Why the Design of a Larger Child Tax Credit Matters for Inequality Among Children

Examining Design Features that Emerged During the 2025 Tax Policy Debate

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The 2025 tax debate saw a number of proposals from Democratic and Republican policymakers to increase the value of the Child Tax Credit and reform a number of its central elements. Various Republican policymakers, who held control of both chambers of Congress during this debate, proposed a maximum credit of close to $5,000 per child, but with wide variations in credit design. Despite these proposals, the 2025 tax debate culminated with the passage of H.R.1, or the "One Big Beautiful Bill Act" (OBBBA), in July 2025, which only modestly changed the Child Tax Credit. OBBBA raised the maximum credit from $2,000 to $2,200 per child and permanently indexed it to inflation. However, it left untouched the elements that tie a family's credit amount to their income, with children in low-income families continuing to benefit less from this policy than those in middle- and higher-income families.

Calls for a more meaningful expansion of the Child Tax Credit are likely to resurface and policy design decisions will determine who benefits and to what degree. This brief draws on proposals that emerged in the recent tax debate to examine how different credit designs could either narrow or exacerbate inequities in the value of the Child Tax Credit between children in families with low incomes and children in families with more. We first look at differences in the OBBBA Child Tax Credit for children across the family income distribution. We then estimate how a larger maximum credit of $5,000 with elements of recently proposed designs—from universal access to different adjustments to the minimum earnings requirement, phase-in structure, and refundability cap—affects who would benefit. We also identify differences in the share of children who would be "left behind" from receiving the full credit under various designs.

KEY FINDINGS

- The 2025 OBBBA Child Tax Credit provides a maximum benefit of $2,200 per child to families with incomes high enough to qualify fully. However, on average, children close to the poverty line receive half this amount ($1,000 per child) and children in deep poverty receive just one-tenth ($200 per child).
- Various proposals for a larger maximum credit of close to $5,000 per child emerged in the 2025 tax debate. The actual gains from such an increase for children in poverty, though, depend on the credit design.
- A universal $5,000 Child Tax Credit for all children would deliver average gains of up to $4,000 per child close to the poverty line and $4,800 per child in deep poverty.
- Credit designs that continue to tie a family's credit amount to family income and tax liability, such as the proposals to increase the credit phase-in rate to 25% per child or to have the credit offset payroll taxes, substantially reduce the gains from a $5,000 Child Tax Credit for children in poverty and deliver gains primarily to children above the poverty line.

POLICY CONTEXT

The Child Tax Credit in 2025

The Child Tax Credit provides support to families through the tax system to help cover the cost of raising children. As of 2025, the Child Tax Credit is worth up to $2,200 per child under age 17 and is annually indexed to inflation.[1, 2] For children under age 17 to be eligible for the credit, they and at least one of their parents or guardians who claim them as a dependent must have a Social Security Number (SSN).[3] As a partially refundable credit, the Child Tax Credit first works to reduce the amount of income tax a family owes by up to the value of the maximum credit, or $2,200 per child. If the value of the maximum credit is larger than a family's tax bill, they may be able to receive a cash refund for the remainder. However, the cash refund can only amount to a portion of the maximum credit because three features of the credit's design limit this value: its (1) minimum earnings requirement, (2) phase-in rate, and (3) refundability cap.

Children are only eligible for the refundable portion of the Child Tax Credit if their parents' earnings exceed the credit's *minimum earnings requirement* of $2,500. After meeting the *minimum earnings requirement*, the value of their credit increases by 15 cents with each additional dollar in earnings (this is known as the *phase-in rate*) until the *refundability cap* is reached. The *refundability cap*, which sets the maximum credit amount that families can receive as a cash refund, is $1,700 per child in 2025. The combination of these policy elements tying the refundable credit to earned income means that most families must have a certain level of earned income to qualify for the full credit.[4] As a result, many children—particularly those in families with low and moderate incomes—receive less than the full credit. For example, in 2025, a two-parent, two-child family must have at least $41,500 in income to receive the full $2,200 credit.[5] At the upper end of the income distribution, the maximum Child Tax Credit is available to single-parent families (filing as a head of household) with up to $200,000 in Adjusted Gross Income (AGI) and married-parent families (married, filing jointly) with up to $400,000 in AGI.[6] The credit then phases out at a rate of $50 for every $1,000 in AGI above these income thresholds.

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[1] When referring to the credit that children and families are eligible for in 2025 under OBBBA and other proposals, we are referring to the Child Tax Credit that families are eligible for based on their income in calendar year (January to December) 2025. When families file their taxes in the spring of 2026 for income received in calendar year 2025, the value of their 2025 Child Tax Credit is calculated and accounted for when determining their tax liabilities and credits.

[2] For a detailed history of the Child Tax Credit, see McDermott, 2025, The Child Tax Credit: How it works and who receives it.

[3] Prior to OBBBA, the SSN requirement only applied to children and not their parents. Prior to the 2017 Tax Cuts and Jobs Act, children with an ITIN and not an SSN were eligible for the credit.

