History

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SUMMARY

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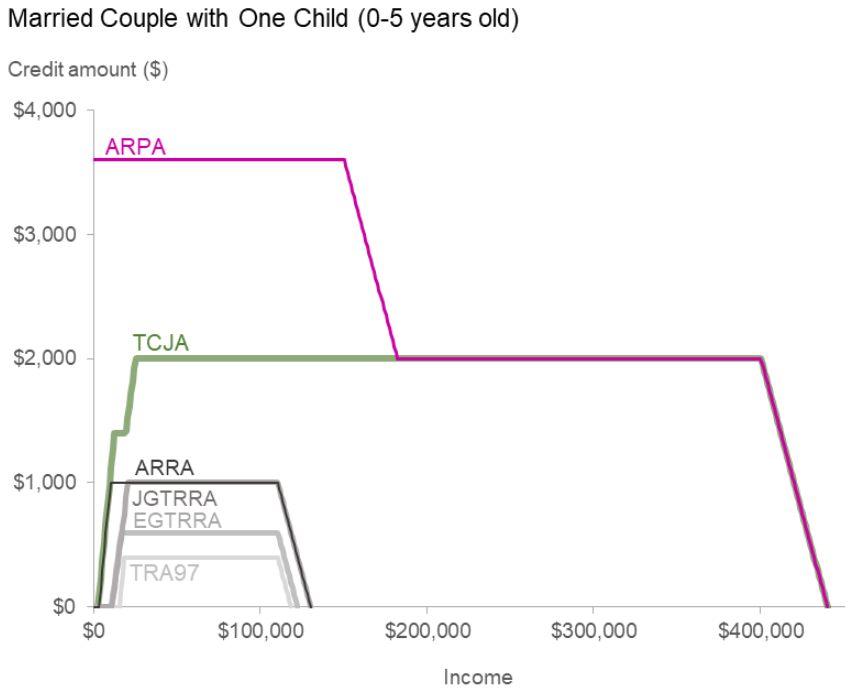
The Child Tax Credit: Legislative History

When the child tax credit was initially enacted in 1997, it was a relatively modest nonrefundable tax credit for middle-income families with children. Through successive legislative changes, eligibility for the credit has expanded to both lower- and higher-income families, while the amount of the credit has also generally increased for recipients.

As a result of these changes, the child tax credit is—temporarily—a near-universal child benefit available to almost all families with children in 2021, including those with the lowest incomes, as illustrated below. This figure shows the credit amount by income for a married couple (who are assumed to file their taxes jointly) with a young child who is under six years old.

Key legislative changes to the child tax credit from enactment through 2021 are provided in the table on the following page and discussed in more detail in this report.

Child Credit Amount by Income for Selected Legislation, 1997-2021



Source: See Table 2.

Notes: Legislation is discussed in the table on the next page. Credit parameters generally reflect the first year the provision was in effect, if phased in by law. Hence TRA97 (P.L. 105-34) reflects changes as in effect in 1998; EGTRRA (P.L. 107-16) reflects changes as in effect in 2001; JGTRRA (P.L. 108-27) reflects changes as in effect in 2003; and ARRA (P.L. 111-5) reflects changes as in effect in 2009 (these and other changes were subsequently extended before being made permanent). The TCJA changes are scheduled to be in effect from 2018 to 2025, and the ARPA (P.L. 117-2) changes, which were in addition to TCJA changes, were in effect for in 2021.

Major Legislative Changes to the Child Tax Credit, 1997-2021

Year Enacted | Public Law	Major Changes
1997 The Taxpayer Relief Act of 1997 (TRA97; P.L. 105-34)	TRA97 enacted a new nonrefundable $400 per child tax credit in 1998, $500 per child thereafter. An eligible child was generally a dependent child (for tax purposes) who was under 17 years old. Taxpayers were required to provide a taxpayer ID for the child when claiming the credit on their tax return. The credit phased out for taxpayers with income over $110,000 married filing jointly or $75,000 head of household or single.
2001 The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA; P.L. 107-16)	EGTRRA temporarily increased the per-child credit amount to $600 (for 2001-2004) with scheduled increases thereafter to a maximum of $1,000 per child by 2010. EGTRRA also temporarily made the credit available to certain low-income families as a refundable tax credit. Specifically, lower-income taxpayers with more than $10,000 of earned income—who generally have little to no income tax liability—could receive part or all of the child tax credit as the refundable additional child tax credit or ACTC. The refundable portion of the credit (i.e., the ACTC) phased in with earned income to the maximum credit amount (initially the phase-in rate was 10%, with a scheduled increase to 15%). This $10,000 threshold was adjusted annually for inflation and was often referred to as the "refundability threshold" or the "eligibility threshold." The phaseout from enactment was unchanged. *Many of the scheduled changes in EGTRRA were accelerated by subsequent legislation, namely the Jobs and Growth Tax Relief Reconciliation Act (JGTRRA; P.L. 108-27) and the Working Families Tax Relief Act (WFTRA; P.L. 108-311). Because of these accelerations, by 2004, the credit was $1,000 per child, with the credit amount phasing in for low-income families at 15% of earned income above $10,000 (this amount was indexed annually for inflation).*
2009 The American Recovery and Reinvestment Act of 2009 (ARRA; P.L. 111-5)	ARRA reduced the refundability threshold to $3,000 per taxpayer, initially for 2009 and 2010 (this amount was not indexed for inflation). As a result of this change, low-income taxpayers with earned income over $3,000 were eligible for the refundable portion of the credit calculated as 15% of earned income over $3,000 up to the maximum credit amount of $1,000 per child. The phaseout from enactment was unchanged. *The changes to the child credit made by both EGTRRA and ARRA, which were initially scheduled to expire at the end of 2010, were extended before ultimately being made permanent.*
2017 The Tax Cuts and Jobs Act (TCJA; P.L. 115-97)	TCJA made several temporary changes to the child credit, including increasing the maximum credit amount to $2,000 per child; modifying the credit formula for low-income families to be 15% of earned income over $2,500 (not to exceed $1,400 per child, adjusted for inflation); increasing the income level at which the credit begins to phase out to $400,000 for married joint filers and $200,000 for single and head of household filers; requiring that the taxpayer ID provided for a child be a work-authorized Social Security number (SSN); and creating a temporary $500 per dependent nonrefundable credit for dependents not eligible for the child credit. These changes are temporary and scheduled to be in effect from 2018 to 2025.
2021 The American Rescue Plan Act of 2021 (ARPA; P.L. 117-2)	ARPA made several temporary changes to the child credit, including eliminating the phase-in of the credit for low-income taxpayers (i.e., making the credit "fully refundable") such that eligible low-income families could receive the maximum amount of the credit; increasing the maximum credit amount to $3,600 for children 0-5 years old / $3,000 for children 6-17 years old (the increase in the credit over the $2,000 per child amount—the additional $1,600 and $1,000 per child depending on age—was subject to a phaseout); expanding the eligibility age of children to include 17-year-olds; and delivering 50% of the credit in advance payments in 2021 with the remaining 50% claimed on a 2021 tax return. These changes are temporary and scheduled to be in effect for 2021. These changes are in addition to the changes made by the TCJA discussed above.

