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

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SUMMARY

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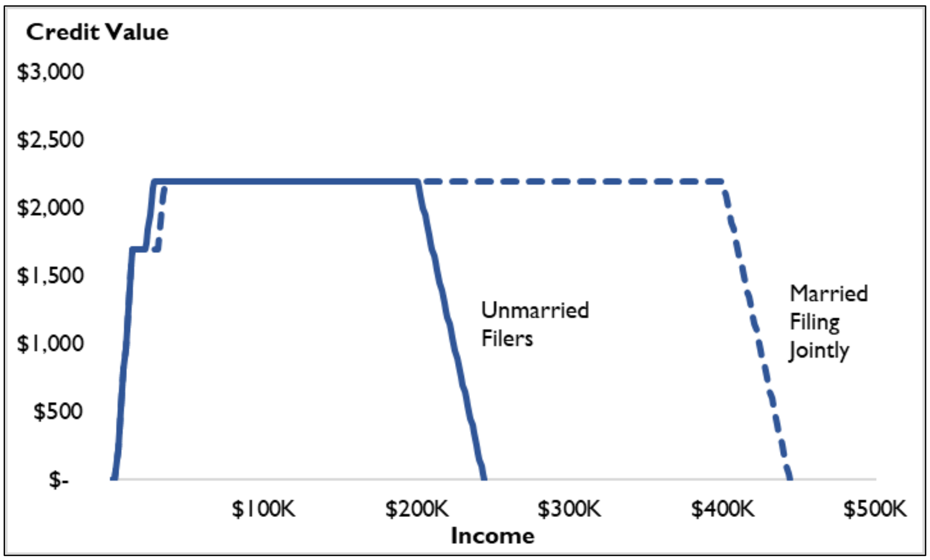
The Child Tax Credit: How It Works and Who Receives It

This report provides an overview of the child tax credit under current law, including a review of changes made by P.L. 115-97 (also known as the Tax Cuts and Jobs Act or TCJA) and P.L. 119-21 (the FY2025 reconciliation law).

The child tax credit allows eligible taxpayers to reduce their federal income tax liability by up to $2,200 per qualifying child (indexed to inflation). 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 $1,700 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. The amount of the credit by income for a taxpayer with one qualifying child is illustrated below.

Child Tax Credit Amount by Income Level, 2025



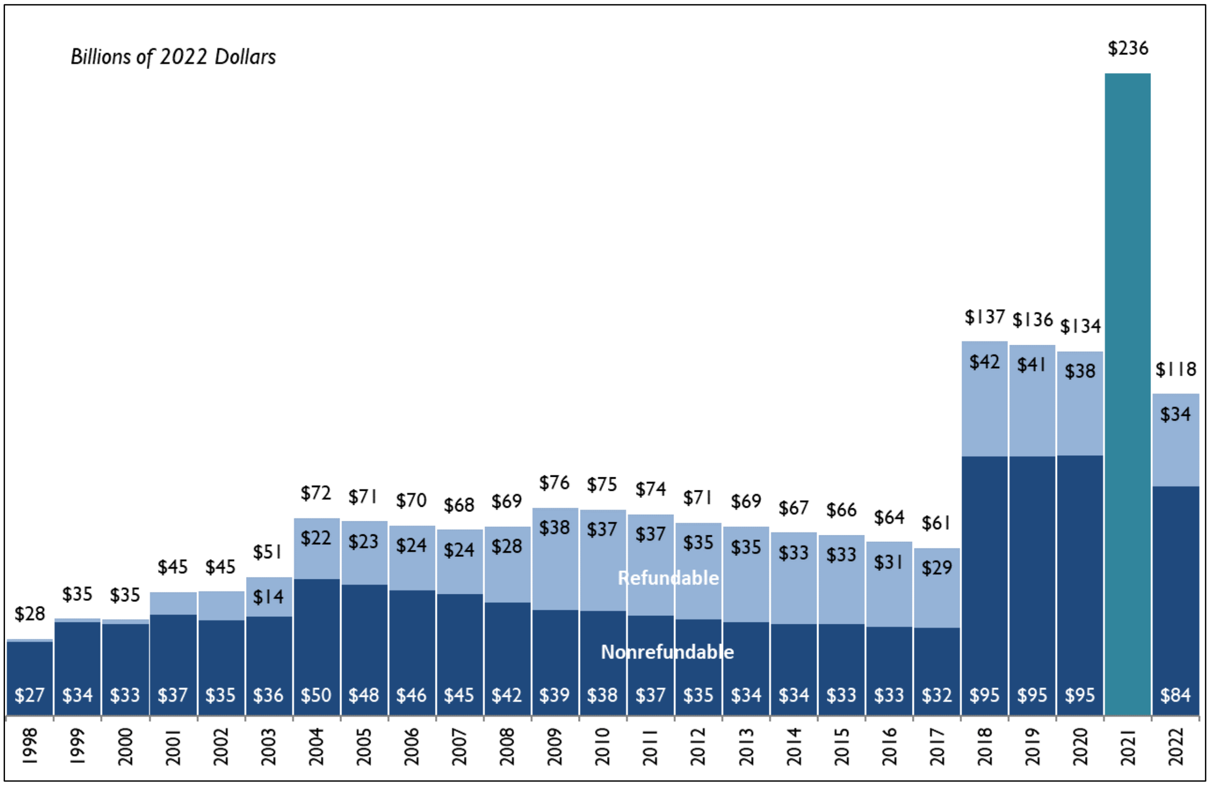
Source: Internal Revenue Code (IRC) Section 24.