[4] The exception is families with unearned income (e.g. dividends and capital gains) on which they may owe federal income taxes. These taxes could be offset with the nonrefundable portion of the Child Tax Credit, and would qualify them for the full credit even if their earned income would not.

[5] Collyer, et al., 2025, Children left behind by the H.R.1 OBBBA Child Tax Credit.

[6] AGI is defined as filers' total income (i.e., the sum of wages, business income, capital gains (short- and long-term), dividends (qualified and unqualified), interest, retirement accounts and pensions, rents, social security, tips, and unemployment) minus certain deductions they are eligible for (i.e., including alimony paid, contributions to certain retirement accounts, educator expenses, self-employment taxes, self-employment health insurance premiums, some forms of business expenses, and student loan interest). For more details on AGI composition, see Internal Revenue Service, 2025, Definition of adjusted gross income.

Proposed Expansions to the Child Tax Credit

The changes to the Child Tax Credit under OBBBA leave the credit at a much more modest level than many of the alternative proposals from Republican policymakers, who held control of both chambers of Congress during the 2025 tax policy debate. Several of these proposals paired more substantial increases to the maximum value of the Child Tax Credit, often to a value close to $5,000 per child, with changes to the credit's design—specifically, its earnings requirement, phase in, and refundability cap—that would affect eligibility for children in families with lower incomes. Although such proposals for changes to the credit's design ultimately did not make it into OBBBA, many are likely to reemerge in coming years.[7] Thus, understanding their consequences for children and families is highly relevant to future debates.

In this brief, we examine design elements in a range of Republican Child Tax Credit proposals.[8] For example, during the 2024 presidential campaign, Vice President J.D. Vance expressed interest in a $5,000 Child Tax Credit that would "apply to all American families" and thus be available to children in both higher- and lower-income families.[9] In terms of policy design, this could be interpreted to be universal eligibility. While Vice President Vance's comments did not materialize into a full-fledged policy proposal from the campaign, Representative Ryan Mackenzie (R-PA-7) introduced a bill to increase the credit to $5,000 per child and establish universal eligibility early in the 2025 tax debate (H.R.1425).

Congressional Republicans also proposed pairing increases to the Child Tax Credit with changes to the credit's phase-in structure by adopting a "per-child" phase-in design (which would allow the credit to phase-in more quickly for families with multiple children), as well as eliminating the credit's earnings requirement and refundability cap. For example, Representative Blake Moore (R-UT-1) proposed an increased Child Tax Credit with a higher credit amount for younger children that would phase-in at a rate of 25% per child starting at the first dollar of AGI, and would eliminate the earnings requirement and refundability cap (H.R.353).[10] The proposed changes to the credit from Rep. Moore, however, were also tied to "pay-fors"—other changes to the tax code meant to cover the cost of increasing the Child Tax Credit. The "pay-fors" in Rep. Moore's proposal include the elimination of the 'head of household' filing status for single parents, the elimination of the Child and Dependent Care Tax Credit, and modifications to the Earned Income Tax Credit that would reduce benefit amounts for families with multiple children.

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[7] Other researchers, for example, have examined changes to the Child Tax Credit's phase-in rate, earnings requirement, and refundability cap while keeping the maximum credit amount at the $2,200 amount established under OBBBA. See Maag, 2025, Congress could expand the Child Tax Credit for low- and middle-income families.

[8] We have also examined the poverty reduction effects of Democratic Child Tax Credit proposals in prior work. The Democratic proposal, H.R.2763, would permanently make the credit fully refundable at an increased amount—including a higher credit amount for younger children and an additional payment for infants—and establish near-universal eligibility for the full credit, similar to the 2021 temporary expansion. See Yera, et al., 2025, What could 2024 child poverty rates have looked like had an expanded Child Tax Credit still been in place?

[9] Brennan, 2024, Transcript: Sen. JD Vance on "Face the Nation with Margaret Brennan," Aug. 11, 2024

[10] The idea proposed by Rep. Moore builds off a prior proposal led by former Sen. Mitt Romney (R-UT) (S.5256, 118th Congress). Similarly, Sen. Ron Wyden (D-OR) and Rep. Jason Smith (R-MO-8) previously led a bipartisan bill that would have changed the Child Tax Credit's phase-in structure to a "per-child" basis so that the refundable portion would phase-in at a rate of 15% per child (H.R.7024, 118th Congress). The bill passed the House but did not advance in the Senate.

Other proposals to change the Child Tax Credit's phase-in structure included calls to include payroll taxes in the tax liabilities considered to calculate a family's credit. Accounting for federal payroll taxes,[11] including both the employee and employer contributions, in this calculation would allow families with a payroll tax liability but without federal income tax liabilities to gain access to at least a partial Child Tax Credit, effectively reducing the earnings requirement to $1, with the credit phasing in from there. Early in the 2025 tax policy debate, Senator Josh Hawley (R-MO) proposed increasing the maximum Child Tax Credit from $2,000 to $5,000 per child, eliminating the credit's refundability cap, and including payroll taxes in the credit's calculation.[12]

OUR ANALYSIS

In this brief, we examine how various proposed design choices related to the Child Tax Credit's earnings requirement, phase-in rate, and refundability cap would affect the benefits children derive from a larger credit worth up to $5,000 per child. Looking across the family income distribution (see text box on page 8 for more details on how we identify children across the income distribution), we first examine the OBBBA Child Tax Credit that children are eligible for in 2025 and then assess how much children would gain, on average, on top of the OBBBA credit from a $5,000 maximum credit under various designs. These designs are all informed by the proposals put forward in the recent tax debate.

