

# The American Rescue Plan and the Expanded Child Tax Credit (CTC)

## What is the Child Tax Credit (CTC)?

The CTC is a tax credit — an amount of money that taxpayers are able to subtract from their taxes — to help families afford the cost of raising children. Previously, qualifying individuals could receive up to \$2,000 per child.

## How has the CTC changed?

In March 2021, President Biden signed the *American Rescue Plan Act* into law, which included an expanded CTC that will be in place for one year. This legislation expands the CTC in three primary ways for tax year 2021:

1. **It increases the credit's value** to \$3,600 per child age 0 to 5 and \$3,000 per child age 6 and older, and expands eligibility to families with children age 17.
2. **It makes the CTC fully refundable** and eliminates its minimum earnings requirement. Previously, if you owed little or no federal income tax, you were only able to get a partial credit, if any. This one-year expansion means that all low- and middle-income families who were previously left out can get the maximum amount of credit.
3. **Now, families will receive half of the credit automatically** in equal periodic payments starting as early as July 2021. Taxpayers will be eligible to receive the rest of the credit when they file their 2021 return. Previously, a family would receive the credit once a year.

## What does this mean for me?

You may qualify for the full CTC if for 2021:

- You have at least one child age 17 or younger who will live with you for half of the year or more, and
- You are a single individual earning \$75,000 per year or less, a head of household earning \$112,500 or less, or a married couple earning a combined \$150,000 or less.

You may qualify for a portion of the CTC if for 2021:

- You have at least one child age 17 or younger who will live with you for half of the year or more, and
- You are a single individual or head of household earning somewhat more than \$200,000 per year, or a married couple earning somewhat more than a combined \$400,000. (The exact income cut-offs depend on how many qualifying children you have.)

- If you qualify for the credit, you may receive periodic payments starting as early as July 2021. The IRS has not yet defined “periodic,” but the CTC is likely to be split up into several payments equally spaced throughout the remainder of 2021.
- The IRS will determine whether you qualify based on information on your 2020 tax return (for example, your income and number of qualifying children). If you have not yet filed your 2020 return, the IRS will look at your 2019 return.
- If you are typically a non-filer, you will need to provide information to the IRS so they can issue you the payment. The best way to do that is to file a 2020 tax return to receive the benefit.
- The IRS is developing an online portal where you will be able to inform the IRS of any changes since you last filed taxes, such as marital status or number of qualifying children.
- Like stimulus payments, families for whom the IRS already has bank information may automatically receive their periodic payments by direct deposit. Other families may receive payments by check or prepaid debit card.

### What effect will the expansion have?

- Nearly 11 million American children live in poverty. Poverty has long-lasting negative effects—harming kids’ health, educational and employment outcomes, and even brain development in their early years—and costs society an estimated \$1.1 trillion per year.
- The expanded CTC will cut child poverty in America by nearly half. It will lift 57,000 kids in Colorado out of poverty and benefit over 1 million kids statewide, including nearly 350,000 kids who have been left out of the full, existing CTC.
- The expansion will have a major impact on racial equity, cutting poverty for Hispanic children by nearly half, Black children by 52%, and Native children by 61%.

*From the Office of Senator Michael Bennet  
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## Examples

A SINGLE PARENT earning \$50,000 with two dependent children ages 4 and 12. This family would receive \$3,600 for their younger child and \$3,000 for their older child, ending the year with a total of \$6,600. Of that amount, \$3,300 will be received in total as advanced periodic payments.

A MARRIED COUPLE who collectively earns \$120,000 and has three dependent children ages 10, 13, and 17. This family would receive \$3,000 per child, ending the year with a total of \$9,000. Of that amount, \$4,500 will be received in total as advanced periodic payments.

## Resources to help Coloradans claim their expanded CTC:

- **Colorado Taxpayer Advocate:**  
303-603-4600  
<https://www.irs.gov/advocate/local-taxpayer-advocate>
- **Colorado VITA (Volunteer Income Tax Assistance):**  
800-906-9887  
<https://www.coloradovita.org/>
- **IRS guidance will be available in the coming weeks and months:**  
[irs.gov](https://www.irs.gov)
- **If you have any further questions, please contact Senator Bennet’s office:**  
303-455-7600 or  
202-224-5852  
<https://www.bennet.senate.gov/public/index.cfm/contact>