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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. Legislative changes have significantly changed the credit since enactment, transforming it from a generally nonrefundable credit available only to middle-income families, to a refundable credit available to low-income families with sufficient earned income, to—temporarily—a near-universal child benefit available to all but the highest-income families. This report describes how the credit has changed over the past two decades, covering legislative changes up through the American Rescue Plan Act of 2021 (ARPA; P.L. 117-2).

Overview

The child tax credit was initially structured in the Taxpayer Relief Act of 1997 (P.L. 105-34) as a $400 per child ($500 per child beginning in 1999) nonrefundable credit to provide tax relief to middle- and upper-middle-income families.

Since 1997, various laws have modified key parameters of the credit, expanding its availability to more families while also increasing its value. 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. The law also made the credit available to low-income taxpayers with more than $10,000 of earned income. Specifically, lower-income taxpayers with more than $10,000 of earned income—who generally have little to no income tax liability—could receive part or all of the child tax credit as the refundable additional child tax credit or ACTC.

The lowest-income taxpayers generally receive *all of the child credit* in the form of the ACTC because they have no income tax liability. As income increases, and taxpayers begin to owe income taxes, part of the child credit will offset income tax liability (sometimes called the nonrefundable portion of the child credit) and part of the credit may be received as the ACTC (also called the refundable portion of the credit).

Subsequent legislation enacted in 2003 and 2004 accelerated the implementation of the changes made under EGTRRA. In 2008 and 2009, Congress passed legislation—the Emergency Economic Stabilization Act of 2008 (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 more low-income taxpayers. ARRA lowered the refundability threshold to $3,000 for 2009 and 2010. In other words, low-income taxpayers with at least $3,000 of earned income were eligible to receive some or part of the full value of the credit (i.e., as the ACTC). The ARRA provisions were subsequently extended several times and made permanent by the Protecting Americans from Tax Hikes (PATH) Act of 2015 (Division Q of P.L. 114-113). This report refers to the credit as amended by these laws as the "permanent law" credit.

At the end of 2017, Congress enacted P.L. 115-97—commonly referred to as the Tax Cuts and Jobs Act or TCJA—which made numerous changes to the tax code, including temporarily modifying the child tax credit from 2018 through the end of 2025. These changes included doubling the maximum amount of the credit to $2,000 per child, increasing the maximum amount that could be received as the ACTC to $1,400 per child (adjusted for inflation), and increasing the income level at which the credit began to phase out, as illustrated in **Table 1**. In addition, the law temporarily modified the identification (ID) number requirement of the credit, requiring taxpayers to provide the Social Security number (SSN) for every child for whom they claimed the credit.

In March 2021, Congress enacted the American Rescue Plan Act of 2021 or ARPA (P.L. 117-2), which made *additional temporary changes* to the child credit in effect for 2021. These changes

include making the credit fully refundable so that the lowest-income taxpayers are eligible to receive the maximum credit amount, increasing the maximum credit (with a larger credit for younger children), expanding eligibility to include 17-year-old children, and issuing up to 50% of the 2021 credit in advance payments before 2021 tax returns are filed.

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

Parameter	**Pre-2018** permanent law	**2018-2020** permanent law, as amended by the TCJA	**2021** permanent law, as amended by the TCJA and ARPA	**2022-2025** permanent law, as amended by the TCJA	**Post-2025** permanent law
Maximum amount of the credit per child[a]	$1,000 per child 0-16 years old *not adjusted for inflation*	$2,000 per child 0-16 years old *not adjusted for inflation*	$3,600 per child 0-5 years old $3,000 per child 6-17 years old *not adjusted for inflation*	$2,000 per child 0-16 years old *not adjusted for inflation*	$1,000 per child 0-16 years old *not adjusted for inflation*
Maximum ACTC per child[a,b] *Maximum amount of the refundable portion of the credit for low-income taxpayers*	$1,000 per child 0-16 years old *not adjusted for inflation*	$1,400 per child 0-16 years old *adjusted for inflation*	$3,600 per child 0-5 years old $3,000 per child 6-17 years old *not adjusted for inflation*	$1,400 per child 0-16 years old *adjusted for inflation: $1,500 in 2022 after adjustment.*	$1,000 per child 0-16 years old *not adjusted for inflation*
ACTC calculation	Phased-in amount calculated based on earned income formula: 15% of earned income above $3,000 not to exceed the maximum ACTC.	Phased-in amount calculated based on earned income formula: 15% of earned income above $2,500 not to exceed maximum ACTC.	Fully refundable: The phased-in credit for low-income taxpayers based on earned income is eliminated such that low-income taxpayers can receive the maximum credit amount.	Phased-in amount calculated based on earned income formula: 15% of earned income above $2,500 not to exceed maximum ACTC.	Phased-in amount calculated based on earned income formula: 15% of earned income above $3,000 not to exceed the maximum ACTC.
Phaseout Threshold *MFJ: married filing jointly* *HOH: head of household* *S: single*	$110,000 MFJ $75,000 HOH $75,000 S *not adjusted for inflation*	$400,000 MFJ $200,000 HOH $200,000 S *not adjusted for inflation*	**Initial Threshold:** Phaseout of Increased Credit $150,000 MFJ $112,500 HOH $75,000 S *not adjusted for inflation* **Second Threshold:** Phaseout of pre-ARPA credit $400,000 MFJ	$400,000 MFJ $200,000 HOH $200,000 S *not adjusted for inflation*	$110,000 MFJ $75,000 HOH $75,000 S *not adjusted for inflation*