For this analysis, we model a $5,000 per child maximum Child Tax Credit with three different credit designs:[13]

1. **Universal:** All children, regardless of their family income, would receive a flat rate amount of $5,000. The credit would not have an earnings requirement or refundability cap (i.e., the maximum refundable amount would be $5,000). As a universal credit, it would not not phase in for children in families with lower incomes, and it would not phase out for children in families with high incomes;

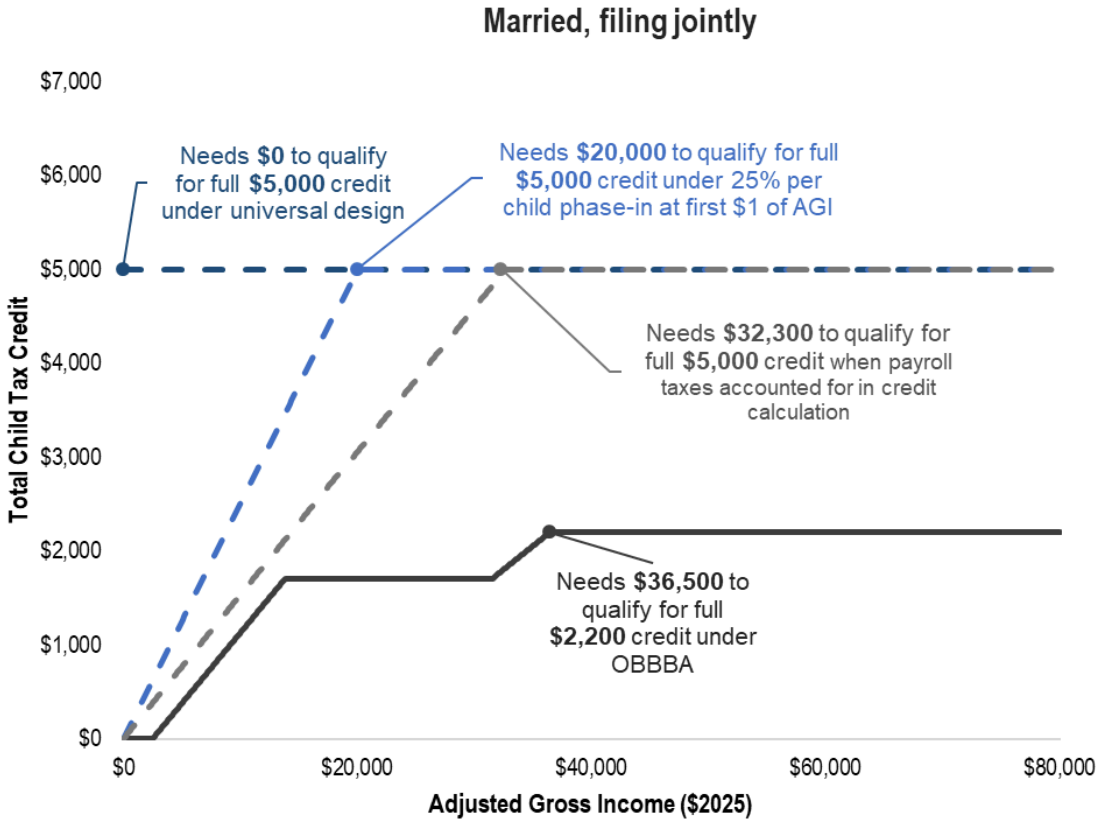
2. **Phase-in at rate of 25% per child at first dollar of AGI:** The credit would phase in at a rate of 25% per child for every dollar of AGI (e.g., a filer with two children and $15,000 in AGI would receive a total credit of $7,500). This credit would not have a refundability cap nor an earnings requirement of $2,500. The credit then begins to phase out at the same rate and income level as the Child Tax Credit under OBBBA for children in families with high incomes; and,

3. **Phase-in offsetting payroll taxes at first dollar of earnings:** This credit would offset a filer's federal income taxes and federal payroll taxes by up to $5,000 per child. This includes both the employee and employer contributions to federal payroll taxes. The $2,500 earnings requirement would be eliminated by offsetting payroll taxes, as the credit would be available at the first dollar of earnings. The credit would not have a refundability cap and would phase out at the same rate and income level as the Child Tax Credit under OBBBA for children in families with high incomes.

[11] This refers to Federal Insurance Contributions Act, or FICA, taxes.
[12] Kight, 2024, Scoop: GOP senator pushes huge increase to Child Tax Credit.
[13] The credit designs modeled in this analysis do not make any changes to the Child Tax Credit's age requirement. That is, the three $5,000 Child Tax Credit proposals we model are made available only to children under age 17.

