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# The Child Tax Credit

## Where We Are, Where Families Think We Should Go

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This Child Tax Credit (CTC) provides economic relief to millions of families, helping parents and caregivers meet the rising costs of raising children. But it could do much more to reduce poverty and promote economic security and well-being, as we saw in 2021 when the CTC was temporarily expanded as part of a larger package of supports during the pandemic.

The One Big Beautiful Bill Act (OBBBA), signed into law on July 4, 2025, moves us in the wrong direction—though it increases the maximum CTC from \$2,000 to \$2,200, it takes the CTC away entirely from many children and families who need the support the most and fails to provide any additional support to millions more families whose incomes are too low to receive the full credit but who struggle with the everyday costs of raising children.

This brief analyzes the changes to the CTC under the OBBBA, offering a primer on the structure of the CTC under prior law, how the OBBBA exacerbates structural flaws in the CTC, and how the OBBBA diverges from what parents and caregivers want and need from the CTC so their families can be economically secure.

### WHERE WE WERE

## The CTC under the TCJA

The Child Tax Credit has provided vital support to families since 1997, and Congress has gradually increased the credit over time and revised its structure so that it helps more families. When Congress last passed major tax legislation with the Tax Cuts and Jobs Act (TCJA) of 2017, however, the

CTC contained two structural flaws that limited its ability to most effectively support children and families who experience the greatest hardships.

### #1: Exclusion of Children in Families with Low Incomes

Many families with low incomes do not receive the full CTC—or any credit at all—because their earnings are too low.

Since the passage of the TCJA, three elements of the policy have worked together to limit access to the full \$2,000 CTC for families with low incomes:

- **Minimum Earnings Requirement:** In order to begin receiving the CTC, a family's income had to exceed a \$2,500 earnings threshold. Families with incomes under this threshold did not receive the CTC at all.
- **Slow Phase-In:** Once a family's income reached \$2,500, the CTC began phasing in at a slow rate of 15 cents for each additional dollar earned. Because of the combination of the minimum earnings requirement and slow phase-in, millions of parents in the lowest paid jobs did not receive the full \$2,000 CTC for each of their children. For example, in 2025 under the TCJA a single parent with two children earning \$16,000 would receive a credit of \$1,014 per child.<sup>1</sup>
- **Refundability Cap:** As a tax credit, the CTC reduces the taxes a family owes, and if a family's expected CTC exceeds the taxes they owe, they can receive some of the credit as a refund. There is a limit to how much families can receive as a refund, however, because of the so-called refundability cap. The refundability cap is adjusted for inflation and was \$1,700 in 2025.

Because of the refundability cap, many families see their CTC “plateau” at \$1,700 per child even as their earnings increase, until their incomes increase sufficiently for their tax liability to exceed their expected CTC and they receive the full credit.

Because of the interaction of these policies, families needed significant earnings to receive the full CTC. As the Columbia Center on Poverty and Social Policy calculates, to receive the full \$2,000 CTC per child in 2025 under the TCJA, a single parent with two children would have to earn at least \$28,500, and a married couple with two children would have to earn at least \$36,000.<sup>2</sup>

*Approximately 17 million children, or one in four US children, would not receive the full \$2,000 CTC in 2025 under the TCJA because of the exclusions of children in families with low incomes.<sup>3</sup>*

## **#2: Exclusion of Children in Immigrant Families**

Some children in immigrant families who are most in need of economic support are excluded from the credit.

In recognition of the contributions that immigrants make to the economy and as taxpayers, families were able to claim the CTC regardless of immigration status prior to the TCJA. In 2017, however, Congress excluded certain immigrant children for the first time, requiring that children have a Social Security Number (SSN) for a parent or guardian to claim the CTC on their behalf.

*Approximately 1.3 million children were denied the CTC entirely because of the TCJA's immigrant exclusions.<sup>4</sup>*

### **WHERE WE ARE**

## **The CTC Under OBBBA**

The OBBBA increases the maximum Child Tax Credit from \$2,000 to \$2,200 per child and indexes the credit level to inflation, but it does so while deepening the structural flaws in the credit discussed above. As a result, while some families will receive additional support from the CTC starting next year when they file their 2025 tax returns, millions of children and families—who need the support most—will not benefit from the credit

increase, and millions more will lose support from the CTC entirely.