Parameter	Pre-2018 permanent law	2018-2020 permanent law, as amended by the TCJA	2021 permanent law, as amended by the TCJA and ARPA	2022-2025 permanent law, as amended by the TCJA	Post-2025 permanent law
			$200,000 HOH $200,000 S *not adjusted for inflation*		

Source: Internal Revenue Code, 26 U.S.C. §24. TCJA refers to P.L. 115-97, commonly referred to as the Tax Cuts and Jobs Act. ARPA refers to P.L. 117-2, the American Rescue Plan Act of 2021.

a. The maximum credit amount per taxpayer is the maximum amount of the credit per child, multiplied by the number of qualifying children. Similarly, the maximum ACTC per taxpayer is the maximum amount of the ACTC per child, multiplied by the number of qualifying children.

b. The refundable portion of the child tax credit—the amount that can exceed what a taxpayer owes in income taxes—is often referred to as the additional child tax credit or ACTC.

Major Legislative Changes Made to the Child Tax Credit Between 1997 and 2021

Below is a summary of major legislative changes made to the child tax credit between 1997 and 2021. These descriptions are preceded by an overview of policy debates that occurred immediately before enactment of the credit. **Table 2** summarizes these legislative changes.

Before Enactment

The first child tax credit was enacted in 1997 as part of the Taxpayer Relief Act of 1997 (P.L. 105-34), but it was conceived years earlier and included in several different bills before it ultimately became law. In 1991, the bipartisan National Commission on Children,[1] which was established to provide solutions to a variety of problems facing children, recommended in its final report to the President the creation of a $1,000 refundable child tax credit for all children through age 18. The commission's proposed credit amount was indexed for inflation. The report cited slow wage growth, the increasing costs of living, and a rising tax burden for the average family as key factors leading to increased financial burdens on families with children.

The report's authors acknowledged that there were provisions in the tax code meant to address the increased financial burden to families that arose from having children, specifically the exemption for dependents. The dependent exemption was intended to provide economic relief to families with children by reducing taxable income by a fixed amount per dependent, and hence reducing tax liability. However, the amount of the exemption was fixed in nominal terms (i.e., not adjusted for inflation) and the commission's report highlighted the fact that its real value had declined considerably since it was established in 1948.[2] The commission argued against simply

[1] For more information on the National Commission on Children, see its final report: National Commission on Children, *Beyond Rhetoric: A New American Agenda for Children and Families*, Washington, DC, 1991.

[2] In the Joint Committee on Taxation's (JCT's) explanation of the Taxpayer Relief Act of 1997, the committee cited the decline in the real value of the personal exemption by more than one-third over the prior 50 years as evidence of the tax system's failure to reflect a family's ability to pay. According to JCT, "The Congress believed that the individual income tax structure does not reduce tax liability by enough to reflect a family's reduced ability to pay taxes as family

increasing the amount of the dependent exemption, noting that such a policy would not provide adequate benefit to lower- and middle-income families. Specifically, the commission noted that the dependent exemption, similar to a tax deduction, provided greater monetary benefit to taxpayers with greater taxable income since its value (in terms of tax savings) was proportional to a taxpayer's highest marginal tax bracket. And since the dependent exemption could not lower the tax liability of taxpayers who, due to low income, owed no federal income tax, it was unavailable to many families with children who the commission believed most needed economic assistance.

Three years later, in 1994, a child tax credit was included in legislation meant to enact key principles of the Contract with America, a list of policy proposals released by the Republican Party before the 1994 midterm elections. In the 104th Congress, both the American Dream Restoration Act (H.R. 6) and later the Tax Fairness and Deficit Reduction Act of 1995 (H.R. 1215), if they had been enacted, would have provided a $500-per-child nonrefundable[3] tax credit for children under 18 years. The credit would have begun to phase out for families with AGI above $200,000 (regardless of filing status). In response to the legislation that had been drafted in Congress, President Clinton proposed his own child tax credit during the 104th Congress in his Middle Class Bill of Rights Tax Relief Act of 1995. Under this proposal, the child tax credit was a $300-per-child nonrefundable tax credit for 1996 through the end of 1998, increasing to $500 per child after 1998, with income phaseouts beginning at $60,000. The credit amounts were indexed for inflation. An eligible child was defined as being under 13 years of age.[4] President Clinton's proposal was estimated by the Department of the Treasury to cost $35.6 billion over five years, while the American Dream Restoration Act was estimated to cost $107 billion over the same time period.[5]

The Taxpayer Relief Act of 1997

After they did not reach an agreement in 1995, Congress and President Clinton revisited the topic of a child tax credit in 1997. The House, Senate, and Clinton Administration all proposed a $500 nonrefundable tax credit. A key distinction among the proposals centered on the interaction of the child tax credit with the EITC, which would have an impact on the availability of the child tax credit to lower-income taxpayers.[6] Both the Senate and House legislation proposed applying the nonrefundable child tax credit after the EITC had already reduced tax liability. President Clinton proposed the application of the child tax credit before the application of the EITC. For many low- and moderate-income taxpayers, claiming the *EITC before* the nonrefundable child tax credit reduced or eliminated their child tax credit. By contrast, claiming the *nonrefundable child credit before* the EITC allowed the taxpayer to claim the full amount of the child tax credit they were

size increases. In part, this is because over the last 50 years the value of the dependent personal exemption has declined in real terms by over one third." For more information, see U.S. Congress, Joint Committee on Taxation, JCS-23-97, *General Explanation of Tax Legislation Enacted in 1997*, December 17, 1997, pp. 6-7.