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. At the end of 2017, Congress expanded the credit through 2025 as part of the TCJA (P.L. 115-97). The TCJA temporarily doubled the maximum credit amount and more than tripled the income level at which the credit begins to phase out. It also made changes to the refundable portion of the credit, including increasing the refundable credit amount from $1,000 to $1,400 per child (adjusted annually for inflation; $1,700 in 2025) and lowering the refundability threshold from $3,000 to $2,500. Although these changes were scheduled to expire at the end of 2025, the FY2025 reconciliation law (P.L. 119-21) made them permanent. That law also permanently increased the maximum child tax credit from $2,000 per child to $2,200 per child, while indexing it to inflation.

Data from the Internal Revenue Service (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 2022, with the largest increase coming after the TCJA expansions and the one-year expansion of the credit in the American Rescue Plan Act (P.L. 117-2) in 2021, as illustrated below.

Total Real Child Tax Credit Dollars, 1998-2022



Source: See **Figure 2**.

The Tax Policy Center (TPC) estimated the distribution of the child tax credit by income level for 2022. 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 third 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 2022

Expanded Cash Income Level	% of All Taxpayers With Children	% of Taxpayers who Receive the Child Credit	Child Tax Credit as % of After-Tax Income	Average Child Credit per Taxpayer
Less than $10,000	1.5%	49.5%	3.5%	$270
$10,000-$20,000	5.7%	63%	4.5%	$800
$20,000-$30,000	8.5%	78.2%	5.3%	$1,430
$30,000-$40,000	9%	87.6%	5.7%	$2,000
$40,000-$50,000	7.4%	93%	5.5%	$2,360
$50,000-$75,000	13.1%	96.5%	4.9%	$2,770
$75,000-$100,000	9.6%	98.5%	3.8%	$2,880
$100,000-$200,000	23.6%	99.5%	2.5%	$3,010
$200,000-$500,000	17.3%	97.9%	1.3%	$2,810
More than $500,000	3.8%	39.4%	0.2%	$920
All	**100%**	**89.6%**	**1.9%**	**$2,390**

Source: See **Figure 4** and **Figure 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 expanded the credit as part of P.L. 115-97, often referred to as the Tax Cuts and Jobs Act or TCJA. 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 change generally offsets the suspension of personal exemptions for those with dependents.[1] P.L. 119-21 made these changes permanent, and also increased the maximum credit from 2025 onward.[2]

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 $2,200 per qualifying child from tax year 2025 onward.[3] This value is indexed to inflation.

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 ACTC equals 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 ($1,700 per child in 2025; adjusted for inflation under permanent law).

