



# The Child Tax Credit - 2025 Update

Center Forward Basics

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## What is the Child Tax Credit?

The Child Tax Credit (CTC) is a fundamental element of U.S. financial policy, offering crucial economic relief to American families with dependent children. Established in 1997 during the Clinton administration, the CTC was initially introduced as a partially refundable tax credit. This nonrefundable credit provides taxpayers with dependent children under the age of seventeen the opportunity to reduce their tax liability on a dollar-for-dollar basis, potentially eliminating the tax debt in its entirety. Over the years, the CTC has evolved, expanding its scope and benefits and making it a key tool in the federal government's efforts to support families.

Eligibility for the Child Tax Credit requires taxpayers to meet certain criteria related to the age of the child and their relationship to the taxpayer. In addition, the credit is subject to income thresholds, which vary depending on the taxpayer's filing status. The credit begins to phase out for higher-income households, reducing the amount received or eliminating eligibility. These income limits ensure the CTC primarily benefits families in need, providing targeted relief to lower- and middle-income earners while considering the economic capacity of wealthier households. The credit aims to assist with the cost of raising children and can be an important tool for reducing financial strain on families.

In 2025, the Child Tax Credit (CTC) will continue to provide financial support to families with qualifying children. The maximum credit amount remains set at \$2,000 per child for those under the age of 17, with up to \$1,600 of the credit being refundable. This means eligible families can receive the refundable portion even if they do not owe federal income taxes. It is important to note the provisions of the Child Tax Credit in 2025 are temporary, with current law set to revert to a \$1,000 credit per child beginning in 2026 unless new legislation is introduced. This potential reduction highlights the ongoing political discussions surrounding the CTC and its role in economic policy, with debates continuing over the extent and duration of such tax relief.

In this Basic, we look at what has changed over the years and what we can expect in 2025 with the Child Tax Credit.

## How does the Child Tax Credit work and who qualifies?

To qualify for the Child Tax Credit, certain requirements must be met. Taxpayers will receive the full amount for each qualifying child if they meet all the eligibility requirements below and if the household annual income does not exceed \$200,000 (\$400,000 if filing a joint return). Parents and guardians with higher incomes may be eligible to claim a partial credit.

- **AGE:** The child must be under the age of 17 at the end of the year.
- **CITIZENSHIP:** Each qualifying child must be a United States citizen or resident alien and have a valid Social Security number.

## Center Forward Basics

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In order to meet our challenges we need to put aside the partisan bickering that has gridlocked Washington and come together to find common sense solutions.

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- **DEPENDENT STATUS:** The filer must claim the child as a dependent on their own tax return.
- **FINANCIAL SUPPORT:** The filer provided at least half of the child's financial support in the last year.
- **RELATIONSHIP:** The child is a legally recognized child, stepchild, foster child, sibling, half-brother or half-sister, or a descendant of one of these categories (such as a grandchild, niece, or nephew).
- **RESIDENCY:** The qualifying child lived with the filer for over half the year.

## A New Approach

The Child Tax Credit (CTC) underwent notable changes in recent years, with the current provisions continuing to provide support for families in 2025. The maximum credit remains at \$2,000 per eligible child under the age of 17. A key feature of the 2025 CTC is its partial refundability, allowing families to receive up to \$1,600 of the credit as a refund, even if they owe no federal income tax. This makes the CTC a critical tool for reducing poverty and providing economic relief to families who might not otherwise benefit from tax credits due to limited tax liability.

Eligibility for the full CTC is contingent on meeting specific income thresholds. For single filers, the credit begins to phase out when their adjusted gross income (AGI) exceeds \$200,000, and for married couples filing jointly, the phase-out begins at \$400,000. The credit amount decreases by \$50 for every \$1,000 a taxpayer's income exceeds these thresholds, meaning higher-income families will receive progressively smaller amounts. These phase-out rules ensure the credit primarily assists lower- and middle-income households. It also serves as a targeted tool for economic relief, aiming to offset the financial burden of raising children, especially for those who are most in need of support.

It is also essential to understand the future trajectory of the CTC. Currently, the credit is set to revert to \$1,000 per child in 2026, unless new legislation is passed to extend the enhanced provisions. This potential reduction raises concerns, particularly among families who have come to rely on the increased benefit. If Congress does not take action, families may experience a significant decrease in the value of their credit, which could affect their financial stability. Thus, the future of the CTC remains a topic of ongoing legislative debate, with advocates pushing for its extension in its current form to continue providing meaningful assistance to families.

