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How Did the Tax Cuts and Jobs Act Affect Children?

Half of All Children Live in the Families Who Benefited Least

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The 2025 tax debate—prompted by the expiration of key provisions from the 2017 Tax Cut and Jobs Act (TCJA)—has important implications for the lives of people and families with low and moderate incomes. While existing research has often highlighted the degree to which TCJA provided the largest benefits to tax filers with the highest incomes, less is known about how it specifically affected children—especially children living in or near poverty relative to those far above the poverty threshold. As policymakers consider future tax changes, it is important to understand how TCJA re-shaped the baseline of how children and families with low and moderate incomes are treated in the tax code today.

In this brief, we summarize the changes to the tax code made under TCJA and ask: *How did TCJA affect children in families with low incomes relative to children in families with higher incomes?* Given that some children disproportionately live in families with low incomes, we also ask: *How did TCJA affect children across different demographic groups, including by race and ethnicity, metro- and rural-area residence, family type (single- and dual-parent families), and family size?*

KEY FINDINGS

- In 2023, half of all children (49.1%) lived in families with low incomes—defined here as families with income less than twice the national poverty threshold, or less than approximately $78,000 per year for a two-parent, two-child family—yet the Tax Cuts and Jobs Act (TCJA) delivered the fewest benefits to children in this group.
- Just 16% of children live in families with incomes over four times the poverty threshold, or more than $156,000 for a two-parent, two-child family, but TCJA delivered benefits to this group at a level 10 times larger than the benefits delivered to children in families with low incomes.
- The inequity in TCJA tax benefits across income levels particularly disadvantaged children who disproportionately live in families with lower incomes: for example, median gains for Black and Latino children were half those of White children, gains for children in single-parent families were one-third of those in dual-parent families, and children in rural areas gained less from TCJA than children in urban areas.
- The 2025 tax debate offers an opportunity to address these inequities and ensure that future policy decisions do not overlook the half of children who gained the least from TCJA.

POLICY CONTEXT

Overview of the Tax Cuts and Jobs Act

The 2017 Tax Cuts and Jobs Act (TCJA) was a sweeping tax reform to individual and corporate taxes. Many of the changes to personal income taxes were not permanent and will expire at the end of 2025, directly affecting families. We provide a more detailed synopsis of these reforms in Appendix A, and here, we briefly describe the changes to personal income taxes enacted under TCJA that are most relevant to our analysis of families with children.

In terms of personal income taxes, TCJA changed how taxable income is determined, the tax rates that income is assessed at, and the credits one can claim against their tax liabilities. For determining taxable income, TCJA substantially increased the value of the standard deduction for filers, which is the set amount that can be deducted from a filers' Adjusted Gross Income (AGI)[1] to determine what income can be taxed. Tax exemptions[2] can also reduce taxable income, and filers could previously claim an exemption of $4,050 for themselves, their spouse (if applicable), and any of their dependents (if applicable). Under TJCA, these exemptions were set to $0, effectively eliminating them through tax year 2025.[3] As for tax rates, TCJA lowered marginal tax rates in all but the bottom tax bracket and adjusted tax brackets such that fewer people fall in the top bracket.[4] The changes in the tax brackets and tax rates led to substantial reductions in tax liabilities for high-income filers, but much more modest reductions for those in the bottom 75% of the income distribution.[5]

Finally, TCJA made changes to tax credits—with the most significant being to the Child Tax Credit (CTC), in part to offset the increase in tax liabilities families may have faced due to the elimination of the dependent exemption. TCJA doubled the maximum amount of the CTC from $1,000 to $2,000. However, not all families and children reaped the full benefit of this increase. The reform imposed a cap on the refundable component of the CTC and did not substantially change the credit's earnings requirement or phase in rate, thereby disadvantaging low- and moderate-income families.[6] At the other side of the income distribution, TCJA expanded CTC

[1] A filer's AGI is the total amount of income from various sources minus the value of certain adjustments (e.g., adjustments for student-loan payments, retirement contributions, alimony payments, etc.). For more details, see Internal Revenue Service, 2024, "Definition of adjusted gross income."
[2] An *exemption* is a certain type of income that is tax-exempt and, thus, excluded from one's taxable income. A *deduction* is a specific expense a filer has incurred and can subtract from, and thus reduce, their taxable income. See Center on Budget and Policy Priorities, 2020, Policy Basics: Tax Exemptions, deductions, and credits
[3] See Appendix Table A1 for more details on additional changes to exemptions.
[4] For example, before TCJA, married joint filers reached the top tax bracket when their taxable income rose above approximately $471,000 (in 2017 dollars, or about $564,000 in 2023 dollars) and their marginal tax rate was 39.6%. Under TCJA, this bracket threshold was raised to $600,000 in 2018 (reaching more than $690,000 by 2023) and the rate was lowered to 37%. These tax brackets, and the corresponding brackets under pre-TCJA law (adjusted to their present day values) are presented in Appendix Table A1.
[5] Ross, 2024, The Tax Cuts and Jobs Act failed to deliver promised benefits
[6] TCJA reduced the CTC's earnings requirement from $3,000 to $2,500 and did not change the 15% phase-in rate. The law also imposed a $1,400 cap the Additional Child Tax Credit (ACTC), the refundable portion of the CTC. This cap was indexed annually for inflation and is $1,600 as of tax year 2023. For more details on how these components affected eligibility for the CTC among children in low- and moderate-income families in 2023, see Collyer, Curran, and Harris, 2024, Children left behind by the Child Tax Credit in 2023

eligibility to much higher income families by increasing the income threshold at which the credit begins to phase out, from $75,000 to $200,000 for heads of household and $110,000 to $400,000 for joint filers. While TCJA did not make any direct changes to the structure of the Earned Income Tax Credit (EITC), it changed the annual inflation adjustment of the maximum credit value, causing the maximum EITC amounts to increase more slowly.[7]

As policymakers consider future tax changes, it is important to understand how TCJA exacerbated income inequality among families. Several studies have shown how TCJA provided substantially larger benefits to the highest income tax filers. Research from the Tax Policy Center has shown that tax filers in the top quintile of the income distribution receive nearly two-thirds of TCJA's benefits, while those in the bottom quintile receive just 1% of the benefits, and estimates by the Institute on Taxation and Economic Policy show that these trends will persist if the law's expiring provisions are simply extended without changes.[8] Other studies also show that while TCJA increased the CTC's maximum value, its lack of substantial changes to the credit's refundability structure may have exacerbated income inequality by barring many children in families with low and moderate incomes access to the full credit.[9] Our analysis builds on this existing research and explores how the distribution of TCJA tax benefits across income groups compares to where children are actually situated across the income distribution, with a particular focus on how TCJA affected children in families in or near poverty.

[7] See Appendix A for more on how TCJA's changes to annual inflation indexing affected other parts of the tax code.
[8] Tax Policy Center, 2017, Distributional analysis of the conference agreement for the Tax Cuts and Jobs Act and Wamhoff, Hughes, and Gardner, 2023, Extending temporary provisions of the 2017 Trump tax law: National and state-by-state estimates
[9] Maag, 2019, The TCJA didn't change child benefits for most families with children by very much.

RESULTS

To gain a better understanding of how TCJA affected children in families with low incomes relative to children living families with higher incomes, it is important to first get a sense of how many children live in these families. (*See text box for income category definitions.*)

How do we identify children in low-income families?

