

Abstract: The federal child tax credit is available to help many taxpayers with children under the age of 17, and there's a dependent credit for those who are eligible with older children. This article explores the details. A sidebar explains that a qualifying child must have an SSN for parents to claim the tax credit.

Why the child tax credit is so valuable

If you're a parent, or soon will be, you're no doubt aware of how expensive it is to pay for food, clothes, activities and education. Fortunately, the federal child tax credit is available to help many taxpayers with children under the age of 17, and there's a dependent credit for those who are eligible with older children.

An expanded break

Before the Tax Cuts and Jobs Act (TCJA) kicked in for the 2018 tax year, the child tax credit was \$1,000 per qualifying child. But it was reduced for eligible married couples filing jointly by \$50 for every \$1,000 (or part of \$1,000) by which their adjusted gross income (AGI) exceeded \$110,000 (\$75,000 for unmarried taxpayers). To the extent the \$1,000-per-child credit exceeded a taxpayer's tax liability, it resulted in a refund of up to 15% of earned income (wages or net self-employment income) above \$3,000. For taxpayers with three or more qualifying children, the excess of the taxpayer's Social Security taxes for the year over the taxpayer's earned income credit for the year was refundable. In all cases, the refund was limited to \$1,000 per qualifying child.

Starting with the 2018 tax year, and applying through the 2025 tax year, the TCJA doubled the child tax credit to \$2,000 per qualifying child under 17. If you're eligible, it also allows a \$500 credit (per dependent) for any of your dependents who aren't qualifying children under 17. There's no age limit for the \$500 credit, but tax tests for dependency must be met. Under the TCJA, the refundable portion of the credit is increased to a maximum of \$1,400 per qualifying child. In addition, the earned income threshold is decreased to \$2,500 (from \$3,000 under prior law), which has the potential to result in a larger refund. The \$500 credit for dependents other than qualifying children is nonrefundable.

The TCJA also substantially increased the "phaseout" thresholds to qualify for the credit. Starting with the 2018 tax year, the total credit amount allowed to a married couple filing jointly is reduced by \$50 for every \$1,000 (or part of a \$1,000) by which their AGI exceeds \$400,000 (up from the prior threshold of \$110,000). The threshold is \$200,000 for other taxpayers. So, if you were previously prohibited from taking the credit because your AGI was too high, you may now be eligible to claim the credit.

Don't miss out

The changes made by the TCJA generally increase the value of these credits and widen their availability to more taxpayers. Please contact us for further information or ask about it when we prepare your tax return.

Sidebar: Qualifying child must have an SSN

In order to claim the child tax credit for a qualifying child, you must include the child's Social Security number (SSN) on your tax return. Under previous law, you could also use an individual taxpayer identification number (ITIN) or adoption taxpayer identification number (ATIN).

If a qualifying child doesn't have an SSN, you won't be able to claim the \$2,000 (or \$1,400 refundable) credit. However, you can claim the \$500 dependent credit for that child using an ITIN or an ATIN. The SSN requirement doesn't apply for non-qualifying-child dependents but, if there's no SSN, you must provide an ITIN or ATIN for each dependent for whom you're claiming a \$500 credit.