



American Rescue Plan Expanding Tax Relief for Working Families

The Earned Income Tax Credit (EITC), Child Tax Credit (CTC), and the Child and Dependent Care Tax Credit (CDCTC) are three powerful tools to put money directly into the pockets of low- and moderate-income workers and families.

- Around [27 million children](#), including nearly half of all Black and Latino children, are living in households whose incomes are too low to receive the full value of the Child Tax Credit.
- Nearly [6 million](#) childless workers are currently taxed into or deeper into poverty, and these workers receive a meager EITC benefit.
- Low-income families [spend four times more of their income on child care](#) than higher-income families.

The American Rescue Plan Act would significantly expand the EITC, CTC, and CDCTC:

- It is [estimated](#) that strengthening the CTC would increase the average benefit amount for families with children by \$2,750 and lift nearly [10 million children](#) – including 2.3 million Black children, 4.1 million Latino children, and 441,000 Asian American children – above or closer to the poverty line. This expanded CTC would also significantly increase the average benefit for the poorest 20 percent of households with children, [from just over \\$1,000 to nearly \\$6,000](#).
- The EITC expansion could benefit more than [17 million childless workers](#) including roughly 2.8 million Black, 2.8 million Latino, and 678,000 Asian American workers.
- A refundable CDCTC could [reduce child poverty by 9.2% and increase net employment by more than 500,000 jobs](#). It would also make dependent care more affordable, [especially for women ages 25 to 44 who are nearly three times as likely as men not to be working due to child care demands](#) during the pandemic.

Click [HERE](#) for the impact of expanding the EITC and the CTC by state and essential occupation

Click [HERE](#) for the average cost of child care by state

Earned Income Tax Credit (EITC): This plan will expand the EITC for taxpayers with no qualifying children by:

- Almost tripling the maximum credit amount in 2021, from \$543 to \$1,502.
- Reducing the minimum age to claim the credit for these workers from 25 to 19, except for full-time students, and eliminating the upper age limit on the credit, allowing qualifying childless workers who are age 65 and above to benefit.
- Increasing the amount of the childless EITC by doubling the phase-in and phase-out percentages from 7.65 to 15.3%, increasing the earned income amount to \$9,820, and increasing the phase-out amount to \$11,610.
- Providing a match of up to three times the current cost of Puerto Rico's EITC, should Puerto Rico choose to expand its credit, and covering 100% of the cost of other U.S. territories' EITCs.
- It also includes a provision to ensure that workers whose earnings decline this year due to the pandemic do not see a reduced EITC amount as a result.

Child Tax Credit (CTC): The plan will expand the Child Tax Credit (CTC) by:

- Increasing the CTC from the current \$2,000 amount to \$3,000 for children between the ages of 6 and 16. Children who are 17 years old, and are typically ineligible for the credit, will be able to benefit for 2021.
- Creating a \$3,600 tax credit for eligible children below the age of 6.
- Making the CTC fully refundable. By eliminating both the \$2,500 minimum earnings requirement and the cap on the refundable piece of the credit, this package will ensure that the lowest-income households can benefit from this relief.
- Ensuring individuals making up to \$75,000 and couples making up to \$150,000 will receive the full, increased CTC amount.
- Delivering the credit as a periodic payment, through the IRS, starting in July of this year. Under this proposed schedule, families would receive half their total CTC benefit through periodic payments for the rest of 2021 and claim the remaining half of their total benefit on their 2021 tax returns.
- Extending the CTC to U.S. territories and allowing families in Puerto Rico, including those with fewer than three children, to benefit from the credit by filing directly with the IRS.

Child and Dependent Care Tax Credit (CDCTC): This plan will expand the CDCTC by:

- Expanding the CDCTC to cover half of care costs up to \$4,000 for one child and \$8,000 for two or more children.
- Allowing working families making less than \$125,000 per year to be eligible for the full 50% credit. The full credit amount begins to phase out at \$125,000, and plateaus at 20% for those making up to \$400,000. That 20% credit rate then phases out for households making over \$400,000, so families with incomes above \$440,000 per year are not eligible for the credit.
- This plan also includes making the CDCTC fully refundable to ensure the lowest-income households can benefit.