Figure 1 provides an example of how the Child Tax Credit is tied to income for a two-parent (married, filing jointly) family with one child. In this example, the family only has earned income; therefore, their AGI and earned income are equivalent. The figure shows that such families would need $36,500 in income to receive the full $2,200 credit for their child in 2025.[14] In comparison, that same family would need $32,300 in income to receive a $5,000 Child Tax Credit that accounts for payroll taxes in the credit's calculation or $20,000 in income to receive a $5,000 credit that phases in at 25% per child at the first dollar of AGI. All families would qualify for a universal $5,000 credit, regardless of income, family size, or filing type. We show the incomes needed for a one-parent, one-child family to qualify for the full Child Tax Credit under OBBBA and these various $5,000 credit designs in Appendix B.

Figure 1. Income needed to qualify for full Child Tax Credit for a two-parent, one-child family in 2025: OBBBA vs. $5,000 Child Tax Credit designs



Source: Center on Poverty and Social Policy at Columbia University, 2025. Calculated using the 2025 Current Population Survey (CPS), Annual Social and Economic Supplement (ASEC), retrieved from U.S. Census Bureau.

Note: In this example, Adjusted Gross Income (AGI) and earned income are equivalent. The income needed to gain access to the full Child Tax Credit may be different for families who have, for example, both ordinary income and capital income. Tax liabilities used to determine the value of a families' Child Tax Credit calculated according to 2025 tax parameters.

We note that in calculating the credit amount that children receive under OBBBA, we may overestimate the benefits children receive from this policy as we cannot identify children who

[14] The figure also shows how, under OBBBA, families with earned income below $2,500 (the minimum earnings requirement) do not receive a credit, and families with income above this amount have their credit phased in at a rate of 15% until reaching the refundability cap of $1,700 (the first plateau in the phase-in). The credit then begins to phase-in again as families begin to incur federal income tax liabilities until reaching the maximum credit of $2,200 for their child.

are denied Child Tax Credit eligibility because they or their parent(s) do not hold SSNs. We also assume 100% take-up of the credit among families eligible for the credit in 2025, but note that this likely still undercounts actual credit distributions relative to official Internal Revenue Service (IRS) administrative totals.[15] For the alternative $5,000 maximum credit proposals, we also do not include the effects of any "pay-fors" that accompanied changes to the Child Tax Credit in proposals from policymakers during the 2025 tax policy debate as discussed earlier. If policies' "pay-fors" affected the mix of resources available to families (e.g., by changing other major policies like the EITC) the results could well be different. As such proposals reemerge in future debates, carefully considering the pay-fors will be critical to understanding their effects.

How do we identify children across the family income distribution?

In this brief, we identify where children are situated within the family 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 net of necessary out-of-pocket expenses, as defined by their family's SPM resources. This is then compared to the SPM poverty threshold to see where children fall in the income-to-needs distribution.

The five income categories we use here approximately equate to multiples of the 2024 national SPM poverty line:

1. **Deep poverty**: below 50% (or half) the SPM poverty line;
2. **Poverty**: between 50% and 100% of the SPM poverty line;
3. **Low income**: between 100% and 200% (or twice) the SPM poverty line; and,
4. **Moderate and middle income**: between 200% and 400% (or four times) the SPM poverty line.
5. **High income**: above 400% (or four times) the SPM poverty line.

The SPM poverty threshold differs among families of different sizes and housing types.[16] For a 2-parent, 2-child family in rental housing in 2024, 50% of the average SPM poverty threshold was $20,602; 100% of the threshold was $41,203; 200% was $82,406; and 400% was $164,812. Table 1 shows the share and number of children under age 17 who live in the five income categories we identify.

Table 1. Share and number of children under age 17 across family income distribution

	Family income	%	N
In poverty	0-50% SPM (Deep poverty)	3.3%	2,261,000
	50-100% SPM	10.0%	6,848,000
Above the poverty line	100-200% SPM (Low income)	35.9%	24,492,000
	200-400% SPM (Moderate and middle income)	34.0%	23,190,000
	400%+ SPM (High income)	16.8%	11,490,000

Source: Center on Poverty and Social Policy at Columbia University, 2025. Calculated using the 2025 Current Population Survey (CPS), Annual Social and Economic Supplement (ASEC), retrieved from U.S. Census Bureau.

[15] We use the Current Population Survey (CPS) Annual Social and Economic Supplement (ASEC) for this analysis. We estimate that the CPS-ASEC captures about 94% of the actual cost of the Child Tax Credit in 2022 (the latest year for which administrative totals are available) when compared to official IRS estimates. Total Child Tax Credit spending in 2022 (nonrefundable and refundable portions combined) amount to approximately $110,997,869,000 in the CPS-ASEC, compared to $117,876,356,000 in official IRS estimates. See Internal Revenue Service. 2025. SOI Tax Stats - Individual income tax returns complete report (Publication 1304).