## Planning for the Future

The future of the Child Tax Credit under the previous Trump administration focused on broadening the scope of financial assistance for American families, particularly through tax reforms and policy adjustments. When President Donald Trump took office, one of the key elements of his tax plan, the Tax Cuts and Jobs Act (TCJA) of 2017, aimed to expand the CTC by increasing the credit amount to \$2,000 per child under the age of seventeen. This marked a significant increase from the previous credit, providing a larger benefit for families. Additionally, the TCJA made the credit partially refundable, allowing families with limited tax liability to receive a refund of up to \$1,400 per child. This change was designed to help lower- and middle-income families, ensuring they could still benefit from the credit even if they owed little or no taxes.

However, the future of the Child Tax Credit under Trump's current administration remains uncertain, particularly with the expiration of some of the provisions in 2025. The increase in the CTC and the higher-income phase-out limits were initially set to expire after 2025 unless new legislation was enacted to extend them. As a result, many families could face a reduction in the credit, with the maximum amount reverting to \$1,000 per child. This potential change raised concerns, particularly for families who had come to rely on the larger, refundable credit, as it would reduce the amount of financial assistance available to them. The future of the CTC depends heavily on political developments and lawmakers' priorities in the years following Trump's term. Public expectations centered on whether Congress would extend or allow the enhanced CTC provisions to expire, affecting the level of support available to families in the coming years.

The Child Care Availability and Affordability Act is a bipartisan proposal aimed at addressing the rising costs and limited availability of child care in the U.S. Introduced by Senators Katie Britt (R-AL) and Tim Kaine (D-VA), the bill expands the Child and Dependent Care Tax Credit (CDCTC), making it partially refundable to assist lower-income families for the first time. It also increases the maximum CDCTC to \$2,500 for one child and \$4,000 for two or more children. Additionally, the act seeks to

enhance employer-provided child care benefits by raising the excludable amount for dependent care assistance programs, helping reduce the financial burden on working families and encouraging businesses to offer child care support.

The act is part of a broader legislative effort to improve child care access and affordability, which also includes the Child Care Workforce Act. This complementary bill aims to address workforce shortages in child care by establishing a pilot program to boost the supply of child care workers. Both pieces of legislation have gained significant support from various organizations, as they seek to help families make child care more affordable, alleviate financial strain, and contribute to economic growth.

In addition, the Child and Dependent Care Tax Credit (CDCTC) is a tax benefit designed to help working parents or caregivers offset the costs of childcare or care for dependents who are unable to care for themselves. It provides a percentage of qualifying expenses, such as daycare or after-school programs, for children under 13 or dependents with disabilities, reducing the amount of tax owed. The CDCTC is the only tax credit which allows families to directly offset the cost of child care.

## Conclusion

The Child Tax Credit has remained a central component of U.S. tax policy, playing a pivotal role in supporting American families with dependent children. The expansion of the CTC under recent legislative efforts, particularly the changes made in 2025, reflects the growing recognition of the financial challenges many households face in raising children. With the maximum credit amount set at \$2,000 per child and up to \$1,600 being refundable, the CTC offers vital economic relief to families, especially those with lower incomes. However, eligibility for the full credit is contingent on income thresholds, and for higher-income families, the credit phases out gradually. The ongoing discussions surrounding the future of the Child Tax Credit, particularly under different political administrations, highlight its importance as a tool for combating poverty and promoting economic stability. The introduction of bills such as the Bennet-Blackburn Child Care for American Families Act further underscores the importance of childcare-related tax credits in reducing the financial burden on working parents. By expanding access to employer-provided child care, this bipartisan proposal aims to address gaps in child care availability, making it more affordable and accessible for families, especially those in rural or small business settings.

Ultimately, the future of the Child Tax Credit hinges on a delicate balance between fiscal responsibility and providing essential support to families. As policymakers grapple with the evolving needs of the American workforce and the financial pressures households face, the CTC will likely remain a focal point of tax reform. Whether through maintaining the current credit structure or introducing new measures, the key goal remains the same: to ensure the financial well-being of children and families is prioritized. As debates over the credit's future unfold, the public can expect continued discussions on how best to enhance and preserve these critical provisions to ensure a stable and equitable future for all American families.

## Links to Other Resources

- IRS - [Child Tax Credit | Internal Revenue Service](#)
- Office of the Comptroller of Currency - [OCC Promotes 2025 Earned Income Tax Credit Awareness Day](#)
- PunchBowl News - [A New Child Care Bill and an IRS Funding push](#)
- Thomson Reuters - [The Future of the Child Tax Credit](#)