In this brief, we identify where children are situated within the income distribution by using the Supplemental Poverty Measure (SPM)—an improved measure relative to the Official Poverty Measure that accounts for cash and noncash government benefits, necessary expenses like those for taxes, health care, work, and child care, and adjusts for family size and local housing costs. Here, children's family income is their post-tax family income, as defined by their family's SPM resources, which is then compared to the SPM poverty threshold to see where children fall in the income-to-needs distribution.

We identify children in low-income families as those living below 200% (or twice) the SPM poverty threshold for their family size and housing type.[10] Here, we follow the U.S. Census Bureau identification of people living below 200% of the SPM poverty line as living in or near poverty.[11] Research indicates that income volatility is common among households with lower incomes, which may contribute to families cycling in and out of poverty, as strictly defined.[12] Studies have also found that households in poverty (i.e., below 100% of the poverty line) and households near poverty (i.e., 100-200% of the poverty line) report similar levels of material hardship (e.g., food, housing, health, expenses).[13]

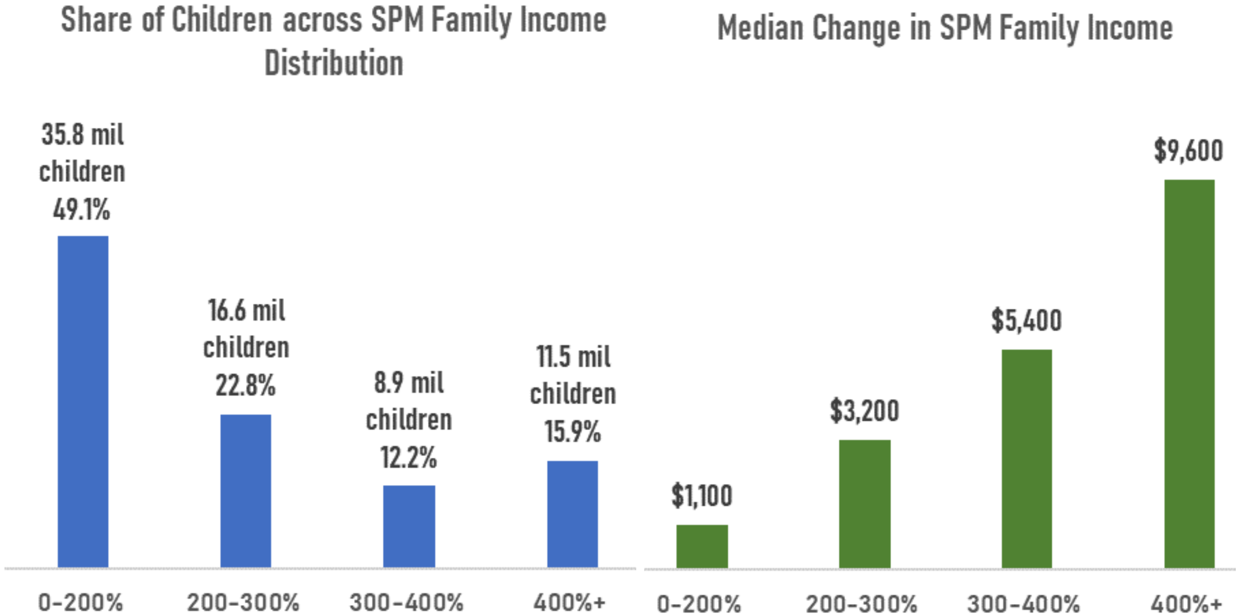
The income categories we use in this report approximately equate to multiples of the 2023 national SPM poverty line (i.e., 100% of the SPM poverty threshold), and **our central reference category is children in families with incomes below 200% of the SPM poverty line.** For a 2-parent, 2-child family in rental housing in 2023, 100% of the average SPM poverty threshold was equal to about $39,100; 200% was $78,200; 300% was $117,300; and $400% was $156,500.

[10] The SPM poverty thresholds differ between families who own their homes in full, own their homes but hold a mortgage, and live in rental housing.
[11] Creamer and King, 2024. New interactive data tool shows how programs & expenses affect poverty measurement
[12] Iceland, 2003. Dynamics of economic well-being: Poverty 1996-1999; Huff Stevens, 1999. Climbing out of poverty, falling back in: Measuring the persistence of poverty over multiple spells; Newman, 2006. The income volatility see-saw: Implications for school lunch
[13] Iceland, Kovach, and Creamer, 2020. Poverty and the incidence of material hardship, revisited; Rodems, 2019. Hidden hardship in the United States: Material well-being above the poverty line; Robin Hood and Center on Poverty and Social Policy at Columbia University, 2024. Annual report: The State of Poverty and Disadvantage in New York City, Vol. 6

We find that **almost half (49.1%) of children in the U.S., or more than 35.8 million children, lived in low-income families in 2023** (see Figure 1, left panel). Our results also reveal stark disparities in the way TCJA benefited children in this income group versus those in higher income families. The right panel of Figure 1 shows the median change in family income (or the mid-point of this change) associated with TCJA across income groups.

Although children in low-income families made up almost half of the child population in 2023, they saw the fewest gains in their family income, with a median gain of roughly $1,100 from TCJA. We find that children in higher-income families—who make up just 16% of the child population—saw a median gain of roughly $9,600. **As a result, TCJA significantly underserved the largest group of children in the U.S.: children in low-income families. TCJA delivered median gains in family income to children in higher-income families (just 16% of the child population) at a rate nearly 10 times higher ($9,600 vs $1,100) than to children in low-income families (almost 50% of the child population).**

Figure 1. Where children sit in the income distribution & where TCJA distributed tax benefits