The credit phases out for higher-income taxpayers, and can offset a taxpayer's alternative minimum tax (AMT) liability.

Residents of Puerto Rico can claim the child tax credit using an alternative formula. Residents of the other U.S. territories generally do not receive the federal child credit, although families

[1] Personal exemptions were fixed dollar amounts (scheduled prior to suspension to be $4,150 in 2018) taxpayers could deduct from their income subject to tax. Unlike the child tax credit, the value of personal exemptions varied by the marginal income tax rate a filer would have otherwise paid on the deducted exemption. For more on the TCJA, see CRS Report R47846, *Reference Table: Expiring Provisions in the "Tax Cuts and Jobs Act" (TCJA, P.L. 115-97)*, by Donald J. Marples and Brendan McDermott, and CRS Report R48286, *Expiring Provisions of P.L. 115-97 (the Tax Cuts and Jobs Act): Economic Issues*, coordinated by Jane G. Gravelle.

[2] For more information on tax-related policy changes included in P.L. 119-21, see CRS Report R48611, *Tax Provisions in P.L. 119-21, the FY2025 Reconciliation Law*, coordinated by Anthony A. Cilluffo.

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

residing in the territories with three or more children may receive the ACTC using an alternative formula.[4] **Table 1** provides an overview of key provisions of the child tax credit.

Table 1. Child Tax Credit Parameters

Parameter	Current Law
Maximum Credit Amount	$2,200[a] per child 0-16 years old.
Maximum Additional Child Tax Credit (ACTC)	$1,700[a] per child aged 0-16 years old.
Refundability Formula for ACTC	15% of earnings above $2,500, not to exceed the maximum of $1,700[a] per child.
Phaseout Threshold	$400,000 married filing jointly $200,000 head of household & single $200,000 married filing separately
Phaseout Rate	Credit is reduced by $50 for every $1,000 (or fraction thereof) above the phaseout threshold.
ID Requirements	Work-authorized Social Security Number (SSN) required for child and taxpayer (or taxpayer's spouse, if married filing jointly).
Eligibility for Residents of Puerto Rico and the Territories	Residents of Puerto Rico can claim the credit using an alternative formula.[b] Residents of other U.S. territories can apply for child tax credits from their territorial governments.

Source: CRS analysis of IRC Section 24 and P.L. 119-21.

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, *Description Of The Budget Reconciliation Legislative Recommendations Relating To Promoting Economic Security*, JCX-3-21, February 8, 2021.

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[4] All families (including those in U.S. territories) with three or more qualifying children can calculate the ACTC using an alternative formula (IRC §24(k)(2)(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. 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 maximum ACTC. Taxpayers with one or two qualifying children are generally ineligible to calculate the ACTC using the alternative formula. However, residents of Puerto Rico can claim the ACTC using the alternative formula regardless of the number of qualifying children they have.

Residents of American Samoa or mirror-code territories (Guam, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands) who file a territorial tax return may claim a child tax credit against their territorial income taxes. The United States pays these territories the estimated value of aggregate benefits under this child tax credit. In the case of American Samoa, in years in which the U.S. Treasury Department has not approved a plan by which the territory will distribute their territorial tax credit to residents, bona fide residents of American Samoa can claim the child tax credit as though they were bona fide residents of Puerto Rico. See IRC Section 24(k)(1) and (3) as well as Internal Revenue Service, "Bona fide residents of American Samoa—Tax credits," August 22, 2024, https://www.irs.gov/individuals/bona-fide-residents-of-american-samoa-tax-credits.

Overview of Current Credit

Each of the key parameters of the child tax credit is described in more detail below.

Maximum Credit per Child

Eligible taxpayers can claim a child tax credit and reduce their federal income tax liability by up to $2,200 per qualifying child. The maximum credit a taxpayer can receive equals the number of qualifying children a taxpayer has multiplied by $2,200.

For example, a taxpayer with two qualifying children may be eligible for a $4,400 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.[5] The refundable portion of the credit—the ACTC—is discussed in the subsequent section.