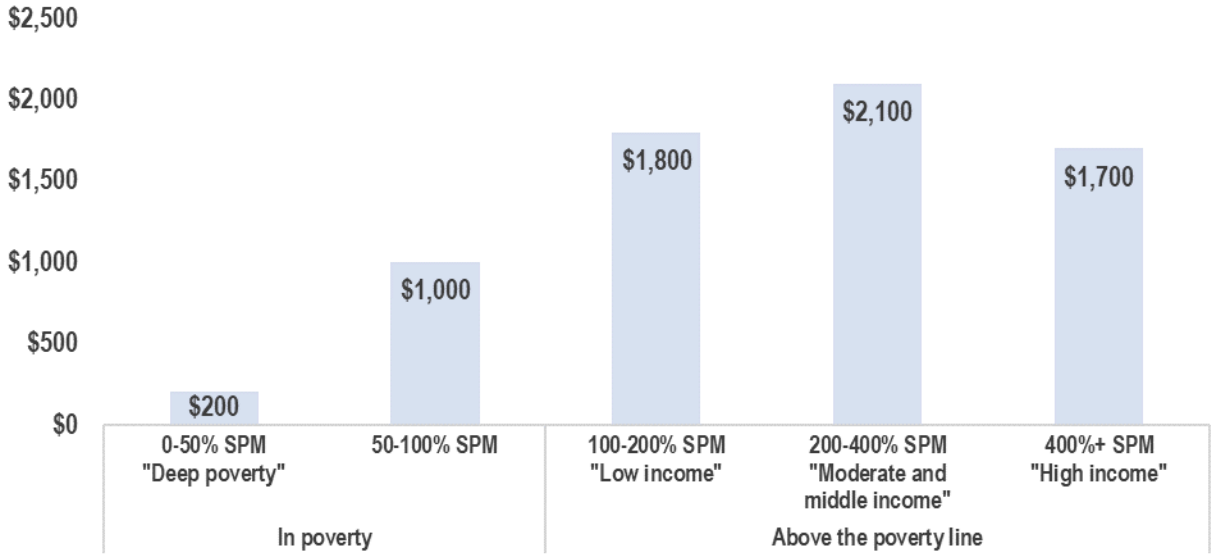
[16] The SPM poverty thresholds differ between families who own their homes in full, own their homes but hold a mortgage, and live in rental housing.

RESULTS

How much will children receive from the Child Tax Credit under OBBBA in 2025?

We first estimate the average benefits children would receive from the OBBBA Child Tax Credit in 2025. Figure 2 shows that, on average, children below the poverty line receive far less than the full credit under OBBBA. **We estimate that the average child in deep poverty (i.e., below 50% SPM) will receive just $200—less than a tenth of the full credit—and children closer to the poverty line (i.e., 50-100% SPM) will receive $1,000 per child, or less than half of the maximum credit amount.** In contrast, children above the poverty line will receive a credit amount much closer to the maximum of $2,200 per child. Children in families with moderate or middle incomes (i.e., 200-400% SPM) would receive the highest benefits, on average, as the credit value then begins to taper off for children in the highest-earning families ($2,100 vs. $1,700 per child). It is worth remembering that OBBBA's changes to the Child Tax Credit were accompanied by other major changes to policies for families with low incomes, such as Medicaid and the Supplemental Nutrition Assistance Program (SNAP, formerly the Food Stamp Program). Thus, the inequalities depicted in Figure 2 are only an incomplete picture of how total resources could change under OBBBA, and are confined to changes in the Child Tax Credit.

Figure 2. Average OBBBA Child Tax Credit benefit per child under age 17, by family income level



Source: Center on Poverty and Social Policy at Columbia University, 2025. Calculated using the 2025 Current Population Survey (CPS), Annual Social and Economic Supplement (ASEC), retrieved from U.S. Census Bureau.

Note: Dollar amounts shown are in 2025 dollars (see Appendix A for more details).

