

# Kansas Legal Services

A non-profit law firm and community education organization helping low and moderate income people in Kansas



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## Expansion of Child Tax Credit in New COVID Package

Included in President Biden's \$1.9 trillion American Rescue Plan is a major (albeit temporary) expansion of a tax credit designed to help working families with children weather the economic impact of the coronavirus pandemic.

**Here's everything you need to know.**

### **KEY FACTS**

The new stimulus bill will significantly expand the **Child Tax Credit for the 2021 tax year** and provide parents with a **\$3,000 credit for every child aged 6 to 17** and **\$3,600 for every child under age 6** (up from \$2,000 per dependent child up to age 16).

The bill will also make the credit fully refundable, meaning that many low-income families that would have missed out on the full benefit before (because they didn't earn enough to owe enough taxes to qualify) will now be eligible to receive it.

Half of the credit is slated to be sent out in a series of advance payments of \$250 or \$300 between July and December (it's not yet clear how often those payments will be sent), and families will need to claim the remainder of the credit on their 2021 tax returns next spring.

Just like stimulus checks, eligibility for the enhanced Child Tax Credit will be based on income (the IRS will use 2020 or 2019 tax information to determine eligibility).

Individuals earning up to \$75,000 per year, heads of household earning up to \$112,500 per year and joint filers earning up to \$150,000 per year will be eligible to receive the full benefit, with the amount of the payments phasing out by \$50 for every \$1,000 in income above those thresholds.

High-earning families ineligible for the expanded credit will still be able to claim the old \$2,000 credit, which phases out after income exceeds \$200,000 for single filers and \$400,000 for joint filers.

## **BIG NUMBER**

83 million. That's how many children live in households that will benefit from the expanded credit, according to the Institute on Taxation and Economic Policy.

The expansion would send about \$116 billion to families with children in 2021, the ITEP estimates.

## **WHAT TO WATCH FOR**

President Biden signed the American Rescue Plan into law on Thursday, March 11.

## **CRUCIAL QUOTE**

"Between the economic impact payments, the checks, the changes to the Child Tax Credit...there's going to be an enormous infusion of relief for lower-income and middle-income families," National Economic Council deputy director Bharat Ramamurti told reporters on Tuesday.

The expanded credit is expected to lift 4.1 million children out of poverty, according to the Center on Budget and Policy Priorities, and some Democrats have said they want to make it permanent.

## **WHAT WE DON'T KNOW**

While the stimulus checks authorized by American Rescue Plan can be sent out relatively quickly once Biden signs the bill, some experts are worried that the sheer scope of the tax credit expansion and the logistics involved in sending out all those periodic payments, coupled with a chaotic tax season, could delay the disbursement of aid.

"I do worry about the IRS becoming overwhelmed," Elaine Maag, principal research associate at the Urban Institute, told ABC News.

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