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

Taxpayers with little or no federal income tax liability qualify for little if any of the nonrefundable portion of the child tax credit. However, they may be eligible to receive the refundable portion of the child tax credit. The refundable portion of the child tax credit is often referred to as the additional child tax credit or ACTC. Families generally calculate the refundable child tax credit amount using the "earned income formula."[6]

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 $1,700 multiplied by the number of qualifying children).[7] The $2,500 amount is referred to as the refundability threshold, while 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 ($1,700 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).

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[5] 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 $4,000 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 $2,500 of child tax credit as a refundable credit, depending on their income.

[6] 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 equal 7.65% of earnings, while the EITC equals up to 45% of earnings.

[7] 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 Brendan McDermott and Jennifer Teefy.

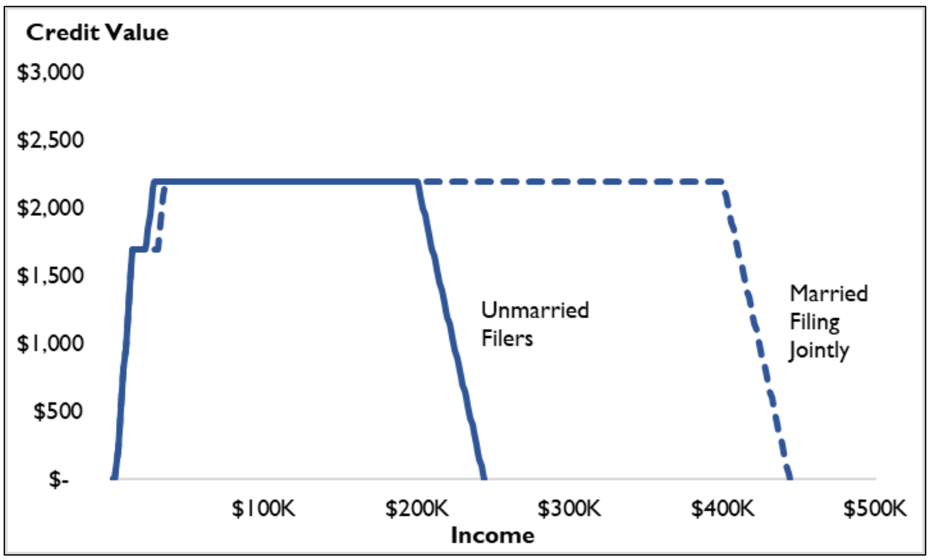
The 2021 Child Tax Credit Expansion Under the American Rescue Plan Act

The American Rescue Plan Act (ARPA; P.L. 117-2) expanded the child tax credit for tax year 2021 only. The law raised the maximum value of the credit in 2021 to $3,600 per child age 0-5 and $3,000 for other qualifying children. The increase in the maximum value over $2,000 (i.e., $1,600 per young child and $1,000 per other child) phased out at a rate of 5% of the income a household had over certain thresholds. The thresholds were $150,000 for married joint filers, $112,500 for head of household filers, and $75,000 for single filers (who rarely claim the child tax credit). ARPA also eliminated the earned income phase-in for the child tax credit and made the credit fully refundable. As a result, a taxpayer with $0 in income could qualify to receive the entire maximum value of the credit: in that year, $3,600 per child aged 0-5 and $3,000 per older qualifying child. Also, for tax year 2021 only, 17-year-old children qualified for the child tax credit. Taxpayers could receive up to half of the credit in advance monthly payments, rather than claiming it entirely when filing their income tax returns.

The Phaseout Threshold and Phaseout Rate

The child tax credit phases out for higher-income families, as shown in **Figure 1**.

Figure 1. Child Tax Credit Amount by Income Level, One Qualifying Child



Source: Internal Revenue Code (IRC) Section 24.

Notes: Assumes all income is earned income. In actuality, the ACTC is calculated based on earned income and the credit is phased down based on modified adjusted gross income (MAGI). The "notch" in the graph when the credit amount equals $1,700 (the vertical axis) occurs when a taxpayer has reached the maximum ACTC amount.

The $2,200-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)[8] above a threshold amount, the credit falls by $50. The threshold amount depends on a taxpayer's 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 phases out entirely (i.e., equals zero) depends on the number of qualifying children a taxpayer has.