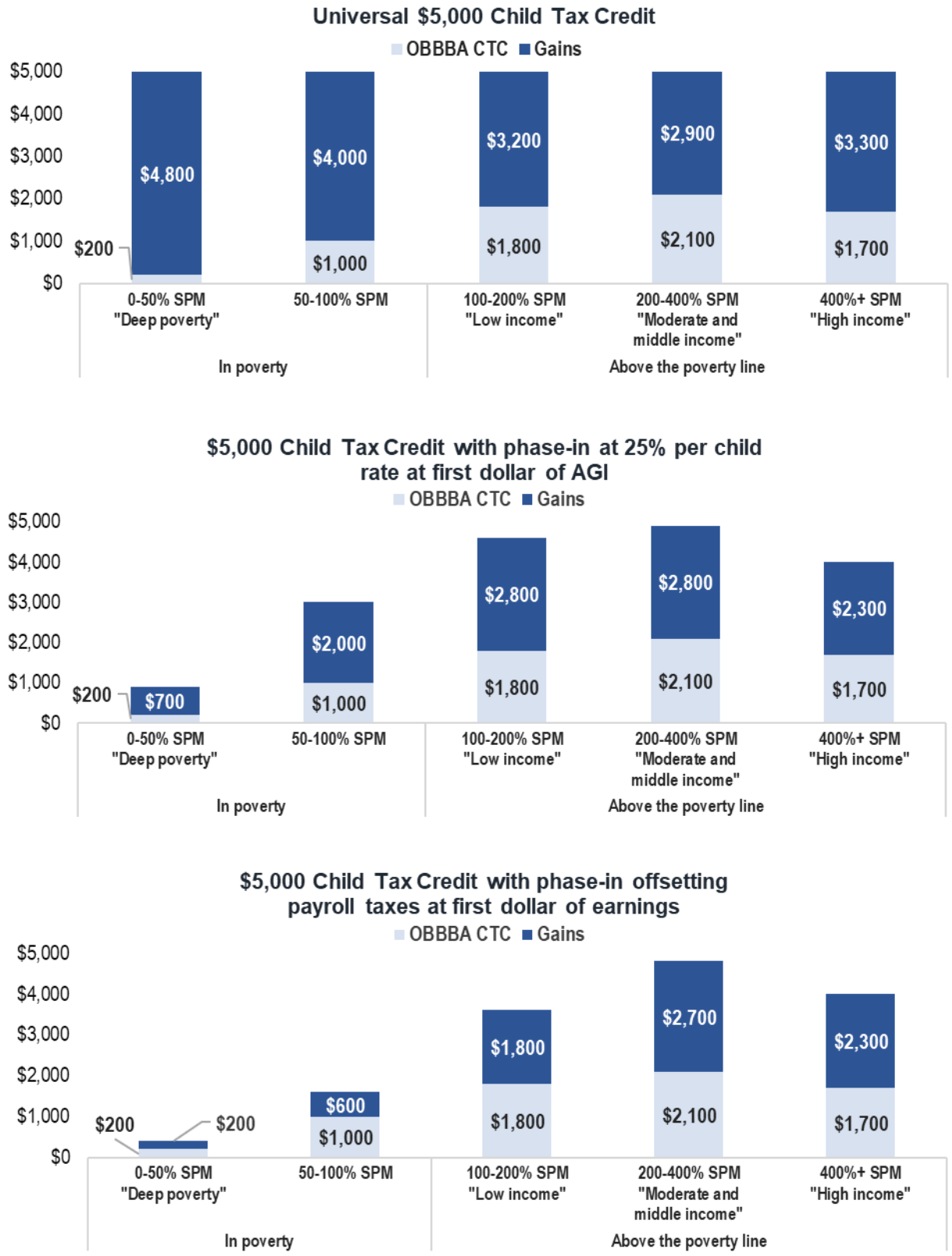
How much could children gain from a $5,000 Child Tax Credit under various credit designs?

The top panel of Figure 3 shows the average gain in children's Child Tax Credit amounts with a maximum credit of $5,000 per child under the credit designs noted earlier. **Of the three credit designs modeled, our findings confirm that a universal, fully-refundable $5,000 Child Tax Credit would provide the highest gains in children's credit amounts, on average, across the family income distribution.** While all children could see outsized increases in their Child Tax Credit amount under this design, children living in poverty would see the largest relative gains. Absent eligibility restrictions limiting access to the full credit amount, a universal $5,000 credit could deliver, on average, about $4,800 in gains per child to children in deep poverty and roughly $4,000 in gains per child to those closer to the poverty line.

Children across the family income distribution could also gain from a $5,000 Child Tax Credit under the 25% "per-child" phase-in rate and payroll tax phase-in design (Figure 3). **However, the eligibility restrictions imposed by both designs would greatly reduce the potential gains associated with a $5,000 Child Tax Credit for all children, but especially children below the poverty line.** Figure 3 shows that a $5,000 Child Tax Credit with a 25% "per-child" phase-in rate would sharply decrease the potential gains a $5,000 credit could deliver to children in poverty. This design would deliver an average gain of just $700 per child to children in deep poverty and $2,000 per child to children closer to the poverty line. By comparison, this design would deliver up to $2,800 per child, on average, in gains to children in families living above the poverty line. Under this design, the average child in poverty would also receive far less than the maximum credit of $5,000 per child that children in moderate, middle, and higher income families would have access to.

A $5,000 Child Tax Credit with a phase-in design offsetting federal payroll taxes would further diminish the gains from a $5,000 credit, especially for children below the poverty line. On average, such a design would deliver just $200 per child in gains to children in deep poverty, and children closer to the poverty line would see their average gains reduced to $600 per child. Compared to the credit with a 25% "per-child" phase-in, a $5,000 Child Tax Credit that offsets payroll taxes would deliver roughly the same gains, on average, to children in moderate or middle- and high-income families ($2,700 and $2,300 per child, respectively), but deliver fewer gains to children in families with low incomes and those below the poverty line.