## **OBBBA Continues to Exclude Children in Families with Low Incomes**

The OBBBA maintains the TCJA's refundability structure, including the minimum earnings requirement, slow phase-in, and refundability cap. Because the bill raises the credit level without reforming the refundability structure, families will need more income to receive the full credit moving forward. In other words, some families who received the full CTC in the past will no longer receive the full CTC moving forward because their earnings are now too low. As the Columbia Center on Poverty and Social Policy calculates, to receive the full \$2,200 CTC per child in 2025 under the OBBBA, a single parent with two children will now have to earn at least \$33,700, and a married couple with two children will now have to earn at least \$41,500.<sup>5</sup>

*Approximately 19.3 million children, or close to 30 percent of children, will not receive the full \$2,200 CTC in 2025 because of the OBBBA's exclusions of children in families with low incomes.<sup>6</sup>*

## **OBBBA Excludes Even More Children in Immigrant Families**

The OBBBA excludes *more* children in immigrant families from the CTC than the TCJA did, including children who are United States citizens, by adding a new requirement that at least one parent have an SSN to claim the CTC on behalf of their children, on top of the TCJA's requirement that the child being claimed have an SSN.

*Approximately 4 million children will be denied the CTC entirely in 2025 because of OBBBA's exclusions of children in immigrant families.*

This includes 2.7 million citizen children who are newly excluded by the OBBBA's requirement that at least one parent have an SSN, and 1.3 million children excluded by the TCJA's requirement that the child being claimed for the CTC have an SSN.<sup>7</sup> These children in immigrant families are denied the CTC even if their families are otherwise eligible for the full CTC based on their income.

In short, the changes to the CTC under the OBBBA will not benefit the families who need the most help meeting the costs of raising children and will

drive many families deeper into economic hardship and instability as their children are newly excluded from the CTC.

#### WHERE FAMILIES THINK WE SHOULD GO

## A CTC That Offers Real Security and Opportunity

While the OBBBA takes the CTC in the wrong direction, parents and caregivers know the CTC has the potential to provide real financial security for their families and opportunities for their children because of their experience with the temporarily-expanded CTC in 2021.

### The CTC Under ARPA

When Congress expanded the CTC for one year under the American Rescue Plan Act (ARPA) of 2021, it reformed the refundability structure, making the full credit available to children in families with low incomes or no income for the first time. It also raised the maximum credit level from \$2,000 to \$3,600 per child for children aged 0-5 and \$3,000 per child for children aged 6-17. Finally, it delivered half of the credit through monthly payments directly into families' bank accounts.<sup>8</sup>

The impact was immediate. Families who often struggled to make ends meet were able to put food on the table, pay bills on time, sign up their children for extracurricular activities, and spend quality time together.<sup>9</sup> The CTC alone lifted 5.3 million people out of poverty, and together with other pandemic supports, drove child poverty to its lowest level on record.<sup>10</sup> Study after study has documented the benefits of the 2021 expansion for families' health and well-being, as the CTC reduced parents' stress and anxiety, improved food security and housing stability, and enabled parents' to invest in their children's care and education.<sup>11</sup> As one father in Michigan told CSSP, "It's helping families meet their needs and pay their bills and maybe have a little extra. The [families in my community] that I talk to are like 'It's a godsend.' A lot of them feel like, 'Okay, now we're getting a part of what it means to be an American.'"<sup>12</sup>

*The 2021 expansion demonstrated the power of addressing a key structural flaw with the CTC—the exclusion of children in families with lower incomes—while increasing the credit's value and making it available to families throughout the year.*

## Recommendations from Parents

In the years since the ARPA expansion, parents and caregivers have come together to reflect on their experiences with the expansion and develop recommendations for maximizing the CTC's potential to support children and families. CSSP co-chairs the Automatic Benefit for Children (ABC) Coalition, a parent-led group of national, state, local, and grassroots organizations working together to advance a child allowance that meaningfully supports families. The coalition's Parent and Caregiver Advisory Board has articulated a set of priorities to address the CTC's structural flaws and ensure it effectively supports children and families moving forward. Specifically, parents want to see the following changes to the CTC:

**The CTC should be available to all children**—the CTC should provide the most support to the children who need it most; the full credit should go to children in families with low or no income, and children in immigrant families should be fully eligible for the CTC.