[8] 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 Brendan McDermott and CRS Report R48313, *Overview of the Federal Tax System in 2024*, by Donald J. Marples and Brendan McDermott.

Generally, it takes $44,000 of MAGI above the phaseout threshold to completely phase out $2,200 of credit. For example, the credit will completely phase out for a married couple with two children if their MAGI exceeds $488,000.

Definition of a Qualifying Child

To claim the child tax credit, a taxpayer's child must be considered "a qualifying child" of the taxpayer. To qualify, a child must meet several requirements, which may differ from eligibility requirements for other child-related tax benefits. Namely:

1. The child must be under 17 years of age at the end of the year.
2. The child must be eligible to be claimed as a dependent on the taxpayer's return.[9] Specifically:
    a. The child must be the taxpayer's son, daughter, grandson, granddaughter, stepson, stepdaughter, niece, nephew, or an eligible foster child of the taxpayer.
    b. 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.
    c. The child cannot provide more than half of their own support during the tax year.
3. The child must be a citizen, national, or resident of the United States.[10]

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 law specifies that taxpayers who intend to claim the child tax credit must provide a work-authorized Social Security number (SSN) for each qualifying child on their federal income tax return. Additionally, for tax years 2025 onward, the taxpayer (or the taxpayer's spouse, if married filing jointly) must also have a work-authorized SSN. The SSN must be issued before the due date of the tax return. Failure to provide these SSNs may result in the taxpayer being denied the credit (both the nonrefundable and refundable portions of the credit).

[9] See the definition of a qualifying child for the dependent exemption in IRC §152(c). From 2018 onward, taxpayers may no longer claim their children as dependents for purposes of the dependent exemption. 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).

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

> **The Nonrefundable $500 Credit for Non-Child-Tax-Credit Dependents**
>
> In 2017, President Trump signed into law P.L. 115-97, which made numerous changes to the federal income tax for individuals and businesses. The law repealed personal exemptions, including those taxpayers could claim for dependents, alongside the increase in the child tax credit. However, not all dependents qualify for the child tax credit. To offset some of the loss of personal exemptions for these nonchild dependents, P.L. 115-97 created a temporary credit for non-child-tax-credit-eligible dependents. The IRS calls this credit the "credit for other dependents." P.L. 119-21 made this new credit permanent.
>
> 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.
>
> This credit is generally available for dependents not eligible for the child tax credit. For example, while the child tax credit is limited to children under age 17, a taxpayer's dependents can include children under age 19 (or under age 24, if the child is a full-time student). Other possible dependents who are not qualifying children for the child tax credit include adult family members or people living with the taxpayer who have low incomes and rely on the taxpayer for financial support.

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. Filers may not claim 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 besides fraud.[11]

Data on the Child Tax Credit

Estimates from the IRS and Tax Policy Center (TPC) 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 2021:** 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 2020 and 2021, when the temporary expansion under ARPA was in effect; 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. Prior to the TCJA, the total credit amount fell in real terms. Total credit dollars more than doubled upon enactment of the TCJA in 2018.
- **In 2022, the majority of aggregate credit dollars were received by taxpayers with income between $50,000 and $500,000:** IRS data indicate that in 2022, the majority (64%) of total credit dollars went to taxpayers with adjusted gross income (AGI) over $50,000, with 25% of all child tax credit dollars received by taxpayers with AGI between $100,000 and $200,000; see **Figure 3** for dollar values. In comparison, a relatively small share went to the lowest-income or highest-income taxpayers.
- **In 2022, more than 90% of taxpayers with children and income between $40,000 and $500,000 received the child tax credit, with lower shares for the**

[11] See IRC §24(g).

lowest- and highest-income taxpayers. The Tax Policy Center estimates that across most expanded-cash income groups, the majority of taxpayers with children received the child tax credit in 2022; see **Figure 4**.[12] About half of the lowest-income taxpayers with children received the credit and almost 40% of taxpayers with children who have income over $500,000 received the credit.

- **In 2022, taxpayers with income between $100,000 and $200,000 received the largest credit on average.** The Tax Policy Center estimates that taxpayers with children and expanded cash income between $100,000 and $200,000 received a credit of over $3,000 on average in 2022; 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 $920 on average.

