



### **Financial relief for families: The benefits of the Child Tax Credit**

The Child Tax Credit (CTC) has long been a valuable tax break for families with qualifying children. Whether you're new to claiming the credit or you've benefited from it for years, it's crucial to stay current on its rules and potential changes. As we approach the expiration of certain provisions within the Tax Cuts and Jobs Act (TCJA) at the end of 2025, here's what you need to know about the CTC for 2024, 2025 and beyond.

#### **Current state of the credit**

Under the TCJA, which took effect in 2018, the CTC was increased from its previous level of \$1,000 to \$2,000 per qualifying child. The TCJA also made more taxpayers eligible for the credit by raising the income threshold at which the credit begins to phase out.

For both 2024 and 2025, the CTC is \$2,000 per child under age 17. Phaseout thresholds in 2024 and 2025 will continue at the levels established by the TCJA:

- \$200,000 for single filers, and
- \$400,000 for married couples filing jointly.

#### **Refundable portion**

The refundable portion of the credit for 2024 and 2025 is a maximum \$1,700 per qualifying child. With a refundable tax credit, you can receive a tax refund even if you don't owe any tax for the year.

#### **Credit for other dependents**

A nonrefundable credit of up to \$500 is available for dependents other than those who qualify for the CTC. But certain tax tests for dependency must be met. The credit can be claimed for:

- Dependents of any age,
- Dependent parents or other qualifying relatives supported by you, and
- Dependents living with you who aren't related.

### **What's scheduled after 2025?**

If Congress doesn't act to extend or revise the current provisions of the TCJA, the CTC will revert to the pre-TCJA rules in 2026. That means:

- The maximum credit will drop down to \$1,000 per qualifying child.
- The phaseout thresholds will drop to around \$75,000 for single filers and \$110,000 for married couples filing jointly (inflation indexing could alter these figures).

In other words, many taxpayers will see their CTC cut in half if the current law sunsets in 2026. Consequently, families could experience a larger federal tax liability starting in 2026 if no new law is enacted.

### **Proposals in Washington**

When it comes to the future of the CTC, there have been various proposals in Washington. During the campaign, Vice President J.D. Vance signaled support for expanding the CTC. While specifics remain unclear, there have also been indications that President Trump favors extending the current \$2,000 credit beyond 2025 or even increasing it.

Many Congressional Republicans have voiced support for maintaining the credit at the \$2,000 level or making it permanent. However, in a 50-page menu of options prepared by Republicans on the House Budget Committee, there's a proposal that would require parents and children to have Social Security numbers (SSNs) to claim the CTC. (Currently, only a child needs a valid number.) That would make fewer families eligible for the credit.

Because these proposals haven't yet been enacted (and may not be), taxpayers should keep an eye on legislative developments.

### **Claiming the CTC**

To claim the CTC, you must include the child's SSN on your return. The number must have been issued before the due date for filing the return, including extensions. If a qualifying

child doesn't have an SSN, you may currently claim the \$500 credit for other dependents for that child.

To claim the \$500 credit for other dependents, you'll need to provide a taxpayer identification number for each non-CTC-qualifying child or dependent, but it can be an Individual Taxpayer Identification Number, Adoption Taxpayer Identification Number or SSN.

### **Stay tuned**

The CTC remains a critical resource for millions of families. For the 2024 and 2025 tax years, you can still benefit from up to \$2,000 per qualifying child. The future of the credit after that is uncertain. As always, you can count on us to keep you informed of any changes. Contact us with any questions about your situation.