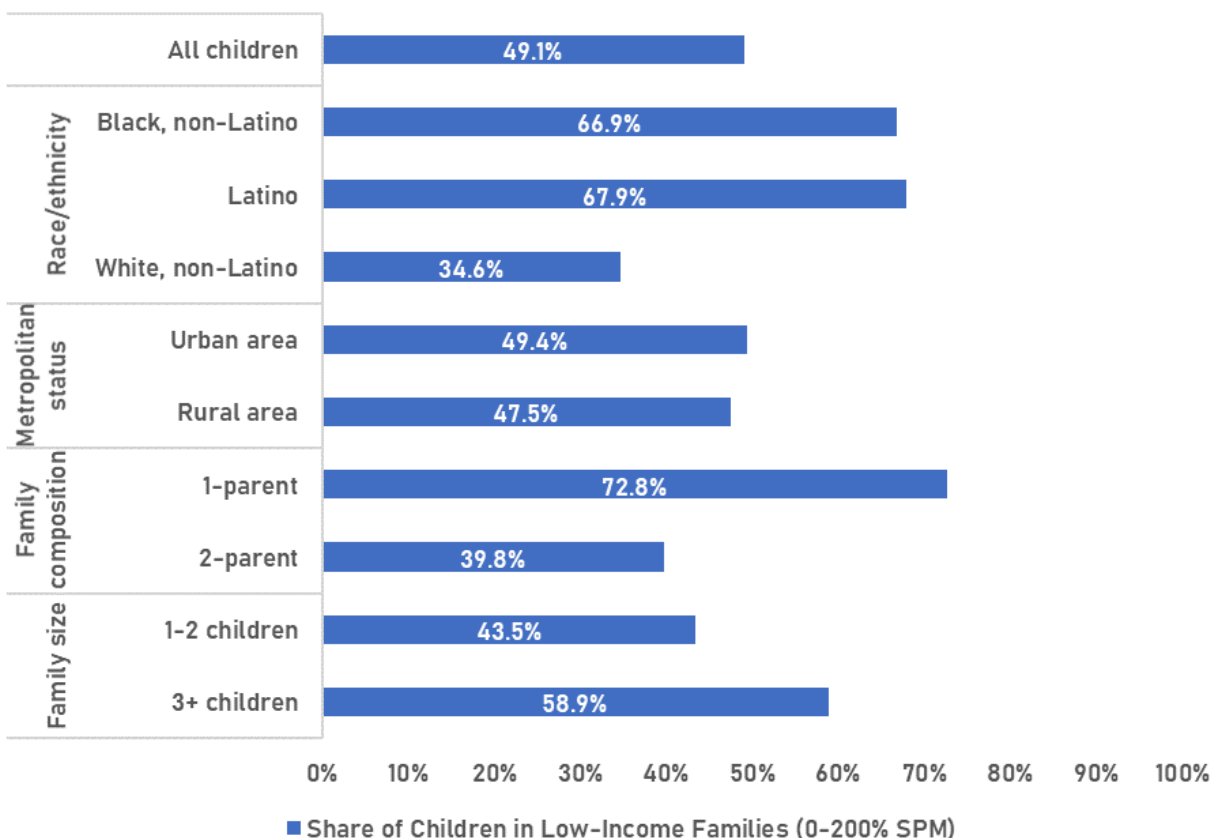


Source: Center on Poverty and Social Policy at Columbia University, 2024. Calculated using the 2024 Current Population Survey (CPS), Annual Social and Economic Supplement (ASEC), retrieved from U.S. Census Bureau.
Note: The dollar amounts shown on the right panel reflect the median change in family income, with this change calculated at the *family* level. SPM Family Income refers to the Supplemental Poverty Measure's (SPM) definition of resources. SPM Family Income is divided by the SPM poverty threshold to determine where a family is in the income distribution (e.g., 200-300% of the SPM poverty threshold).

Figure 1 focuses on the median gains associated with TCJA by family income level—that is, the mid-point in the gains their families realized. For each income group, half of children were in families that gained by less than the amounts displayed in Figure 1, and half gained by more. Unlike the mean changes in income from TCJA (see Appendix Figure C1), the median changes are not skewed by outliers, or families who saw notably higher gains than the rest of the families in their income range.[14]

In addition to TCJA's effects on all children, we also seek to understand how TCJA's reforms may have affected children across different demographic groups. Considering that children face different risks of living in or near poverty, as shown in Figure 2, it is important to note that disparities across demographic groups (e.g., across race/ethnicity, gender, geography, or family structure) are the product of historical and social forces and processes, as well as the product of past and present policy choices that have resulted in the disparities that we observe today.

Figure 2. Share of children in low-income families, across demographics



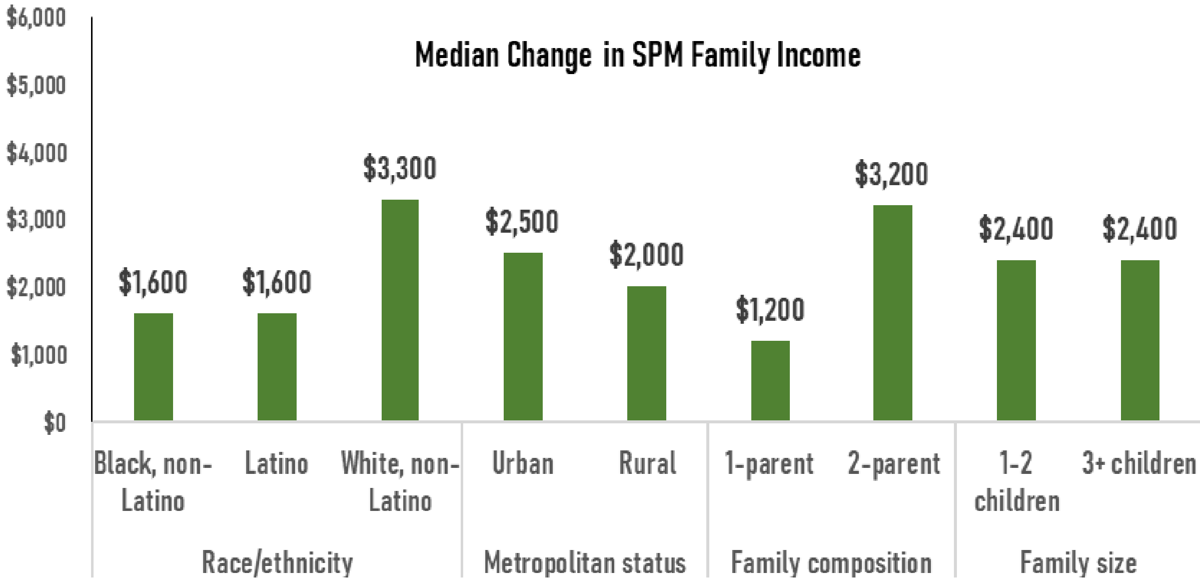
Source: Center on Poverty and Social Policy at Columbia University, 2024. Calculated using the 2024 Current Population Survey (CPS), Annual Social and Economic Supplement (ASEC), retrieved from U.S. Census Bureau.

[14] For all income groups except the highest, the mean and median TCJA gains are similar because there are few outliers. However, the mean gains in the top income group were higher than the median due to families with very high incomes receiving the greatest gains. See Appendix C and Figure C1 for more details.

The proportion of children living below 200% of the poverty line, or in a family with low income, is not equal across groups. Figure 2 shows that while 1 in 2 children lived below 200% of the poverty line in 2023, this rate rose to nearly 3 in 4 for children with single parents (72.8%), more than 2 in 3 for Black and Latino children (66.9% and 67.9%), and almost 3 in 5 for children in families with 3 or more children (58.9%). In comparison, White children, children in two-parent families, and children in smaller families were more likely to live above 400% of the poverty line (see Appendix Figure C3). It is also true that children in urban areas are somewhat more likely to be in low-income families than children in rural areas (49.4% and 47.5%), but are also more likely to live above 400% of the poverty line as a result of greater income inequality in urban areas (see Appendix Figure C3).

Considering that children across different demographic groups faced a different likelihood of living in families with low incomes, it is worth looking at how changes in children's family income attributed to TCJA may also differ across demographic characteristics. In Figure 3, we show the median change in children's family income among children in different demographic groups, finding substantial disparities in the income changes associated with TCJA.

Figure 3. Where TCJA distributed tax benefits, across demographic groups



Source: Center on Poverty and Social Policy at Columbia University, 2024. Calculated using the 2024 Current Population Survey (CPS), Annual Social and Economic Supplement (ASEC), retrieved from U.S. Census Bureau.
Note: The dollar amounts shown reflect the median change in SPM family income, with this change calculated at the *family* level.