Total Child Tax Credit Dollars, 1998-2022

The IRS provides estimates of the total child tax credit dollars from 1998 through 2022 (the most recent year available). These data, inflation adjusted to 2022 dollars, indicate that the value of this tax benefit has grown fivefold since enactment, from a total of $28 billion in 1998 to approximately $118 billion in 2022, with the largest increase occurring in 2021, 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. 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 together expanded the nonrefundable portion of the credit. Aggregate dollars of the nonrefundable portion of the credit tripled from $32 billion in 2017 to $95 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 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.

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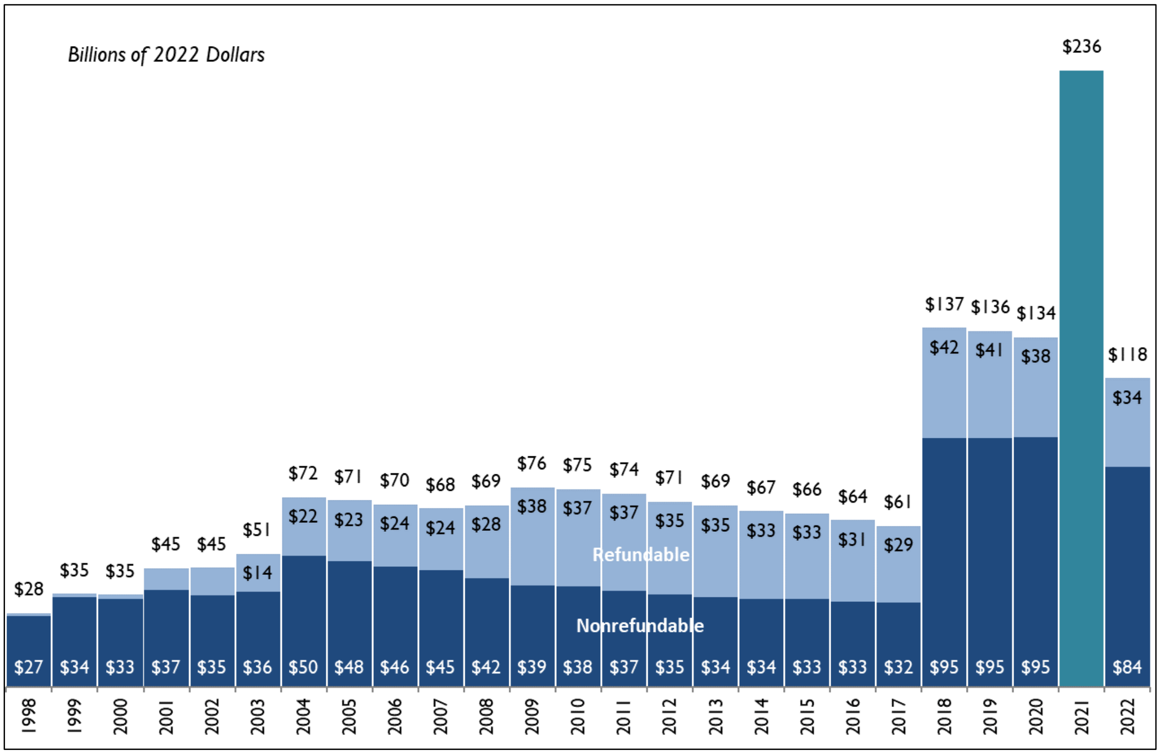
[12] The Tax Policy Center measure of income used in its analysis is expanded cash income (ECI), which is defined as cash income plus (1) tax-exempt employee and employer contributions to health insurance and other fringe benefits, (2) employer contributions to tax-preferred retirement accounts, (3) 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 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.