Figure 3. Average gains in children's Child Tax Credit with a $5,000 credit under various phase-in designs and eligibility requirements, by family income level



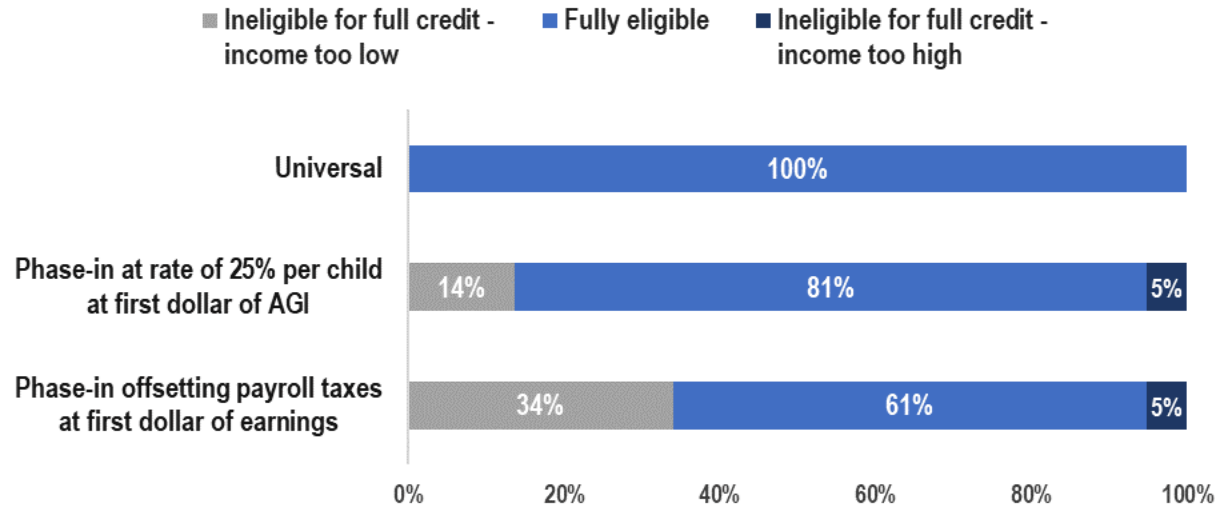
Source: Center on Poverty and Social Policy at Columbia University, 2025. Calculated using the 2025 Current Population Survey (CPS), Annual Social and Economic Supplement (ASEC), retrieved from U.S. Census Bureau.

Note: Dollar amounts shown are in 2025 dollars (see Appendix A for more details).

How many children could be "left behind" by a $5,000 Child Tax Credit under various credit designs?

Whereas a universal design would ensure that all children receive the full $5,000 credit, other proposed credit designs could keep millions of children in families with the lowest incomes from qualifying for the maximum $5,000 per child credit. As in our prior work,[17] we define being "left behind" as receiving less than the maximum credit amount per child because family income was too low. Figure 4 shows that the share of children left behind increases with more restrictive eligibility requirements. While all children under age 17—more than 68 million—would receive the full $5,000 Child Tax Credit under a universal design, nearly 1 in 3 (34%, or roughly 23.3 million) would be left behind by a $5,000 credit with a phase-in design that offsets payroll taxes. Fewer children would be left behind by a $5,000 credit with a 25% "per-child" phase-in rate, with roughly 9.3 million children (14%) being left behind.

Figure 4. Share of children left behind by a $5,000 Child Tax Credit under various phase-in designs and eligibility requirements



Source: Center on Poverty and Social Policy at Columbia University, 2025. Calculated using the 2025 Current Population Survey (CPS), Annual Social and Economic Supplement (ASEC), retrieved from U.S. Census Bureau.

Note: Results limited to children under age 17 identified as dependents in the 2025 CPS-ASEC.

[17] See Collyer, et al., 2025, Children left behind by the H.R.1 OBBBA Child Tax Credit.

CONCLUSION

The Child Tax Credit has changed in numerous ways since it was first established in 1997, and will likely continue to evolve. The most recent changes to the Child Tax Credit under OBBBA increase the maximum amount from $2,000 to $2,200 per child, permanently index the credit to inflation, and impose greater eligibility restrictions on immigrant families while leaving untouched the rest of the credit's central elements that could deliver greater benefits to families. Prior to OBBBA's passage, multiple Republican policymakers introduced proposals throughout the 2025 tax policy debate that could have increased the Child Tax Credit to up to $5,000 per child while also changing the credit's earnings requirement, refundability, and/or phase-in design. In this brief, we estimate how much children across the family income distribution will receive from the OBBBA Child Tax Credit in 2025, and investigate how much children could gain from a $5,000 Child Tax Credit under three credit designs similar to those floated during the 2025 tax debate.

Under the OBBBA Child Tax Credit, children in poverty receive the fewest benefits, with the average child in deep poverty receiving just $200 and those closer to the poverty line receiving an average of $1,000 per child.. Children in these families are subject to phase-in rates and other refundability and eligibility requirements that make them the most likely to be left behind from receiving the full credit. As such, children below the poverty line stand to gain the most from an expanded $5,000 Child Tax Credit. A universal $5,000 Child Tax Credit in which all children receive the full credit amount, regardless of their family's income, would deliver the greatest gains to children in poverty: on average, children in deep poverty would gain $4,800 per child, and those closer to the poverty line would gain $4,000 per child. However, the potential gains children could receive from a $5,000 credit diminish when imposing more restrictive credit designs, including designs that would have the credit offset payroll taxes or phase-in the credit at a faster rate, but still tie a family's credit amount to their income. Such designs would drastically reduce the potential gains from a $5,000 credit for children below the poverty line and could leave behind up to 1 in 3 children. Comparatively, children in families with income above the poverty line would be less affected by imposed phase-in structures and eligibility requirements, and would continue to gain substantially more than their counterparts.

