

# Child Tax Credit in the American Rescue Plan

May 6, 2021

**CLPHA's Virtual Housing Is Summit!**

# Changes to CTC in 2017 Tax Cut and Jobs Act

- Value of credit
- Phase Out
- Refundability
- Cap on Refundability
- Increase from \$1000 to \$2000
- \$200,000 (individual)/\$400,000 (joint filers)
- Starts after first \$2500 not \$3000
- Limited to \$1400 per child

\*\*\*\*\*

Example 1: Couple making \$250,000 with 2 children, ages 3 and 8, receives \$4000.

Example 2: Single parent with two children, ages 3 and 8, making \$9 per hour.

$$40 \times 9 = 360 \text{ per week} \times 52 = \$18,720$$

$$\text{(TCJA)} \quad 18,720 - 2500 = 16,220 \times .15 = \$2433$$

$$\text{(Pre-TCJA)} \quad 18,720 - 3000 = 15,720 \times .15 = \underline{\$2358}$$

\$75

## Changes to CTC in the **American Rescue Plan (March 11, 2021)**

- Value of Credit                      \$3600 for child under age 6                      \$3000 for child 6-17
- Phase Out                              \$112,500 (head of households)/\$150,000 (married couples)
- Refundability                          FULL

Example 1: Couple making \$250,000 with 2 children, ages 3 and 8, receives **\$4000**.

Example 2: Single parent with two children, ages 3 and 8, making \$9 per hour receives  
 $\$3600 + \$3000 = \$6600$

## CTC in the President's **American Families Plan**

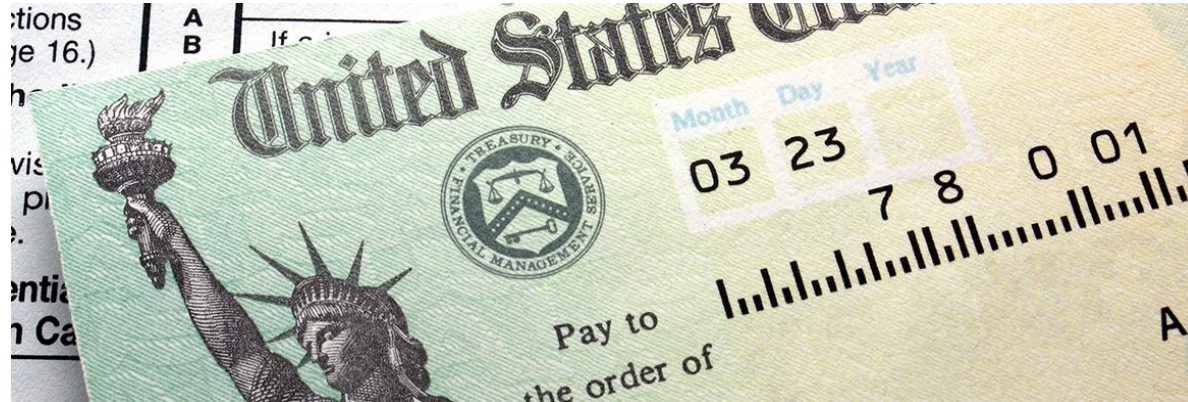
**Expands to 2025 and makes full refundability permanent.**

## Changes to EITC in the American Rescue Plan (March 11, 2021)

### **Earned Income Tax Credit (EITC) Expansion:**

The maximum EITC for workers not raising children in their home will be nearly tripled (\$1,500 max) and eligibility has been expanded to people 19 and older.

# Why is Outreach Needed Now?



- About 8 million eligible families still haven't received the first stimulus check, according to the U.S. Treasury (January 2021)
- People can now qualify for three rounds of payments even if they do not have income:

|                     |                  |                  |                         |
|---------------------|------------------|------------------|-------------------------|
| [CARES Act 3/27/20] | First stimulus:  | \$1,200          | (\$500 for each child)  |
| [COVID Re 12/27/20] | Second stimulus: | \$ 600           | (\$600 for each child)  |
| [Am Res PI 3/11/21] | Third stimulus:  | <u>+ \$1,400</u> | (\$1400 for each child) |
|                     |                  | <b>\$3,200</b>   |                         |

- You must have filed a tax return for 2019 or 2020 to get the stimulus payments and for 2020 (advanced) and 2021 to get the CTC.

# Phases of Outreach

## Now — May 17, 2021

- Encourage people to file a tax return to:
  - Get the third stimulus check
  - Claim the first and second stimulus checks as Recovery Rebate Credit
  - Claim other tax credits if they qualify
    - Some may be able to receive advance CTC payments this year



## After — May 17, 2021

- Encourage people to file a tax return without penalty if no taxes owed.

# The CTC Portal & Advance Payments

## What We Know

- The IRS will issue half of the expanded CTC as periodic advance payments July-Dec 2021
- People must file a 2021 tax return in 2022 to get the remaining credit.
- The portal allow people to update:
  - Marital status, income, and number of children
- People can also use the portal to opt-out of advance payments

## What We Don't Know

- Frequency of advance payments
- Method for payment distribution and the ability to make changes to it
- How eligibility for advance payments will be assessed
- Additional features of the portal

# How to Reach Hard-to-Reach Populations

- Distribute informational mailers or flyers
- Disseminate text, phone, and email blasts
- Post on social media
- Run PSAs
- Provide on-the-ground support by setting up tax prep clinics in public places
- Advertise in local newspapers and radio stations
- Use multilingual outreach materials