Figure 2. Total Real Child Tax Credit Dollars, 1998-2022



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

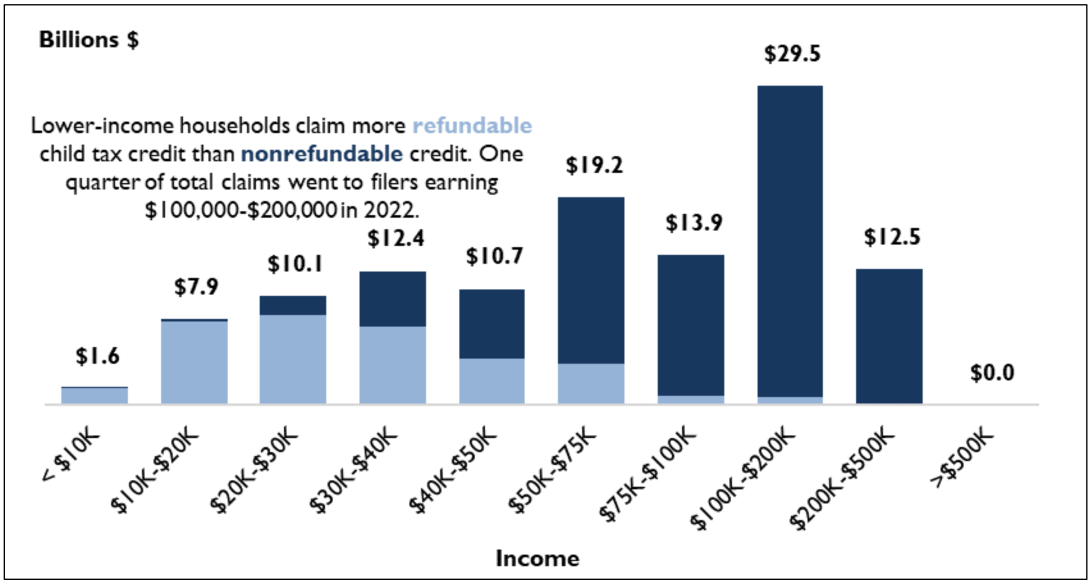
Notes: Items may not sum to total due to rounding. The data for the nonrefundable portion of the child tax credit include the amount of the $500 nonrefundable credit for non-child-tax-credit-eligible dependents. The unique administration of the child tax credit in 2021 makes it impossible to appropriately distinguish between the amount by which claimants' credits exceed tax liability (the refundable portion) and the amount by which they offset tax liability (the nonrefundable portion).

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 2022, as illustrated in **Figure 3**. 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. 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 $1,700 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 $3,400 (2 x $1,700) and less than the maximum credit 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. Total Child Tax Credit Dollars by Income, 2022



Source: IRS Statistics of Income Table 3.3.

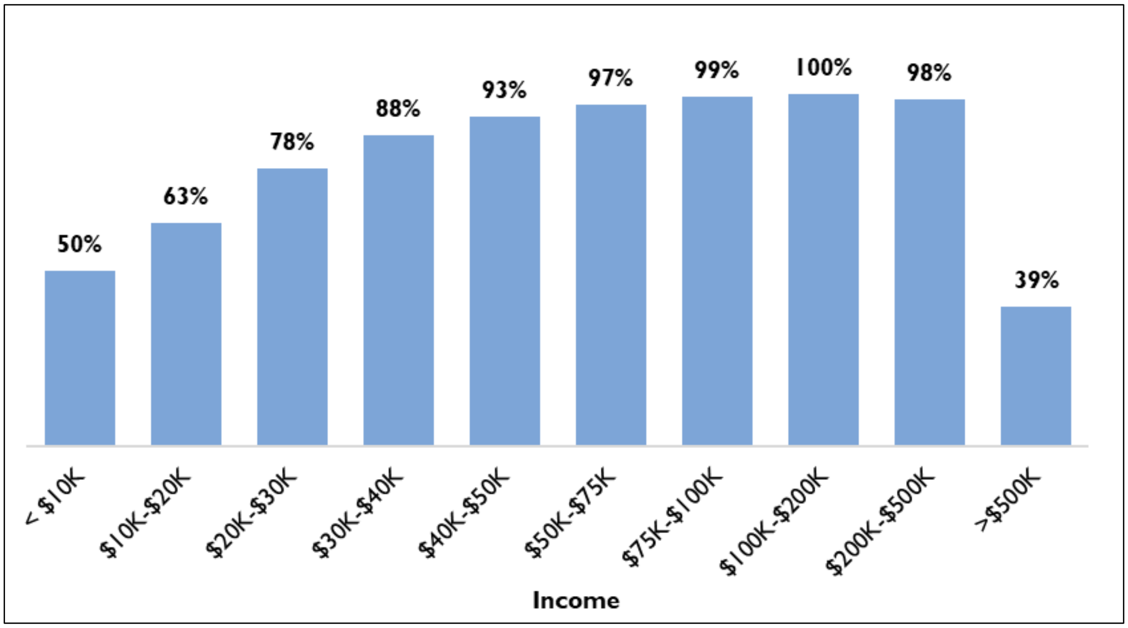
Note: The data for the nonrefundable portion of the child tax credit also include the amount of the $500 nonrefundable credit for non-child-tax-credit-eligible dependents. Income is adjusted gross income (AGI).