When looking at the median changes in children's family income by race and ethnicity, for example, we see that the White children gained nearly twice as much as Black or Latino children ($3,300 vs. $1,600). Children in urban areas also saw a median increase in family income 25% greater than that of children in rural areas ($2,500 vs. $2,000), and gains for children in dual-parent families were nearly three times higher than those of children with single parents ($3,200 vs. $1,200). **That is, children who are more likely to live in families with low income saw much smaller gains from TCJA than those with higher family incomes.**

CONCLUSION

TCJA was a major tax reform that had significant costs[15] but did little for the close to half of children in the United States who live in or near poverty. Meanwhile, it provided much larger benefits to the 16% of children living above 400% of the poverty line, with their median gains being nearly 10 times greater than those of children in low-income families ($9,600 vs $1,100). By providing outsized benefits to the highest-income families, TCJA disproportionately benefited children in groups where a smaller share of children live in or near poverty, and fewer benefits to those in groups where this experience is more common. As a result, median gains for Black and Latino children were half those of White children, gains for children in single-parent families were one-third of those in dual-parent families, and children in rural areas gained less from TCJA than children in urban areas.

We note that our analysis is not without its limitations. First, there is evidence of greater nonresponse to questions about earnings on the CPS-ASEC among individuals at the top and bottom of the income distribution; because this nonresponse is more concentrated among some groups, it is harder to trust the imputed earnings and income values assigned to them.[16] Further, very high incomes in the public-use version of the CPS-ASEC are top-coded.[17] These data limitations are one reason why we focus our discussion on the median changes in family income associated with TCJA, as the median estimates are less likely to be affected by them than the mean estimates.

These limitations, however, do not affect our main conclusion: TCJA widened income inequality by delivering uneven gains across families with children, and there are several opportunities to redress these disparities as tax reform comes to the floor in 2025. Expanding the Child Tax Credit is one such potential remedy, and to be effective, such an expansion would need to entail full refundability so that children in the lowest-income families receive the full credit value. This would be even more meaningful if the per child credit value were raised from its current maximum of $2,000. Such a policy was enacted under the 2021 American Rescue Plan Act (ARP), albeit temporarily, and is a key tenet of a number of recent policy proposals, such as the expansion proposed in the American Family Act. Other opportunities to address such disparities include expansions to the Child and Dependent Care Credit and the Earned Income Tax Credit, as well as increasing the top marginal tax rate. These are just a few of many possibilities, and, at the same time, it is key to prevent reforms that may penalize families, such as eliminating the head of household filing status for unmarried parents. What is unquestionable is that these unequal gains from TCJA were driven by policy choices, and future policy decisions can also ensure that the half of children who gained little from TCJA are not overlooked again.

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[15] Tax Policy Center, 2024, How did the TCJA affect the federal budget outlook?

[16] For more information on this, see: Bollinger, et al., 2019, Trouble in the tails? What we know about earnings nonresponse 30 years after Lillard, Smith, and Welch.

[17] For example, if someone's reported income is above $9,999,999, that income level is set to $9,999,999.

DATA & METHODS

This report uses data from the 2024 U.S. Census Bureau's Annual Social and Economic Supplement to the Current Population Survey, or CPS-ASEC, reflective of calendar year 2023. Details on our methodology are presented in Appendix A. The income distribution results reported here are based on the resource definition of the Supplemental Poverty Measure (SPM), which accounts for cash and noncash government benefits, necessary expenses like taxes, health care, commuting, and child care, and adjusts for family size and local housing costs.

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APPENDIX A. Expiring provisions of TCJA

The 2017 Tax Cuts and Jobs Act (TCJA) made sweeping changes to the federal tax system, many of which altered the way that families with children are treated in the tax code. Most of TCJA's reforms to individual income taxes are temporary and set to expire in 2025, including its modification of income tax rates and brackets and its changes to tax credits, deductions, and exemptions. In Table A1, we describe some of the *temporary* changes to the personal income tax enacted under TCJA, what the provisions before TCJA were, and what would happen if they expire absent any other reform. The provisions listed are set to expire by December 31, 2025 unless they are extended or modified.

While we only describe some of the temporary changes in Table A1, you can find a more extensive list of TCJA's changes to the tax code in Marples and McDermott, 2024, Reference Table: Expiring Provisions in the "Tax Cuts and Jobs Act" (TCJA, P.L. 115-97).

Table A1. Expiring personal tax-related provisions of the 2017 Tax Cuts and Jobs Act

Provision	Pre-TCJA	TCJA	If TCJA expires
Individuals and Families			
Standard deduction	Standard deduction amounts in 2017 were $6,350 for single filers, $9,350 for head of household filers, and $12,700 for married joint filers. Adjusted annually for inflation using the CPI-U.	Standard deduction amounts in 2018 were nearly doubled to $12,000 for single filers, $18,000 for head of household filers, and $24,000 for married joint filers.[18] These amounts are annually adjusted for inflation after 2018 using chained CPI (C-CPI-U).	Standard deduction amounts will revert to what "pre-TCJA" amounts would have been in 2018, and then be adjusted for inflation using the C-CPI-U.[19]
Personal and dependent exemptions	Personal exemptions for filers, and their spouse and/or dependents (if any), were $4,050. Adjusted annually using the CPI-U.	Personal exemptions reduced to $0, effectively eliminating them.	Personal exemptions will revert to what a "pre-TCJA" amount would have been in 2018, and then be adjusted for inflation using the C-CPI-U.

[18] The increase in the standard deduction also led fewer people to itemize their deductions, which some may opt to do when the total value of their standard deduction is less than the total value of possible itemized deductions, like the State and Local Tax (SALT) deduction.

[19] The annual inflation adjustment to various tax parameters, including deduction and income amounts defining brackets, was permanently changed from the CPI-U to the C-CPI-U under TCJA.

AMT exemption and phaseouts	The AMT was levied at two rates: 26% and 28%. The AMT exemption amount was $54,300 for unmarried filers and $84,500 for married joint filers, and the exemption amount phased out when unmarried filers 'Alternative Minimum Taxable Income (AMTI) exceeded $120,700 and married joint filers' exceeded $160,900. The exemption amounts and phaseout thresholds were adjusted annually for inflation using the CPI-U.	TCJA increased the AMT exemption amounts to $70,300 for unmarried filers and $109,400 for married joint filers in 2018, and thereafter adjusted for inflation. It also significantly increased the exemption phaseout thresholds to $500,000 for unmarried filers and $1 million for married joint filers. Exemption amounts and phaseout thresholds adjusted annually for inflation using C-CPI-U.	Exemption amounts and phaseout thresholds will return to pre-TCJA levels, adjusted for inflation between 2017 and 2026 using the C-CPI-U.
Marginal tax rates and brackets	Marginal tax rates are applied to a tax filer's taxable income to calculate their pre-tax credit tax liabilities. The range of taxable income taxed by a specific rate is called a tax bracket, and these ranges were adjusted annually for inflation using the CPI-U (see Appendix Table B1 for tax bracket amounts). The marginal tax rates were 10%, 15%, 25%, 28%, 33%, 35%, and 39.6%.	Marginal tax rates were adjusted to the following rates in 2018, with their respective brackets thereafter adjusted for inflation using the C-CPI-U: 10%, 12%, 22%, 24%, 32%, 35%, and 37%.	Marginal rates will return to their pre-TCJA levels. Besides the first two brackets (10% and 15%), these rates will apply over different bracket ranges than TCJA. All brackets would then be adjusted for inflation using the C-CPI-U.
Capital gains tax rates and brackets	Long-term capital gains and qualified dividends taxed at 0%, 15%, or 20%, depending on filer's taxable income.	Tax rates on capital gains and dividends were not changed by TCJA. However, the annual inflation adjustment for each taxable income range changed to the C-CPI-U.	Will not change.