[3] The legislative language of the child tax credit included in H.R. 6 was drafted to create a new refundable credit. While the credit created by H.R. 6 could exceed a taxpayer's income tax liability, it could not exceed the sum of their income and Social Security taxes.

[4] U.S. Congress, Joint Committee on Taxation, *Background and Information Relating to Three Tax Cut Proposals for Middle Income Americans: A $500 per Child Tax Credit, A Reduction in the Marriage Penalty, and A Deduction for Education and Job Training Expenses*, 104th Cong., 1st sess., March 15, 1995, p. 5.

[5] "Treasury Release Contrasting Revenue Costs of Clinton, GOP Tax Cuts," *Tax Notes Today*, LB1290, December 16, 1994.

[6] For more information on the differences in the House, Senate, and Clinton Administration proposals, see Table 1 in the archived CRS Report 97-687E, *Child Tax Credits: Comparison of Proposals for Low-Income Taxpayers*, by Gregg Esenwein and Jack Taylor, available to congressional clients by request.

eligible for and did not change the value of their EITC. For example, assume that in 1997 a two-parent, two-child family has $23,000 of income. This family would have an $825 tax liability before the application of credits. They would also be eligible for $1,325 in the EITC and, assuming the child credit was $500 per child, $1,000 of the child tax credit. If the EITC was claimed before the child tax credit, this family's tax liability would be reduced to zero and they would receive the remainder of the EITC as a $500 refund. Since they had no tax liability, they could not claim the $1,000 of the nonrefundable child tax credit. If, on the other hand, they claimed the child tax credit first, they could claim $825 of the nonrefundable child tax credit, reducing their tax liability to zero and then claim the full $1,325 of EITC as a refund.[7]

The child tax credit proposals differed in other ways, notably the interaction of the child tax credit with the child and dependent care credit, the age of a qualifying child, and the income phase-out levels and phase-out rates. Given that the child tax credit was part of a broader tax bill that had to meet budget rules, many of the specific details of the provision were likely agreed upon after evaluating their budgetary impact.

What emerged from the conference negotiations that year was the Taxpayer Relief Act of 1997 (P.L. 105-34), which established a child tax credit. The credit was structured as a $500 nonrefundable tax credit ($400 in 1998) for most families with qualifying children under 17. The credit phased out at a rate of $50 for every $1,000 by which a taxpayer's modified AGI exceeded thresholds based on filing status, namely $110,000 for married taxpayers filing jointly, $75,000 for taxpayers filing as head of household or single, and $55,000 for married taxpayers filing separately. Neither the credit amount nor the phaseout thresholds were indexed for inflation.

The credit was refundable for taxpayers with three or more qualifying children using what is commonly referred to as the "alternative formula." The refundable credit under 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 at lower incomes. Thus, in practice the credit was generally nonrefundable for most low-income families.[8]

The refundable portion of the credit—the amount of the credit in excess of what a taxpayer owed in income taxes—could be reduced by the amount of the taxpayer's alternative minimum tax (AMT). In addition, the total amount by which personal nonrefundable credits (including the child tax credit) could reduce an individual's regular tax liability was limited.[9]

Finally, the law included a provision that specified an ID requirement, ensuring that taxpayers provide an ID for each child for whom the credit is claimed. Specifically, a taxpayer claiming the credit was required to provide a Taxpayer Identification Number (TIN) for each qualifying child

[7] All these figures are from Table 2 of the archived CRS Report 97-687E, *Child Tax Credits: Comparison of Proposals for Low-Income Taxpayers*, by Gregg Esenwein and Jack Taylor, available to congressional clients by request.

[8] Data from the IRS from 1999 returns indicates slightly less than 1 million returns included a claim for the refundable additional child credit (ACTC). In contrast, over 26 million returns in 1999 included a claimed for the child tax credit (nonrefundable). See Internal Revenue Service, *SOI Tax Stats – Individual Income Tax Returns Complete Report (Publication 1304)*, Table 3.3, https://www.irs.gov/statistics/soi-tax-stats-individual-income-tax-returns-complete-report-publication-1304.

[9] The total amount of personal nonrefundable credits was limited to the extent that a taxpayer's regular tax liability exceeded their tentative minimum tax. The tentative minimum tax is an alternative tax calculated using a different definition of taxable income and different tax rates. For more information on the interaction of personal tax credits and the AMT, see CRS Report RL30149, *The Alternative Minimum Tax for Individuals*, by Steven Maguire.

on their federal income tax return. TINs included individual taxpayer identification numbers (ITINs),[10] Social Security numbers (SSNs), and adoption taxpayer identification numbers (ATINs).[11] 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.

The Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999 (P.L. 105-277)

The Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999 (P.L. 105-277), which was enacted shortly after the enactment of the Taxpayer Relief Act of 1997, temporarily repealed the provision that allowed the refundable portion of the child tax credit to be reduced by the AMT for 1998. In addition, this act temporarily allowed personal nonrefundable credits (including the child tax credit) to fully offset a taxpayer's regular income tax liability in 1998.[12]

The Ticket to Work and Work Incentives Improvement Act of 1999 (P.L. 106-170)

The Ticket to Work and Work Incentives Improvement Act of 1999 (P.L. 106-170) extended the temporary provision in P.L. 105-277 which allowed nonrefundable personal credits to fully offset regular income tax liability for one additional year, through the end of 1999. In addition, for 2000 and 2001, the act included a provision that allowed taxpayers to use their personal nonrefundable credits (including the child tax credit) to offset not only their full regular tax liability, but also their AMT. Finally, the act extended through the end of 2001 the temporary repeal of the provision that reduced the refundable portion of the child tax credit by the AMT, originally enacted in P.L. 105-277.

The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA; P.L. 107-16)

The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA; P.L. 107-16) made four significant changes to the child tax credit.

First, EGTRRA increased the maximum amount of the credit per child in scheduled increments until it reached $1,000 per child in 2010. Second, EGTRRA made the credit refundable and available to low-income taxpayers with sufficient earned income. Specifically, the law allowed low-income taxpayers to claim a refundable credit that phased in based on the taxpayer's earned income. This formula for the refundable portion of the child credit is often referred to as the

[10] For more information on the child tax credit and ITIN filers, see CRS Report R44420, *Individual Taxpayer Identification Number (ITIN) Filers and the Child Tax Credit: Overview and Legislation*, by Margot L. Crandall-Hollick and Erika K. Lunder.

[11] For more information on ATINs, see the IRS Question and Answer on ATINs, at https://www.irs.gov/individuals/adoption-taxpayer-identification-number.

[12] While personal nonrefundable credits could now offset both the regular tax and tentative minimum tax, they could only offset the tentative minimum tax by an amount less than or equal to their regular tax liability. Hence these credits could not offset the AMT (which is defined as the difference between the tentative minimum and regular tax liability). For more information on the interaction of personal tax credits and the AMT, see CRS Report RL30149, *The Alternative Minimum Tax for Individuals*, by Steven Maguire.

earned income formula, and the refundable portion of the credit is often referred to as the *additional child tax credit* or ACTC. (Unlike the alternative formula, which had been limited to families with three or more children, the earned income formula was not limited to larger families.) For 2001 through the end of 2004, the ACTC—the amount that could be claimed in excess of income tax liability—was calculated as 10% of a taxpayer's earned income above $10,000, up to the maximum amount of the credit for that year. Many low-income taxpayers received all of their child credit in the form of the ACTC. Low-income taxpayers with less than $10,000 of earned income were generally ineligible for the child credit. The refundability rate was scheduled to increase to 15% for 2005 through the end of 2010. The $10,000 refundability threshold was indexed for inflation beginning in 2002. Third, EGTRRA allowed the child tax credit to offset AMT tax liability for 2002 through the end of 2010. Fourth, the act extended through the end of 2010 the temporary repeal of the provision that reduced the refundable portion of the child tax credit by the AMT.

All the EGTRRA provisions were scheduled to expire at the end of 2010.

The Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA; P.L. 108-27)

The Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA; P.L. 108-27) temporarily accelerated the scheduled increase in the maximum credit amount. Specifically, while EGTRRA increased the maximum credit amount to $600 per child for 2003 and 2004, JGTRRA increased this amount to $1,000 per child for those two years. In the summer of 2003, the $400 increase in the credit for 2003 was paid in advance from the Department of the Treasury to many families who qualified for the child tax credit. These direct payments were distributed based on information contained on taxpayers' 2002 income tax returns.

The JGTRRA provisions were scheduled to expire after 2004, and the child tax credit would have reverted to its scheduled level under EGTRRA—$700 per child in 2005.

The Working Families Tax Relief Act of 2004 (WFTRA; P.L. 108-311)

In September 2004, Congress passed the Working Families Tax Relief Act of 2004 (WFTRA; P.L. 108-311), which further accelerated the implementation of key provisions of EGTRRA. This act extended the maximum amount of the credit established under JGTRRA, $1,000 per child, through the end of 2009. For 2010, the EGTRRA provisions would apply and the maximum amount of the credit would remain $1,000 per child. In addition, WFTRA increased the refundability rate to 15% for 2004. Under EGTRRA, the refundability rate would remain at 15% from 2005 through the end of 2010.

WFTRA also contained a provision that allowed combat pay to be included as part of earned income for purposes of computing refundability of the child tax credit. As more soldiers began to see combat due to the wars in Iraq and Afghanistan, they started receiving combat pay. Income earned by members of the armed services in a combat zone is generally excluded from taxation. This exclusion benefits taxpayers who have positive tax liability and reduces the taxes they owe. However, for some lower-income members of the Armed Forces, the exclusion either meant their earned income was too low to qualify for the refundable portion of the child tax credit or resulted in a reduced credit amount (i.e., the ACTC based on the earned income formula). The inclusion of combat pay as earned income for purposes of calculating the refundable child tax credit under WFTRA meant that the earnings of some military families would increase above the refundability threshold, ultimately resulting in a larger child tax credit. This change was for 2004 through the

end of 2010, and was scheduled to expire, along with other provisions of EGTRRA, at the end of 2010.

The Emergency Economic Stabilization Act of 2009 (EESA; Division A of P.L. 110-343)

In October 2008, Congress passed the Emergency Economic Stabilization Act of 2009 (EESA; P.L. 110-343) in response to the financial and housing crisis. The law included a provision to lower the refundability threshold for the child tax credit for 2008 from $12,050[13] to $8,500. In the absence of any additional congressional action, the refundability threshold was scheduled to increase to $12,550 in 2009.

