DC KinCare Alliance

Supporting Kin And The Children They Raise

DC COVID-19 Resources

Child Tax Credit under the American Rescue Plan Act (ARPA)

- Prior to ARPA, the child tax credit would allow eligible taxpayers to reduce their federal income tax liability by up to $2,000 per qualifying child. A qualifying child was generally any dependent child under 17 years old. The credit was reduced in value, or phased out, by $50 for every $1,000 of income over $200,000 ($400,000 for married couples who file joint tax returns).

- ARPA makes **several temporary changes** (for 2021 only) that expand the child tax credit, primarily for low-income taxpayers. These changes include:

➢ The law increases the maximum age for an eligible child from 16 to 17.

➢ The law eliminates the ACTC phase-in based on earned income and eliminates the ACTC cap of $1,400 per child. Hence, the child credit is “fully refundable” and the full value is available to otherwise eligible taxpayers with no earned income.

➢ The law increases 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).

➢ Generally, this increase in the maximum child credit of $1,600 per young child and $1,000 per older child gradually phases out at a rate of 5% as income exceeds specified thresholds until the credit amount equals the 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. (The actual income level at which the credit phases down to $2,000 per child depends on the number and age of qualifying children.)

➢ For many families, the credit then plateaus at its prior-law level of $2,000 per child and phases out when income exceeds the current-law threshold of $200,000 ($400,000 for married joint filers). For larger families, the credit may never plateau at the $2,000 per child level, but simply continue to gradually phase out.

* Information from the Congressional Research Service