**The CTC should be available via monthly payments**—the monthly delivery of the CTC in 2021 helped millions of families keep up with their bills and provide their children new and enriching experiences, and parents believe it should be delivered monthly moving forward.

**The CTC should be increased, to help with the rising costs of raising children**—the monthly payments of \$250-\$300 per child in 2021 provided meaningful support to families, but parents believe the credit should be increased further to ensure that children in families who struggle to make ends meet are "fully experiencing life like any other child."<sup>13</sup> Parents recommend that the CTC should be increased to at least \$500 per month per child, or \$6,000 annually per child, and the maximum benefit adjusted for inflation to keep up with the cost of living.<sup>14</sup>

The CTC that parents are calling for is both more generous and more inclusive than the CTC we have now under the OBBBA. (See table: The Child Tax Credit: Where We've Been, Where Families Think We Should Go). Moreover, we know from experience that parents' vision for the CTC is achievable.

**Table 1. The Child Tax Credit: Where We've Been, Where Families Think We Should Go**

Policy Element		TCJA (2017)	ARPA (2021)	OBBBA (2025)	What Families Say They Need
Maximum Benefit Level		\$2,000 per child annually	\$3,600 per child 0-5 y.o. \$3,000 per child 6-17 y.o.	\$2,200 per child annually, indexed to inflation	\$6,000 per child annually, indexed to inflation
Exclusions Based on Income	Policy	\$2,500 minimum earnings required 15% phase-in \$1,700 refundability cap in 2025 (adjusted for inflation)	None	\$2,500 minimum earnings required 15% phase-in \$1,700 refundability cap in 2025 (adjusted for inflation)	None
	Impact	17 million children excluded from the full credit	All children in low- or no-income families receive the full credit	19.3 million children excluded from the full credit	All children in low- or no-income families receive the full credit
Exclusions Based on Immigration Status	Policy	SSN of child required to receive the CTC	SSN of child required to receive the CTC, maintaining TCJA change	SSN of child and at least one parent required to receive the CTC	None
	Impact	1.3 million children excluded from CTC entirely	1.3 million children excluded from CTC entirely	4 million children excluded from CTC entirely, including 2.7 million U.S. citizens	All children in immigrant families eligible for the CTC
Delivery		Once-a-year	Monthly: \$300 per child 0-5 y.o., or \$250 per child 6-17 y.o.	Once-a-year	Monthly: \$500 per child

SOURCE: Data on impact of exclusions based on income drawn from Center on Poverty and Social Policy at Columbia University, "Children Left Behind by the Senate-Passed Amendment to H.R.1 Child Tax Credit," June 2025; calculated using the 2023 American Community Survey (ACS), retrieved from the U.S. Census Bureau. Data on impact of exclusions based on immigration status drawn from Children's Thrive Action Network, "Budget Reconciliation Bill Would Increase the Number of Children in Poverty," June 2025.

## Conclusion

The CTC has the potential to provide real security and opportunity for families, ensuring that all parents can meet the cost of raising children and all children can fulfill their promise and seize the opportunities this country has to offer. The OBBBA moves us in the wrong direction, but we have all the information we need to enact a CTC that meets families' needs—the experience, the research, and the input from parents and caregivers. It is time policymakers act on this knowledge.

## Suggested Citation

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## Endnotes

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- 3 Ibid.
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- 6 Ibid.
- 7 Children's Thrive Action Network, "The Budget Reconciliation Bill Would Increase the Number of Children in Poverty."
- 8 Children age 17, who have otherwise been excluded from the CTC, were also included as part of the temporary expansion.
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