The American Recovery and Reinvestment Act of 2009 (ARRA; P.L. 111-5)

In early 2009, Congress began to debate different legislative proposals for economic stimulus. Part of that debate concerned changing the refundability threshold of the child tax credit. The House proposed[14] reducing the refundability threshold to zero for 2009 and 2010, while the Senate proposed[15] lowering the refundability threshold to $8,100 over the same time period. The House's proposed changes to the child tax credit were estimated to cost $18.3 billion over 10 years, in comparison to $7.2 billion for the Senate proposal. The provision took its final shape during the meetings between the Senate and the House conferees.[16] In February 2009, Congress passed the American Recovery and Reinvestment Act of 2009 (ARRA; P.L. 111-5), which ultimately reduced the refundability threshold to $3,000 for 2009 and 2010. This proposal was estimated to cost $14.8 billion over 10 years.[17]

The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (P.L. 111-312)

At the end of 2010, both the EGTRRA and ARRA provisions of the child tax credit were scheduled to expire. Since ARRA's changes to the refundability threshold built upon changes made by EGTRRA, the expiration of EGTRRA would effectively terminate the expansion of refundability made by the 2009 stimulus law (ARRA). Absent an extension of EGTRRA, the maximum amount of the child tax credit would have reverted to $500 per child, the credit would only have been refundable to families with three or more children using the alternative formula, and the amount of the child tax credit would not have been allowed in full against the AMT. In December 2010, Congress passed the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (P.L. 111-312), which extended both the EGTRRA provisions of the

[13] The $10,000 threshold established by EGTRRA, adjusted for inflation.

[14] H.R. 1 that passed the House on January 28, 2009.

[15] S.Amdt. 570 in the nature of a substitute to H.R. 1, which passed the Senate on February 10, 2009.

[16] See the Conference Report H.Rept. 111-16.

[17] U.S. Congress, Joint Committee on Taxation, JCX-19-09, *Estimated Budget Effects Of The Revenue Provisions Contained In The Conference Agreement For H.R. 1, The "American Recovery And Reinvestment Tax Act Of 2009,"* February 12, 2009, p. 1.

child tax credit[18] and the expansion of refundability from ARRA (i.e., $3,000 refundability threshold) for two years through the end of 2012.

The American Taxpayer Relief Act of 2012 (ATRA; P.L. 112-240)

At the end of 2012, Congress passed the American Taxpayer Relief Act of 2012 (ATRA; P.L. 112-240). This law made the EGTRRA changes to the child tax credit permanent and extended the $3,000 refundability threshold enacted as part of ARRA for five years, through the end of 2017.

The Protecting Americans from Tax Hikes (PATH) Act of 2015 (Division Q of P.L. 114-113)

The Protecting Americans from Tax Hikes (PATH) Act of 2015 (Division Q of P.L. 114-113) made the ARRA modification to the child tax credit—the $3,000 refundability threshold—permanent. The law also required that the TIN—for both the qualifying child and the taxpayer—be issued on or before the due date of the return.

The "Tax Cuts and Jobs Act" (TCJA; P.L. 115-97)

At the end of 2017, Congress passed what is commonly referred to as the Tax Cuts and Jobs Act or TCJA[19] (P.L. 115-97) which made numerous changes to the federal income tax for individuals and businesses,[20] including changes to the child tax credit. These temporary changes to the child tax credit are summarized in **Table 1**.

The law doubled the maximum amount of the credit from $1,000 to $2,000 per qualifying child and increased the maximum amount of the refundable portion of the credit (the additional child tax credit or ACTC) from $1,000 per qualifying child to $1,400 per qualifying child. While in effect, the expanded ACTC amount can be annually adjusted for inflation using the chained consumer price index. (The law uses an indexing convention that rounds the $1,400 amount to the next lowest multiple of $100. In 2022, this inflation adjustment was triggered for the first time. Hence, for 2022, the maximum ACTC, after inflation adjustment, is $1,500 per child.[21]) The law also lowered the eligibility threshold for low-income taxpayers to receive part or all of the credit as the ACTC from $3,000 of earned income to $2,500 of earned income. Finally, the law increased the income level at which the credit begins to phase out from $75,000 to $200,000 for unmarried taxpayers (i.e., head of household and single filers), and from $110,000 to $400,000 for married taxpayers filing joint returns. Aside from the inflation adjustment of the ACTC, all other parameters of the child tax credit remained unadjusted for inflation.

[18] This includes the inclusion of combat pay as part of earned income for purposes of calculating refundability under the earned income formula created by EGTRRA. In addition this law extended for two years (through the end of 2012) the EGTRRA repeal of a prior-law provision that reduced the refundable portion of the child credit by the amount of the AMT and it extended the EGTRRA provision which allowed the child tax credit to offset a taxpayer's AMT.

[19] The bill was originally short titled "The Tax Cuts and Jobs Act." The short title of the bill 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 final official 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.

[20] 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.

[21] See IRS Revenue Procedure 2021-23.

In addition, the law temporarily required taxpayers to provide an SSN associated with work authorization for any child for whom they claim the credit. The SSN must be issued before the due date of the tax return. Failure to provide the child's current SSN could result in the taxpayer being denied the credit (both the nonrefundable and refundable portions of the credit). The law did not change the ID requirement for the taxpayer.

Finally, the law created a new temporary credit for other dependents who were generally not eligible to be claimed for the child credit, including children ineligible for the child tax credit because they did not have a work-authorized SSN, older children, or adult dependents. The credit is sometimes referred to as the *other dependent credit* or ODC. This category of "other dependents" eligible for the ODC excludes dependents who are residents of Mexico or Canada and not U.S. citizens. The ODC equals $500 per dependent. The amount is not annually adjusted for inflation. The credit is added to the child tax credit amount, with the combined amount subject to the phaseout parameters of the child credit (e.g., phaseout thresholds of $400,000 for married filing jointly and $200,000 for other taxpayers; 5% phaseout rate). The ODC is not annually adjusted for inflation.

All the modifications to the child tax credit and ODC are currently scheduled to expire at the end of 2025.