Child tax credit	**Maximum nonrefundable credit:** $1,000 per child **Maximum refundable ACTC:** $1,000 per child **Formula for the ACTC:** 15% of earned income above $3,000, up to the maximum refundable credit amount. **Phaseout threshold:** $75,000 heads of household filers / $110,000 joint filers None of the parameters are adjusted for inflation.	**Maximum nonrefundable credit:** $2,000 per child **Maximum refundable ACTC:** $1,400 per child (The ACTC is adjusted for inflation and equals $1,600 in 2023) **Formula for the ACTC:** 15% of earned income above $2,500, up to the maximum refundable credit amount. **Phaseout threshold:** $200,000 head of household filers / $400,000 joint filers Taxpayers must provide the child's Social Security number (SSN).	The CTC will revert to its pre-TCJA structure.
Credit for other dependents	Did not exist prior to TCJA. Families with dependents ages 17 or older were not eligible for a Child Tax Credit.	TCJA created a nonrefundable credit worth up to $500 for families with dependents ineligible for the Child Tax Credit. Credit amount is not adjusted for inflation, and is added to a filer's Child Tax Credit amount (if any) and subject to the same phaseout.	The credit will expire.
Itemized deductions			
Qualified business income (QBI) Deduction ***Also referred to as Section 199A**	QBI deduction did not exist. Pass-through businesses, which do not pay corporate tax and instead are taxed through their owners individual income tax, were taxed according to individual tax rates without a deduction.	TCJA created a deduction equal to 20% of qualified business income for pass-through businesses. The QBI deduction is limited to the lesser of 20% of the sum of qualified business income, real estate investment trust dividends, and qualified publicly traded partnership income, or 20% of the tax filer's taxable income minus net capital gain.	The deduction will expire, and pass-through business income will be taxed according to ordinary individual tax rates without the deduction.

State and local tax (SALT) deduction	Tax filers who itemize their deductions could fully deduct all eligible state and local property taxes, state and local income or sales taxes, and foreign income taxes (including foreign real property taxes).	Tax filers who itemize their deductions could deduct up to $10,000 in state and local property taxes, state and local income or sales taxes, and foreign income taxes (except foreign real property taxes). Property taxes associated with conducting a trade or business are not subject to the $10,000 cap.	The $10,000 cap will expire and eligible deductions would be fully deductible.
Charitable contributions deduction	Limit on charitable contributions generally limited to 50% of AGI, with further limitations of 30% or 20% depending on the type of property donated and the organization it's given to.	TCJA increased the AGI limit for cash donations made to public charities from 50% to 60%. Other limitations based on type of donation and recipient organization were unchanged.	AGI limit for cash donations will decrease back to 50%.
Other Provisions			
Estate and gift tax	Estates and gifts were taxed at 40%, after excluding a fixed amount from taxation (estate tax exemption). The estate tax exemption for each beneficiary was about $5.5 million and adjusted annually for inflation.	TCJA doubled the exclusion amount for estates, with the amount adjusted for inflation using the C-CPI-U.	The exclusion amount will return to pre-TCJA levels and then be adjusted for inflation with the C-CPI-U.

Source: Center on Poverty and Social Policy at Columbia University, 2024. Content adapted from Marples and McDermott, 2024, Reference table: Expiring provisions in the "Tax Cuts and Jobs Act" (TCJA, P.L. 115-97)
Note: All provisions listed here are set to expire December 31, 2025 if they are not extended or modified before then.

APPENDIX B. Data and Methodology

Data

Results presented in this brief were prepared using the 2024 Current Population Survey Annual Social and Economic Supplement (CPS-ASEC). The CPS-ASEC is a large, representative survey conducted by the Census Bureau and used to produce official poverty statistics for the calendar year preceding survey administration (2023, in this case). We retrieved the person- and household-level 2024 CPS-ASEC files from the Census website for this study. The income distribution results reported here are based on the Supplemental Poverty Measure (SPM), which accounts for cash and noncash government benefits, necessary expenses like taxes, health care, commuting, and child care, and adjusts for family size and local housing costs. The SPM is reported annually along with the Official Poverty Measure (OPM) by the U.S. Census Bureau.

Data on tax parameters and their base values and years were obtained from the Tax Foundation[20] and Internal Revenue Service (IRS) documentation. Monthly Consumer Price Index for All Urban Consumers (CPI-U) data, which was used to inflate tax parameters in place prior to TCJA to 2023 dollars, was retrieved from FRED, Federal Reserve Bank of St. Louis.[21]

Approach

In this brief, we aimed to determine changes in family income associated with the Tax Cuts and Jobs Act, among children, in 2023. Doing so required a comparison of individuals' federal income taxes and post-tax family income under the TCJA parameters in 2023 and under a counterfactual "pre-TCJA tax code" in which the tax parameters prior to TCJA were extended to 2023.

The CPS-ASEC provides extensive data on individuals' income, filing status, and federal tax liabilities and credits using the Census Tax Model (CTM). For this analysis, we try to replicate as much as possible of the CTM's methodology[22] to calculate individuals' federal tax liabilities and credits in tax year 2023 under the TCJA and pre-TCJA parameters. Although the dataset's existing tax data is reflective of the TCJA parameters in tax year 2023, we recalculate them to provide for a more direct comparison with our estimates that use the pre-TCJA parameters.

Estimating pre-TCJA parameters in 2023 required inflation adjusting parameters' base values to 2023 dollars, which was done by taking a parameter's base value, multiplying it by the 2022 fiscal year's average CPI-U, and then dividing by the base fiscal year's average CPI-U.[23] Each

[20] Tax parameters for 2017 (pre-TCJA) and 2023 (TCJA) were obtained from Pomerleau, 2016, 2017 tax brackets and Durante, 2022, 2023 tax brackets, respectively. Base values and years were obtained from the Methodology in Pomerleau, 2015, 2016 tax brackets.
[21] U.S. Bureau of Labor Statistics, 2024, Consumer Price Index for All Urban Consumers: All items in U.S. city average [CPIAUCSL]
[22] Lin, 2022, Methods and assumptions of the CPS ASEC Tax Model
[23] This procedure was replicated from Pomerleau, 2015, 2016 tax brackets.

parameter was then rounded according to the procedure specified in the tax code.[24] Tables B1 and B2 show the tax parameters we adjusted to create the aged pre-TCJA code and what the values of such parameters were in 2017 prior to TCJA, in 2023 under the TCJA, and what they could have been in 2023 if the tax code prior to TCJA was extended.

Below, we outline the steps we followed to calculate federal taxable income, tax liabilities, and tax credits in 2023 under TCJA and the aged pre-TCJA code:

1. **Adjusted gross income (AGI):**
   The CTM calculates a filer's AGI by taking the sum of their reported (or imputed) wages and salaries, interest and dividend incomes, alimony income, business and farm self-employment income, capital gains, IRA income, pension income, rent income, and taxable unemployment and Social Security benefits, and then subtracting that sum by one-half of self-employment taxes, self-employed health insurance, self-employed health savings, and IRA contributions. Since TCJA did not affect the calculation of AGI (that is, AGI is calculated the same way before and after TCJA), we use the CPS-ASEC's existing AGI values calculated by the CTM for our analysis.