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 2022. 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 expanded cash income (a different definition than that used in **Figure 3**) between $30,000 and $500,000 received the child tax credit. In contrast, only about half of taxpayers with children who had income under $10,000 received the child tax credit in 2022. Almost 40% of taxpayers with children who had expanded cash 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, 2022



Source: Tax Policy Center Model T22-0241.

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). This definition differs from adjusted gross income, which **Figure 3** uses.

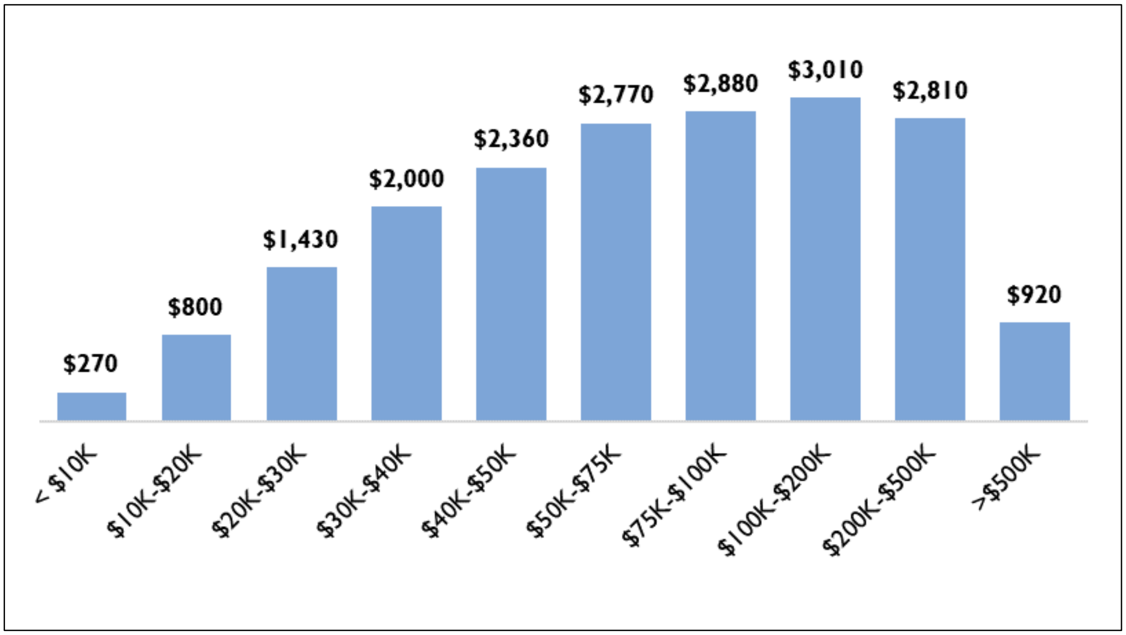
Average Child Tax Credit Amount

TPC estimates the average child tax credit amount for taxpayers with children was $2,370 in 2022.[14] Estimates indicate that taxpayers with children and income between $100,000 and $200,000 received the largest credit on average—an estimated $3,010. 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 $920 on average.

Lower-income taxpayers are eligible to receive a credit of up to $1,700 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, 2022



Source: Tax Policy Center Model T22-0241.

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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