



Child Tax Credit

Updated February 2024

Policy Overview

The Child Tax Credit is a form of federal tax relief that helps offset the cost of raising children for working families.ⁱ

The current Child Tax Credit offers a tax break of up to \$2,000 per child, but only a portion of it is refundable. If a tax credit is refundable, it means that a person can still get the credit even if they do not owe any federal income tax.ⁱⁱ A family's refundable Child Tax Credit amount is calculated by multiplying the family's annual earned income above \$2,500 by 15%. The refundable Child Tax Credit is capped at \$1,600 per child.

Current Proposals

The Tax Relief for American Families and Workers Act of 2024 was introduced in the U.S. House of Representatives on Jan. 17, 2024, and passed by the House on Jan. 31 with a strong bipartisan vote of 357-70.ⁱⁱⁱ The bill would provide an estimated investment of approximately **\$35 billion** into the Child Tax Credit. This bipartisan proposal contains several important improvements to the Child Tax Credit, including:^{iv}

Increasing the maximum refundable credit amount. This would allow families with low incomes to receive more of the credit than they were able to previously. This provision increases the maximum refundable amount per child to \$1,800 in tax year 2023, \$1,900 in tax year 2024, and \$2,000 in tax year 2025. This is in addition to the inflation adjustment described below.

Giving eligible families the option to use their earned income from the prior year to calculate their credit. This change would benefit families whose income may have fallen from one year to the next. When calculating their maximum Child Tax Credit for tax years 2024 and 2025, families would be able to use their earned income from the prior taxable year if that amount was higher than their current taxable year's income.

Modifying the refundability calculation to be on a per-child basis. This means more families with multiple children and low incomes would qualify for a higher credit. The maximum refundable credit amount is calculated by multiplying a family's earned income above \$2,500 by 15%. This provision modifies the formula so that the refundable amount is multiplied by the number of qualifying children. This policy would be effective for tax years 2023, 2024 and 2025.

Adjusting the credit for inflation to help keep pace with the cost of living. This provision would adjust the \$2,000 value of the Child Tax Credit for inflation in tax years 2024 and 2025, rounded down to the nearest \$100.

Why the Child Tax Credit is Important for Families Facing Hunger

Congress must expand the Child Tax Credit to provide additional, critical economic resources to working families with children. The Child Tax Credit has a proven track record of lifting millions of children out of poverty. The agreement that passed the House in January would benefit about **16 million children** in families with low incomes in the first year—lifting as many as **400,000 children** above the poverty line. The impact would grow as changes are phased in through 2025.

The expansion would help children of all races and ethnicities. It would particularly help groups where parents are overrepresented in low-paid jobs due to historical and ongoing discrimination and other structural barriers to opportunity. More than **1 in 5 children** under 17 would benefit from the expansion. More than **1 in 3** Black and Latino children under 17 would benefit. **Three in 10** American Indian and Alaska Native children under 17 would benefit. **One in 7** white and Asian children under 17 would benefit.^v

The bipartisan proposal in Congress to expand the Child Tax Credit would help offset the rising costs that families are facing. Of the roughly 16 million children who would benefit in the first year, **half** live in families that would gain \$630 or more. **Forty percent** live in families that would gain \$1,000 or more. **Twenty-five percent** live in families that would gain \$1,400 or more. **Half** of the children who would benefit and who live in families with more than one child would see their families gain \$1,000 or more.

An expanded Child Tax Credit can help reduce the number of people seeking charitable food assistance. In January 2023, around **60%** of Feeding America food banks reported that the end of the pandemic-era Child Tax Credit expansion impacted the number of neighbors seeking assistance.

The proposed expansion is smaller than the now-expired expansion to the Child Tax Credit made by the American Rescue Plan Act during the pandemic, but it would still have a meaningful impact on millions of children across the country. For 2021 only, the American Rescue Plan Act increased the maximum credit amount to \$3,600 for children under age 6 and \$3,000 for children ages 6-17; made the credit fully available to children and families with low incomes; included 17-year-olds for the first time; and issued half of the credit through advance monthly payments.^{vi}

For more information, please contact: policy@feedingamerica.org

ⁱ Internal Revenue Service, *Child Tax Credit*, <https://www.irs.gov/credits-deductions/individuals/child-tax-credit>.

ⁱⁱ Internal Revenue Service, *Refundable tax credits*, <https://www.irs.gov/credits-deductions/individuals/refundable-tax-credits#:~:text=A%20refundable%20tax%20credit%20is,only%20until%20it%20reaches%20%240>.

ⁱⁱⁱ Feeding America, *Legislative Summary: Tax relief for American Families and Workers Act of 2024*, <https://feedingamericaaction.org/resources/legislative-summary-tax-relief-for-american-families-and-workers-act-of-2024/>.

^{iv} H.R.7024, *Tax Relief for American Families and Workers Act of 2024*, <https://www.congress.gov/bill/118th-congress/house-bill/7024>.

^v Center on Budget and Policy Priorities, *Child Tax Credit Proposal: Impacts by the Numbers*, (Jan. 16, 2024) <https://www.cbpp.org/research/federal-tax/child-tax-credit-proposal-impacts-by-the-numbers>.

^{vi} U.S Department of Treasury, *Child Tax Credit*, <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-american-families-and-workers/child-tax-credit#:~:text=The%20credit%20amount%20was%20increased,qualifying%20children%20under%20age%2018>.