2. **Federal Taxable Income:**
   Next, federal taxable income is calculated by subtracting a filer's standard and itemized deductions from their Adjusted Gross Income (AGI). However, our calculation of taxable income does not take into account itemized deductions, as such deductions rely on inputs from state and local taxes that are estimated by the CTM. As a result, we calculate filers' taxable incomes by assigning them their corresponding standard deduction value – which varies by filing type and dependency status – and subtracting such value from their AGI.

   For our calculation of taxable income in 2023 under the TCJA parameters, we also subtract the Qualified Business Income (QBI) deduction from the AGI of filers with self-employment income. Since the value of the QBI deduction is not available in the CPS-ASEC, we use the dataset's available self-employment income data and IRS Form 8995-A to calculate the deduction and its phaseouts. The QBI deduction is not included in our estimate of taxable income under the aged pre-TCJA code, as this deduction did not exist before TCJA.

   For our calculation of taxable income in 2023 under the aged pre-TCJA parameters, we also subtract our estimate of the total personal exemption a filer could claim against their AGI.

3. **Federal tax liabilities**
   Federal tax liabilities are calculated based on our estimated federal taxable income for each filer, and using the relevant taxable income brackets and tax rates. We also calculate the Alternative Minimum Tax (AMT) for filers with high incomes using the applicable

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[24] For example, to calculate a counterfactual standard deduction for a married joint filer in 2023, we take the standard deduction's base value ($6,000, base fiscal year 1987), multiply it by the average CPI-U for fiscal year 2022 (285.809), and then divide by the average CPI-U for fiscal year 1987 (112.008). The resulting value ($15,310.10) is then rounded to the lowest multiple of $50, resulting in a standard deduction of $15,300 a married joint filer in 2023 under the pre-TCJA tax code (as opposed to $27,700 under TCJA).

exemptions and exemption phaseout thresholds, and replace filers' federal tax liability with the higher of the AMT or their ordinary income tax liability. Capital gains taxes for filers who report capital gains income are also calculated using the tax rates and brackets for long-term capital gains, and then added to the total federal tax liabilities.[25] The resulting sum is called the total federal tax liabilities before all credits.

4. **Federal tax credits**

   We then calculate federal non-refundable and refundable tax credits to estimate federal tax liabilities *after all credits*. We first use federal tax liabilities before all credits to calculate the nonrefundable portion of the Child Tax Credit (CTC) and the Credit for Other Dependents (ODC). After calculating these nonrefundable credits, we subtract them from a filer's federal tax liabilities before all credits to get their federal tax liabilities *before refundable credits*. We then calculate their Earned Income Tax Credit (EITC) and the refundable portion of the Child Tax Credit, the Additional Child Tax Credit (ACTC), using their applicable parameters. Note that we do not calculate the Child and Dependent Care Credit, as TCJA made no changes to this credit and, thus, its inclusion would not affect our results These credits are then subtracted from federal tax liabilities before refundable credits, resulting in federal tax liabilities *after all credits* (which can be below zero, indicating a refund).

5. **SPM post-tax family income**

   Finally, we calculate families' post-tax income, or "SPM resources." In the CTM, SPM resources are calculated as the sum of each family member's cash income and in-kind benefits, which is then subtracted by the value of federal and state tax liabilities after all credits, work, child care, medical expenses, and child support payments. For our calculation, we take the CTM's SPM resources and replace the value of its federal tax liabilities after all credits with our estimated values based on the the actual law in place in 2023 (TCJA) and the values we calculate after aging the pre-TCJA tax code to 2023, both of which we aggregate to the family (or SPM) level.

[25] We assume that capital gains reported in the CPS-ASEC data are long-term capital gains, as the CTM does not make this distinction. This distinction is necessary for the taxation of capital gains, as short-term gains (i.e., gains on assets held for a year or less before selling) are taxed as ordinary income, while long-term gains (i.e., gains on assets held for more than a year before selling) are taxed at different rates depending on overall taxable income. See IRS, 2024, Topic no. 409, Capital gains and losses

Table B1. Tax parameters adjusted for inflation, (pre-TCJA 2017, 2023, TCJA, and pre-TCJA in 2023)

Tax Parameter	2017 (pre-TCJA)	2023 (TCJA)	2023 (pre-TCJA)
Standard Deduction	Single $6,350 HoH: $9,350 MFJ: $12,700	Single $13,850 HoH: $20,800 MFJ: $27,700	Single $7,650 HoH: $11,200 MFJ: $15,300
Personal Exemption	$4,050 per person	$0	$4,900 per person
Personal Exemption Phaseout (PEP) *(using AGI)*	Single: $261,500; $384,000 HoH: $287,650; $410,150 MFJ: $313,800; $436,300	N/A	Single: $313,150; $435,650 HoH: $344,500; $467,000 MFJ: $375,800; $498,300
Qualified Business Income (QBI) Deduction	N/A	Single & HoH: $50,000 MFJ: $100,000	N/A
QBI Deduction Phaseout *(using taxable income)*	N/A	Single & HoH: $182,100 to $232,100 MFJ: $364,200 to $464,200	N/A
Marginal Tax Rates	10% Single: $0 to $9,325 HoH: $0 to $13,350 MFJ: $0 to $18,650 15% Single: $9,325 to $37,950 HoH: $13,350 to $50,800 MFJ: $18,650 to $75,900 25% Single: $37,950 to $91,900 HoH: $50,800 to $131,200 MFJ: $75,900 to $153,100 28% Single: $91,900 to $191,650 HoH: $131,200 to $212,500 MFJ: $153,100 to $233,350 33% Single: $191,650 to $416,700 HoH: $212,500 to $416,700 MFJ: $233,350 to $416,700 35% Single: $416,700 to $418,400 HoH: $416,700 to	10% Single: $0 to $11,000 HoH: $0 to $15,700 MFJ: $0 to $22,000 12% Single: $11,000 to $44,725 HoH: $15,700 to $59,850 MFJ: $22,000 to $89,450 22% Single: $44,725 to $95,375 HoH: $59,850 to $95,350 MFJ: $89,450 to $190,750 24% Single: $95,375 to $182,100 HoH: $95,350 to $182,100 MFJ: $190,750 to $364,200 32% Single: $182,100 to $231,250 HoH: $182,100 to $231,250 MFJ: $364,200 to $462,500 35% Single: $231,250 to $578,125 HoH: $231,250 to $578,100	10% Single: $0 to $11,175 HoH: $0 to $15,975 MFJ: $0 to $22,375 15% Single: $11,175 to $45,450 HoH: $15,975 to $60,900 MFJ: $22,375 to $90,950 25% Single: $45,450 to $110,050 HoH: $60,900 to $157,200 MFJ: $90,950 to $183,450 28% Single: $110,050 to $229,550 HoH: $157,200 to $254,500 MFJ: $183,450 to $279,450 33% Single: $229,550 to $499,050 HoH: $254,500 to $499,050 MFJ: $279,450 to $499,050 35% Single: $499,050 to $501,100