The American Rescue Plan Act of 2021 (ARPA; P.L. 117-2)

Before Congress enacted the American Rescue Plan Act (ARPA; P.L. 117-2), there had been interest among some policymakers in providing direct cash assistance to families with children to reduce child poverty and economic hardship. Some policymakers proposed modifying the child tax credit in such a way that it would be transformed into a child benefit or child allowance, providing a significant boost in income for low-income families.[22]

ARPA made three main changes to the child credit that increased the credit amount for many taxpayers, particularly the lowest-income taxpayers.[23] These changes are temporary and in effect for one year—2021. First, the law increased the maximum age for an eligible child from 16 to 17.[24] Second, the law eliminated the ACTC phase-in based on earned income and eliminated the ACTC cap of $1,400 per child.[25] Hence, in 2021 the child credit is fully refundable and the "full" or maximum value is available to otherwise-eligible taxpayers with little or no earned income. Full refundability is generally only available to taxpayers who live in the United States for at least half of 2021 (this is sometimes referred to as the *principal place of abode requirement*).[26] Third, the law increased the maximum amount of the credit from $2,000 per child to $3,600 per child for a young child (0-5 years old) and $3,000 per child for an older child (6-17 years old).

This increase in the maximum child credit—an increase of $1,600 per young child and $1,000 per older child—phases out by $50 for every $1,000 over specified thresholds until the credit amount

[22] For a summary of proposals to expand the child tax credit in the 116th Congress, see CRS Report R46502, *The Child Tax Credit: Selected Legislative Proposals in the 116th Congress*, by Margot L. Crandall-Hollick.

[23] For more details on the changes to the child tax credit made by the American Rescue Plan Act of 2021 (P.L. 117-2), see CRS Report R46900, *The Expanded Child Tax Credit for 2021: Frequently Asked Questions (FAQs)*, by Margot L. Crandall-Hollick.

[24] The age of the child for a given year's child credit is based on their age on December 31 of that year. In other words, for the 2021 child credit, a child who is 17 years old on December 31, 2021, is considered 17 years old for the purposes of the credit.

[25] The law also eliminated the calculation of the ACTC under the alternative formula.

[26] Full refundability is also available to taxpayers who are bona fide residents of Puerto Rico for 2021.

equals the pre-ARPA current-law maximum of $2,000 per child. These thresholds are $75,000 for single filers, $112,500 for head of household filers, and $150,000 for married joint filers.[27] The thresholds are sometimes referred to as the *first thresholds* or *ARPA thresholds*. (The actual income level at which the credit phases down to $2,000 per child depends on the number and age of a taxpayer's qualifying children.) For many families, the credit then plateaus at its prior-law maximum of $2,000 per child and phases out when income exceeds $200,000 ($400,000 for married joint filers).[28] These thresholds are sometimes referred to as the *second thresholds* or *TCJA thresholds*. (The name is in reference to the fact that these thresholds were established, temporarily, by the TCJA.)

ARPA also temporarily changed the way the credit is delivered. Unlike most tax benefits, which are received once a year as a lump sum after an income tax return is filed, up to half of the 2021 child credit was issued in advance of 2021 returns being filed. ARPA directed Treasury to issue *half of the estimated 2021 credit* in periodic payments beginning after July 1, 2021 (these periodic payments will generally be equal in amount).[29] The IRS issued these payments as monthly installments. Taxpayers claim the remaining half of the total 2021 credit when filing their 2021 income tax return beginning in early 2022. Like the expansion of the credit amount, the advance payment program is also temporary under current law. Under ARPA, advance payments of the 2021 credit cannot be made before July 1, 2021, or after December 31, 2021.[30]

[27] This threshold for married joint filers also applies to surviving spouses as defined in IRC §2(a). Taxpayers who are neither married joint filers, nor surviving spouses, nor head of household filers are subject to a $75,000 threshold. Hence, single filers and married taxpayers who file separately are subject to the $75,000 threshold. Single filers who can only claim a child tax credit-qualifying child under IRC §152(e), but cannot claim that child under IRC §152(c) (and who have no other dependents for tax purposes) generally may not file as a head of household.

[28] The law states that up until a taxpayer's income reaches $75,000 if single, $112,500 if head of household, and $150,000 if married filing jointly, they will receive the maximum child tax credit amount. This amount is equal to $3,600 multiplied by the number of qualifying children under six years old, plus $3,000 multiplied by the number of qualifying children 6 to 17 years old. After this "first threshold" (i.e., the "ARPA threshold"), the credit amount begins to phase down by $50 for each $1,000 over the threshold. The amount by which the credit phases down is limited to the lesser of (a) the "applicable credit increase amount" (the difference between the ARPA credit and the prior-law credit in 2021) or (b) 5% of the "applicable phaseout range" (the difference between the $200,000 and $400,000 phaseouts enacted under the TCJA and the $75,000, $112,500, and $150,000 phaseouts in ARPA). Notably, 5% of the applicable phaseout range equals $6,250 if single, $4,375 if head of household, and $12,500 if a married joint filer. After the total credit has been phased down by the lesser of (a) or (b), it then remains at its pre-ARPA level until it is phased out again under the pre-ARPA threshold of $200,000 or $400,000 if married filing jointly (also referred to as the "TCJA threshold").

[29] IRC §7527A.

[30] IRC §7527A(f).

