T08-0278

Options for Reforming the Child Tax Credit (CTC)

Static Impact on Number of Eligible Children (millions), 2009-18[1]

	Year										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2009-18
Kids Newly Eligible for the Refundable Credit[2]:											
Option 1: Extend EGTRRA Provisions[3]	0.0	0.0	17.8	17.6	17.4	17.1	16.9	16.7	16.5	16.2	136.2
Option 2: Extend unindexed $8,500 threshhold[4]	2.6	2.7	2.8	2.9	2.9	3.0	3.1	3.2	3.3	3.3	29.8
Option 3: Reduce to unindexed $3,000 threshhold[5]	5.5	5.4	5.4	5.3	5.3	5.3	5.3	5.3	5.3	5.3	53.6
Option 4: Reduce to $0 threshold, Reduce refundability rate to 10%[6]	6.3	6.2	6.1	6.0	6.0	6.0	6.0	6.0	6.0	5.9	60.4
Option 5: Reduce to $0 threshold[7]	6.3	6.2	6.1	6.0	6.0	6.0	6.0	6.0	6.0	5.9	60.4
Option 6: Fully refundable credit[8]	6.7	6.6	6.5	6.4	6.4	6.4	6.4	6.4	6.4	6.4	64.8
Kids with Increased Refundable Child Credit[9]:											
Option 1: Extend EGTRRA Provisions	0.0	0.0	3.1	2.9	2.8	2.5	2.5	2.4	2.3	2.2	20.6
Option 2: Extend unindexed $8,500 threshhold	10.2	9.7	8.9	8.5	8.3	8.0	7.9	7.8	7.6	7.3	84.2
Option 3: Reduce to unindexed $3,000 threshhold	10.4	9.9	9.0	8.4	8.4	8.2	8.1	7.9	7.7	7.5	85.4
Option 4: Reduce to $0 threshold, Reduce refundability rate to 10%	10.2	9.8	9.0	8.7	8.4	8.1	8.0	7.9	7.7	7.5	85.3
Option 5: Reduce to $0 threshold	10.4	9.9	9.1	8.7	8.4	8.2	8.1	7.9	7.7	7.5	86.0
Option 6: Fully refundable credit	10.4	9.9	9.1	8.7	8.4	8.2	8.1	7.9	7.7	7.5	86.0

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0308-7).

(1) Estimates are static and do not account for any potential microeconomic behavioral response. Official estimates from the Joint Committee on Taxation would likely show a somewhat different effect on revenue.

(2) Kids newly eligible for the refundable child credit includes all children potentially eligible for the child credit on returns claiming a non-zero value for the refundable child credit under the proposal but not in the baseline.

(3) Baseline is current law. Proposal extends the CTC provisions in EGTRRA, including the allowance of the credit regardless of AMT.

(4) Baseline is option 1. Proposal extends the unindexed earnings threshold of $8,500 permanently, effective 01/01/09.

(5) Baseline is option 1. Proposal reduces the unindexed earnings threshold to $3,000, effective 01/01/09.

(6) Baseline is option 1. Proposal reduces the earnings threshold to $0 and reduces the phase-in rate to 10 percent, effective 01/01/09.

(7) Baseline is option 1. Proposal reduces the earnings threshold to $0 while keeping the phase-in rate of 15 percent, effective 01/01/09.

(8) Baseline is option 1. Proposal makes credit fully refundable regardless of tax liability or earnings, effective 01/01/09.

(9) Kids with increased refundable child credit includes all children potentially eligible for the child credit on returns claiming a non-zero value for the refundable child credit in the baseline and a larger value under the proposal.