	$444,550 MFJ: $416,700 to $470,700 39.6% Single: Over $418,400 HoH: Over $444,550 MFJ: Over $470,700	MFJ: $462,500 to $693,750 37% Single: Over $578,125 HoH: Over $578,100 MFJ: Over $693,750	HoH: $499,050 to $532,400 MFJ: $499,050 to $563,750 39.6% Single: Over $501,100 HoH: Over $532,400 MFJ: Over $563,750
Alternative Minimum Tax (AMT) Rates, Exemptions, and Exemption Phaseout Thresholds	Rates 26% and 28% (28% AMT rate applies to AMTI in excess of $187,800) Exemption amount and phaseout threshold Single & HoH: $54,300; $120,700 MFJ: $84,500; $160,900	Rates 26% and 28% (28% AMT rate applies to AMTI in excess of $220,700) Exemption amount and phaseout threshold Single & HoH: $81,300; $587,150 MFJ: $126,500; $1,156,300	Rates 26% and 28% (28% AMT rate applies to AMTI in excess of $224,900) Exemption amount and phaseout threshold Single & HoH: $65,000; $144,600 MFJ: $101,200; $192,800

Source: Center on Poverty and Social Policy at Columbia University, 2024.
Note: This table shows parameters for the following filing types: Single, Head of household (HoH), and Married, filing jointly (MFJ). Tax parameters for 2017 and 2023 (TCJA) were obtained from Pomerleau, 2016, 2017 Tax Brackets and Durante, 2022, 2023 Tax Brackets, respectively.

Table B2. EITC parameters adjusted for inflation (pre-TCJA 2017, 2023 TCJA, and pre-TCJA in 2023)

Year	Number of children	Phasein rate	Minimum income at max credit	Max credit	Phaseout rate	Phaseout range	Investment Income Limit
2017 (pre-TCJA)	0	7.65%	$6,670	$510	7.65%	Single & HoH: $8,340 to $15,010 MFJ: $13,930 to $20,600	$3,450
	1	34%	$10,000	$3,400	15.98%	Single & HoH: $18,340 to $39,617 MFJ: $23,930 to $45,207	
	2	40%	$14,040	$5,616	21.06%	Single & HoH: $18,340 to $45,007 MFJ: $23,930 to $50,597	
	3+	45%	$14,040	$6,318	21.06%	Single & HoH: $18,340 to $48,340 MFJ: $23,930 to $53,930	
2023 (TCJA)	0	7.65%	$7,840	$600	7.65%	Single & HoH: $9,800 to $17,640 MFJ: $16,370 to $24,210	$11,000
	1	34%	$11,750	$3,995	15.98%	Single & HoH: $21,560 to $46,560 MFJ: $28,120 to $53,120	
	2	40%	$16,510	$6,604	21.06%	Single & HoH: $21,560 to $52,918 MFJ: $28,120 to $59,478	
	3+	45%	$16,510	$7,430	21.06%	Single & HoH: $21,560 to $56,838 MFJ: $28,120 to $63,398	
2023 (pre-TCJA)	0	7.65%	$7,980	$610	7.65%	Single & HoH: $9,990 to $17,960 MFJ: $16,680 to $24,650	$4,150
	1	34%	$11,970	$4,070	15.98%	Single & HoH: $21,960 to $47,429 MFJ: $28,650 to $54,121	
	2	40%	$16,820	$6,728	21.06%	Single & HoH: $21,960 to $53,907 MFJ: $28,650 to $60,599	
	3+	45%	$16,820	$7,569	21.06%	Single & HoH: $21,960 to $57,900 MFJ: $28,650 to $64,592	

Source: Center on Poverty and Social Policy at Columbia University, 2024.

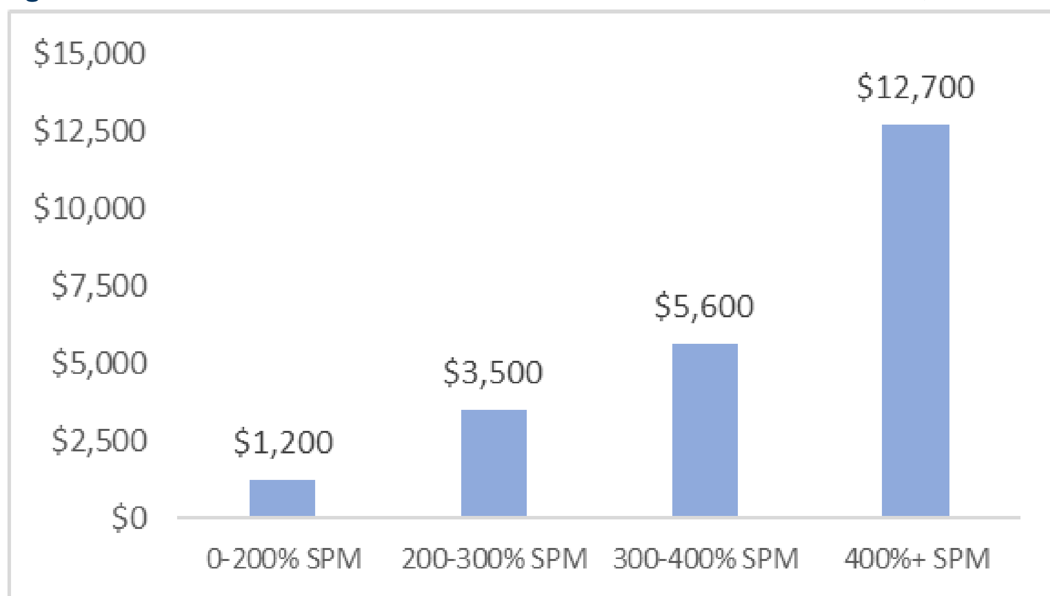
Note: This table shows parameters for the following filing types: Single, Head of household (HoH), and Married, filing jointly (MFJ). Tax parameters for 2017 and 2023 (TCJA) were obtained from Pomerleau, 2016, 2017 Tax Brackets and Durante, 2022, 2023 Tax Brackets, respectively.

APPENDIX C. Additional results

In the Results section of this brief, we focus on the **median** gains associated with TCJA by family income level – that is, across all children in each income group, the mid-point in the gains their families realized from TCJA. Looking at Figure 1, for example, the amounts shown for each income group represents the point at which half of children were in families that gained by less than the amount and half gained by more. Unlike the mean change in income associated with TCJA, the medians presented in Figure 1 are not skewed by outliers (i.e., families where gains were notably higher than the rest of the families in the income range).

In Figure C1, we show the **mean** gains from TCJA across the same income groups from Figure 1. For all income groups except the highest, the mean and median gains from TCJA are similar because there are few outliers. For those in the highest income group, however, the mean gain associated with TCJA was notably higher than the median ($12,700 vs $9,200) because those at the very top of the income distribution saw particularly large gains from TCJA. For example, estimates show that the benefits from TCJA to filers in the top 1% of the income distribution were five times those in the 95th to 99th percentile of the distribution.[26] Thus, when computing the mean gains from TCJA by income group, the gains realized by these outlier families lead to a higher mean gain versus median. Figure C2 also shows the mean gains from TCJA across demographics and shows similar trends as those seen in Figure 3, but with the gains appearing larger than the median gains due to outlier families in each group.

