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## Refundable Tax Credits for Families in 2021

The American Rescue Plan Act (ARPA; P.L. 117-2 ) expanded three tax credits available to families for 2021 (i.e., credits generally claimed on 2021 federal income tax returns). Key aspects of these credits are summarized below.

	Child Tax Credit	Child and Dependent Care Tax Credit (CDCTC)	Earned Income Tax Credit (EITC)
<b>ARPA Expansion for 2021</b>	<p><b>ARPA</b> increased the child tax credit for low- and moderate-income taxpayers for 2021 by making the credit fully refundable and increasing the credit amount (as well as increasing the maximum eligibility age). The law also provides that part of the credit be advanced before taxes are filed. Some of the changes are highlighted in the chart below, which illustrates the relationship between the credit amount (vertical axis) and taxpayer income (horizontal axis) in 2021 before and after ARPA.</p> <p><b>Child Tax Credit for 2021*</b></p> <p>*Assumes 1 young child and married couple who file taxes jointly.</p>	<p><b>ARPA</b> increased the child and dependent care credit (CDCTC) for workers with child and dependent care expenses for 2021 by increasing the credit rate, increasing the cap on eligible expenses, and making the credit refundable. Some of the changes are highlighted in the chart below, which illustrates the relationship between the credit amount (vertical axis) and taxpayer income (horizontal axis) in 2021 before and after ARPA.</p> <p><b>CDCTC for 2021*</b></p> <p>*Assumes 1 young child and maximum qualifying expenses (\$8,000).</p>	<p><b>ARPA</b> increased the earned income tax credit (EITC) for low-income workers <i>without</i> qualifying children (i.e., “childless” EITC) for 2021 by increasing the credit rate, increasing the phaseout rate, and modifying the range of income over which the credit phases in and phases out (resulting in a larger maximum credit). Some of the changes are highlighted in the chart below, which illustrates the relationship between the credit amount (vertical axis) and taxpayer income (horizontal axis) in 2021 before and after ARPA.</p> <p><b>“Childless” EITC for 2021*</b></p> <p>*Assumes unmarried taxpayer with no qualifying children.</p>
<b>Summary of Credit</b>	<p>A refundable tax credit available to families with qualifying children under 18 years old for 2021. The credit is “fully refundable” in 2021, meaning eligible low-income families can receive the “full” or maximum amount of the credit, irrespective of their earned income. The credit amount depends on the number and age of qualifying children, and for higher-income taxpayers subject to the credit’s phaseout, their marital status and income for 2021 (i.e., as provided on 2021 income tax returns).</p>	<p>A refundable tax credit available to working families with qualifying individuals and dependent care expenses for 2021. The credit amount depends on the amount of out-of-pocket expenses the taxpayer incurred for the care of a qualifying individual so that the taxpayer can work. Generally, <i>qualifying individuals</i> are dependent children under 13 years old or certain adults incapable of self-care. (Note: Refundable for 2021 only.)</p>	<p>A refundable tax credit available to working families. The credit amount depends on the taxpayer’s earned income, number of qualifying children, and marital status.</p>
<b>Maximum Amount of Credit</b>	<p>Maximum credit for 2021 is</p> <ul style="list-style-type: none"> <li>• <b>\$3,600</b> per <b>young child</b> (0-5 years old)</li> <li>• <b>\$3,000</b> per <b>older child</b> (6-17 years old)</li> </ul> <p>Summed over the number of qualifying children.</p>	<p>Maximum credit for 2021 is</p> <ul style="list-style-type: none"> <li>• <b>\$4,000</b> for a taxpayer with one qualifying individual <i>and</i> maximum qualifying expenses (\$8,000)</li> <li>• <b>\$8,000</b> for a taxpayer with two or more qualifying individuals <i>and</i> maximum qualifying expenses (\$16,000)</li> </ul>	<p>Maximum credit for 2021 for those with</p> <ul style="list-style-type: none"> <li>• <b>0 children: \$1,502</b></li> <li>• <b>1 child: \$3,618</b></li> <li>• <b>2 children: \$5,980</b></li> <li>• <b>3+ children: \$6,728</b></li> </ul> <p>(Note: ARPA temporarily expanded the EITC for taxpayers with no qualifying children for</p>