Table 2. Legislative Changes to the Child Tax Credit, 1997-2021

Year Enacted & Law	Maximum Credit	Maximum ACTC	ACTC Eligibility Threshold	ACTC Phase-in Rate	Phaseout Threshold[a]	Phaseout Rate	Offset AMT	Budgetary Cost (Billions)
1997 P.L. 105-34	$400 per child 0-16 (1998) $500 per child 0-16 (after 1998) *not adjusted for inflation*	NA. The credit was nonrefundable for most taxpayers.[b]			$110,000 MFJ $55,000 MFS $75,000 HOH $75,000 S *not adjusted for inflation*	$50 for every $1,000 of income over the phaseout threshold (i.e., 5%)	NO	-$183.3 (1997-2007)
1999 P.L. 106-170	—	—			—	—	YES (2000-2001)	-$2.89[c] (2000-2009)
2001 P.L. 107-16 (EGTRRA)	$600 per child 0-16 (2001-2004) $700 per child 0-16 (2005-2008) $800 per child 0-16 (2009) $1,000 per child 0-16 (2010) *not adjusted for inflation*	Same as maximum credit (for applicable years)	$10,000 (2001-2010) *adjusted for inflation (2002-2010)*	10% (2001-2004) 15% (2005-2010)	—	—	YES (2002-2010)	-$171.78 (2001-2011)
2003 P.L. 108-27 (JGTRRA)	$1,000 per child 0-16 (2003-2004) *not adjusted for inflation*	Same as maximum credit (2003-2004) *not adjusted for inflation*	—	—	—	—	—	-$32.49 (2003-2013)

Year Enacted & Law	Maximum Credit	Maximum ACTC	ACTC Eligibility Threshold	ACTC Phase-in Rate	Phaseout Threshold[a]	Phaseout Rate	Offset AMT	Budgetary Cost (Billions)
2004 P.L. 108-311 (WFTRA)	$1,000 per child 0-16 (2005-2010) *not adjusted for inflation*	Same as maximum credit (2005-2010) *not adjusted for inflation*	—	15% (2004-2010)	—	—	—	-$63.77 (2005-2014)
2008 P.L. 110-343 (EESA)	—	—	$8,500 (2008) *not adjusted for inflation*	—	—	—	—	-$3.13 (2009-2018)
2009 P.L. 111-5 (ARRA)	—	—	$3,000 (2009-2010) *not adjusted for inflation*	—	—	—	—	-$14.83 (2009-2019)
2010 P.L. 111-312	$1,000 per child 0-16 (2011-2012) *not adjusted for inflation*	Same as maximum credit (2011-2012) *not adjusted for inflation*	$3,000 (2011-2012) *not adjusted for inflation*	15% (2011-2012)	—	—	YES (2011-2012)	-91.44 (2011-2020)
2013 P.L. 112-240 (ATRA)	$1,000 per child 0-16 (permanent) *not adjusted for inflation*	Same as maximum credit (permanent) *not adjusted for inflation*	$3,000 (2013-2017) *not adjusted for inflation* $10,000 (After 2017) *adjusted for inflation*	15% (permanent)	—	—	YES (perma-nent)	-$405.01 (2013-2022)
2015 P.L. 114-113	—	—	$3,000 (permanent)	—	—	—	—	-$87.84 (2016-2025)

Year Enacted & Law	Maximum Credit	Maximum ACTC	ACTC Eligibility Threshold	ACTC Phase-in Rate	Phaseout Threshold[a]	Phaseout Rate	Offset AMT	Budgetary Cost (Billions)
2017 P.L. 115-97 (TCJA)	$2,000 per child 0-16 (2018-2025) *not adjusted for inflation*	$1,400 per child 0-16 (2018-2025) *adjusted for inflation*[d]	$2,500 (2018-2025)	—	$400,000 MFJ $200,000 MFS $200,000 HOH $200,000 S *not adjusted for inflation*	—	—	-$573.40[e] (2018-2027)
2021 P.L. 117-2 (ARPA)	$3,600 per child 0-5 $3,000 per child 6-17 (2021) *not adjusted for inflation*	Same as maximum credit (2021) *not adjusted for inflation*	NA. Credit is fully refundable, meaning that low-income taxpayers can receive the full or maximum credit amount (i.e., the phase-in of the ACTC is eliminated). (2021)		Initial Threshold $150,000 MFJ $75,000 MFS $112,500 HOH $75,000 S (2021) *not adjusted for inflation* Secondary Threshold $400,000 MFJ $200,000 MFS $200,000 HOH $200,000 S *not adjusted for inflation*	—	—	-$109.53 (2021-2031)

Source: CRS analysis of applicable laws and Joint Committee on Taxation: JCX-39-97; JCX-86-99; JCX-51-01; JCX-55-03; JCX-60-04; JCX-78-08; JCX-19-09; JCX-54-10; JCX-1-13; JCX-143-15; JCX-67-17; JCX-14-21.

Notes: An "—" indicates unchanged from prior law. Except as otherwise noted, the budgetary costs reflect the cost of the child tax credit provisions exclusively.

a. MFJ, MFS, HOH, and S refer to tax filing status, specifically: MFJ: married filing jointly; MFS: married filing separately; HOH: head of household; S: single.

b. Prior to EGTRRA (P.L. 107-16), the child credit was only refundable for families with three or more children under the alternative formula.

c. This law allowed nonrefundable personal credits (including the child tax credit) to offset the regular tax in full (without regard to the tentative minimum tax) for tax year 1999 (which was an extension of a provision in P.L. 105-277). For tax years 2000 and 2001, this law included a special provision that allowed personal nonrefundable credits in full against regular tax and the AMT. The revenue effect reflects that the effect of these provisions is on personal nonrefundable credits, and is not limited to their effect on the child tax credit.

d. Beginning in 2019, the $1,400 maximum ACTC amount is adjusted for inflation using the chained consumer price index. Adjustments are rounded down to the next lowest multiple of $100. The other parameters of the credit are not adjusted for inflation by P.L. 115-97. In 2022, the inflation adjustment was triggered and the maximum ACTC for 2022 is $1,500 per child.

e. This estimate includes the budgetary impact of the nonrefundable $500 "other dependent credit" or ODC for nonchild credit dependents. It does not include the estimated $29.8 billion in savings over the 2018 to 2027 budgetary window from the Social Security number (SSN) ID requirement for qualifying children.

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