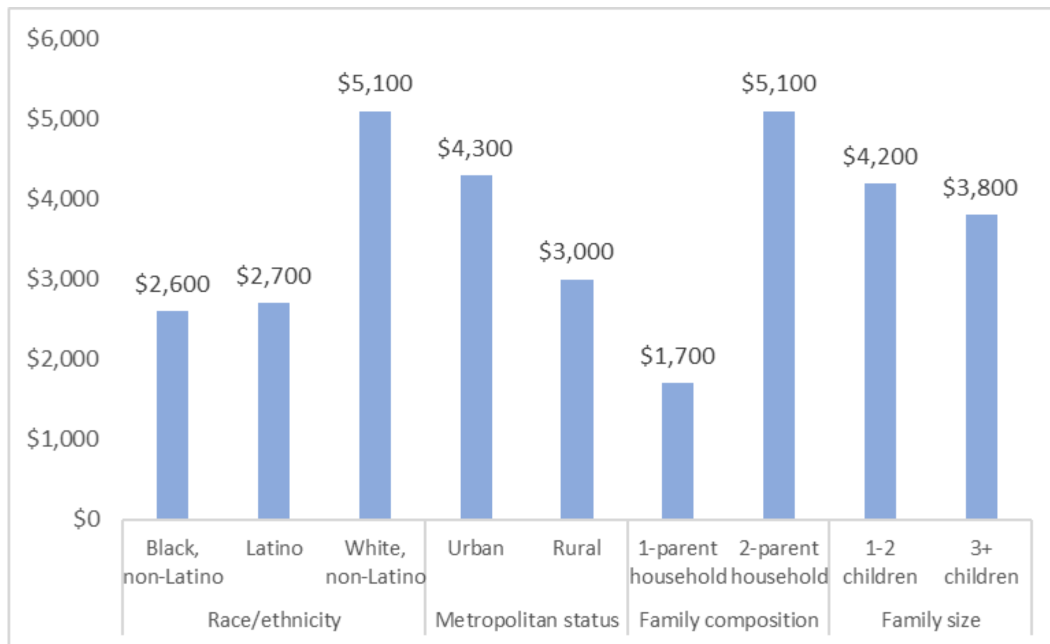
Figure C1. Where TCJA distributed tax benefits across income distribution, mean benefits



Source: Center on Poverty and Social Policy at Columbia University, 2024. Calculated using the 2024 Current Population Survey (CPS), Annual Social and Economic Supplement (ASEC), retrieved from U.S. Census Bureau.
Note: The dollar amounts shown reflect the mean change in family income at the *family* level.

[26] Ross, 2024, The Tax Cuts and Jobs Act Failed to Deliver Promised Benefits

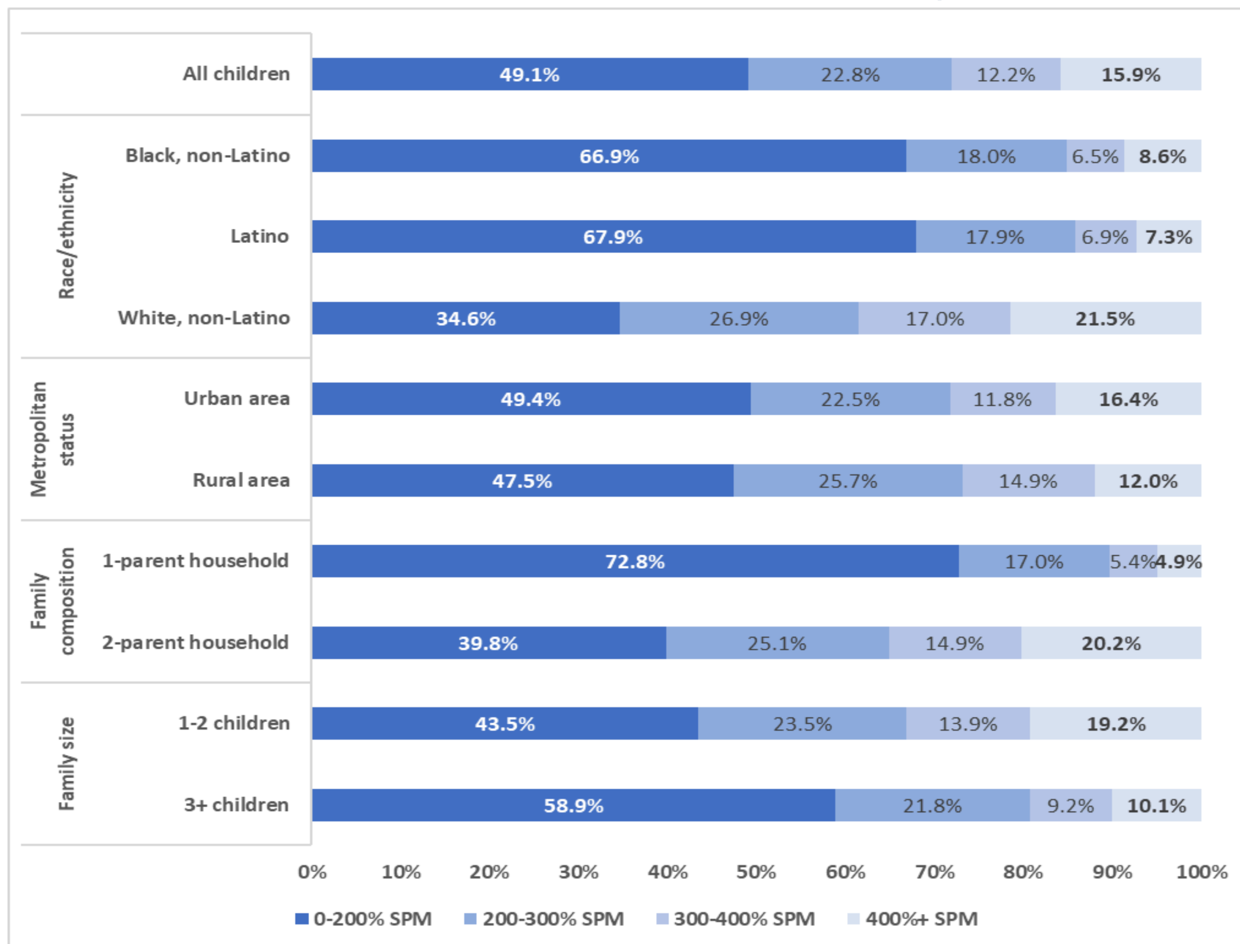
Figure C2. Where TCJA distributed tax benefits across demographics, mean benefits



Source: Center on Poverty and Social Policy at Columbia University, 2024. Calculated using the 2024 Current Population Survey (CPS), Annual Social and Economic Supplement (ASEC), retrieved from U.S. Census Bureau.
Note: The dollar amounts shown reflect the mean change in family income at the *family* level.

Figure C3 builds on Figure 2 by showing the share of children in families with higher incomes (e.g., incomes between 200-300%, 300-400%, and over 400% of the SPM poverty line) across demographics, in addition to the share of children living in families with low income.

Figure C3. Share of children across family income distribution, by demographic



Source: Center on Poverty and Social Policy at Columbia University, 2024. Calculated using the 2024 Current Population Survey (CPS), Annual Social and Economic Supplement (ASEC), retrieved from U.S. Census Bureau.
Note: Position in the income distribution determined based on tax liabilities/credits determined under TCJA.