	Child Tax Credit	Child and Dependent Care Tax Credit (CDCTC)	Earned Income Tax Credit (EITC)
	For example, a family with two older children and one young child is eligible for a maximum credit of up to \$9,600.	(Note: Unlike the child credit and the EITC, the CDCTC's value is based in part on expenses incurred [for childcare or dependent care]. Research suggests lower-income taxpayers tend to have less than the maximum amount of qualifying expenses.)	2021. ARPA did not change the EITC formulas for taxpayers with children.)
<b>Income Range for Maximum Amount of Credit</b>	Taxpayers are eligible for the maximum credit amount if 2021 income is <b>below \$112,500</b> for head of household filers (unmarried adults with dependents) <sup>a</sup> <b>below \$150,000</b> for married joint filers (most married couples file their income tax return jointly)	Taxpayers are eligible for the maximum credit amount if 2021 income is between <b>1 qualifying individual: \$8,000-\$183,000</b> (all tax filing statuses) <b>2 qualifying individuals: \$16,000-\$183,000</b> (all tax filing statuses) (Note: Under existing law [and unchanged by ARPA], expenses used to calculate the credit cannot exceed the taxpayer's earned income. Hence, lower-income taxpayers must have earned income greater than or equal to the maximum amount of qualifying expenses to receive the maximum credit.)	Taxpayers are eligible for the maximum credit amount if 2021 income is between <b>0 children: \$9,820-\$11,610 if unmarried / \$9,820-\$17,550 if married</b> <b>1 child: \$10,640-\$19,520 if unmarried / \$10,640-\$25,470 if married</b> <b>2 / 3+ children: \$14,950-\$19,520 if unmarried / \$14,950-\$25,470 if married</b>
<b>Limitation for Nonresident Aliens<sup>b</sup></b>	No provision barring eligibility based on taxpayer's residency, but the child must be a U.S. citizen, national, or resident.	No limitation.	Nonresident aliens are generally ineligible.
<b>Taxpayer ID Requirement (SSN/ITIN)<sup>c</sup></b>	<b>Taxpayers (and if applicable, spouses):</b> SSNs or ITINs <b>Qualifying children:</b> SSN associated with work authorization	No ID requirement for this provision.	<b>Taxpayers (and if applicable, spouses):</b> SSNs associated with work authorization <b>Qualifying children:</b> SSN associated with work authorization
<b>Method of Receipt</b>	<b>Partially advanced/remainder claimed on tax return:</b> 50% of total credit amount was advanced during the last 6 months of 2021; the remainder is claimed as a tax credit on 2021 return (generally filed in 2022). The Internal Revenue Service (IRS) used information on 2020 income tax returns to estimate and advance the 2021 credit (if 2020 data were unavailable, advanced payments were based on 2019 data).	<b>Claimed on tax return:</b> The benefit is claimed on a 2021 tax return (generally filed in 2022).	<b>Claimed on tax return:</b> The benefit is claimed on a 2021 tax return (generally filed in 2022).
<b>CRS Resources</b>	CRS Insight INI1613, <i>The Child Tax Credit: Temporary Expansion for 2021 Under the American Rescue Plan Act of 2021 (ARPA; P.L. 117-2)</i> CRS Report R46900, <i>The Expanded Child Tax Credit for 2021: Frequently Asked Questions (FAQs)</i>	CRS Insight INI1645, <i>The Child and Dependent Care Tax Credit (CDCTC): Temporary Expansion for 2021 Under the American Rescue Plan Act of 2021 (ARPA; P.L. 117-2)</i> CRS Report R44993, <i>Child and Dependent Care Tax Benefits: How They Work and Who Receives Them</i>	CRS Insight INI1610, <i>The "Childless" EITC: Temporary Expansion for 2021 Under the American Rescue Plan Act of 2021 (ARPA; P.L. 117-2)</i> CRS Report R43805, <i>The Earned Income Tax Credit (EITC): How It Works and Who Receives It</i>

**Sources:** CRS analysis of P.L. 117-2, the Internal Revenue Code (IRC), IRS Revenue Procedure 20-45, and IRS Revenue Procedure 21-23.

**Notes:**

- In some circumstances, an unmarried taxpayer with a qualifying child for the child tax credit may file their taxes as a single filer, as opposed to a head of household filer. See IRC Section 152(e). The phaseout threshold for single filers is \$75,000.
- Noncitizens inside or outside the United States may be liable for U.S. income taxes. Under the IRC, a noncitizen is categorized as either a resident or nonresident alien, which determines the person's tax treatment. In general, a noncitizen is a nonresident alien unless he or she meets the qualifications under either residency test: (1) Green card test, or (2) Substantial presence test. Various exceptions apply.
- By law, individuals must provide a unique identifying number when they file tax returns with the IRS. Generally, an individual's taxpayer identification number is their Social Security number (SSN). Individuals who are not eligible to receive an SSN are required to use an individual taxpayer identification number (ITIN) when filing their tax returns. ITINs are issued by the IRS for federal tax purposes only.

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