SUGGESTED CITATION

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APPENDIX A. Data and Methodology

Data

Results presented in this brief were prepared using the 2025 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 (2024, in this case). We retrieved the person- and household-level 2025 CPS-ASEC files from the Census website for this brief.[18] 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.

Monthly Consumer Price Index for All Urban Consumers (CPI-U) data was retrieved from FRED, Federal Reserve Bank of St. Louis.[19]

Approach

This brief presents estimates for the average benefits children receive from the Child Tax Credit under OBBBA across the family income distribution, and how much children would gain, on average, from a Child Tax Credit worth $5,000 per child under various eligibility requirements and phase-in designs previously proposed. Below, we describe the approach taken to model the Child Tax Credit under OBBBA and a $5,000 credit under three recent proposals to change the credit's design:

1. Modeling the Child Tax Credit under OBBBA

To model the Child Tax Credit under OBBBA, we first use the 2025 CPS ASEC's variables identifying tax units and dependents to identify dependent children eligible for the credit.[20] We then calculate the value of the nonrefundable and refundable portions of the Child Tax Credit each tax unit would receive under OBBBA. As our analysis uses income data from 2024, we deflate the credit's parameters—the maximum credit value, refundability cap, earnings requirement, and phaseout thresholds—from 2025 dollars to 2024 dollars using the CPI-U.

We then determine the Child Tax Credit for which each child under age 17 is eligible. The total Child Tax Credit estimated for the tax unit includes the value of the credit for children under age 17 *and* those ages 17 or older who could have received the Credit for Older Dependents (ODC) as part of their nonrefundable Child Tax Credit. To determine the per-child Child Tax Credit received by families for their children under age 17, we first estimate the ODC and remove this from the total Child Tax Credit. We then divide the Child Tax Credit, absent the ODC, by the number of dependents under age 17 in the tax unit. The tax unit's "per child" Child Tax Credit

[18] We perform a slight adjustment to tax units within multi-generational households in the CPS-ASEC. In some cases, the youngest generations of these households may be placed in their own tax unit composed entirely of dependent minors. In the 2025 CPS-ASEC, 170 children were placed in tax units composed solely of dependents. In order to appropriately calculate the Child Tax Credit benefit for these children, we regroup dependents into the same tax unit as those who may claim them, recalculate their taxes using NBER's TAXSIM, and then conduct our simulation of the various $5,000 Child Tax Credit proposals. More information on TAXSIM available at https://www.nber.org/taxsim.

[19] U.S. Bureau of Labor Statistics, 2025, Consumer Price Index for All Urban Consumers: All items in U.S. city average [CPIAUCSL]

[20] More information about how the CPS ASEC identifies tax units and dependents can be found in pgs. 4-6 of Lin, 2022, Methods and assumptions of the CPS ASEC Tax Model.

value is then inflated from 2024 dollars back to 2025 dollars using the CPI-U. Children under age 17 whose per-child Child Tax Credit is less than $2,200 (in 2025 dollars) are identified as being "left behind," or not being eligible for the full credit under OBBBA.

As noted in the body of this brief, we may overestimate the benefits children receive from this policy as we cannot identify children who are denied Child Tax Credit eligibility because they or their parent(s) do not hold Social Security Numbers. We also do not include the effects of any "pay-fors" that accompanied changes to the Child Tax Credit in proposals from policymakers during the 2025 tax policy debate.

2. Modeling a $5,000 Child Tax Credit under various eligibility requirements and phase-in rates

Universal

To model a universal, fully refundable Child Tax Credit worth $5,000 per child, we assigned each tax unit identified in the 2025 CPS-ASEC a Child Tax Credit value equal to $5,000 (in 2025 dollars) per dependent under age 17. As we are only interested in the distribution of the Child Tax Credit for children under age 17, we do not calculate an ODC for children age 17 or older. We then calculate the "per child" Child Tax Credit value by dividing the total credit amount each tax unit would receive from this $5,000 Child Tax Credit by the number of dependents under age 17 in the tax unit. Because filers' incomes are not needed to calculate the Child Tax Credit under this proposed design, we do not adjust the value of the credit for inflation.

Phase-in at rate of 25% per child at first dollar of AGI

To model this proposed credit design, we first deflated the $5,000 credit's parameters to 2024 dollars, as the credit under this phase-in design is tied to family income and our analysis uses income data from 2024. We first calculate tax units' total credit by multiplying their AGI by a rate of 25% per child under age 17, capping the total credit at $5,000 per child (in 2025 dollars). The credit values for all families are then phased out following the phaseout structure in place under OBBBA. We then divide the total Child Tax Credit by the number of dependents under age 17 in the tax unit to get the tax unit's "per child" credit amount. This value is then inflated from 2024 dollars back to 2025 dollars using the CPI-U. Children under age 17 whose per-child credit is less than $5,000 (in 2025 dollars) are identified as being "left behind," or not being eligible for the full credit.

Phase-in offsetting payroll taxes at first dollar of earnings

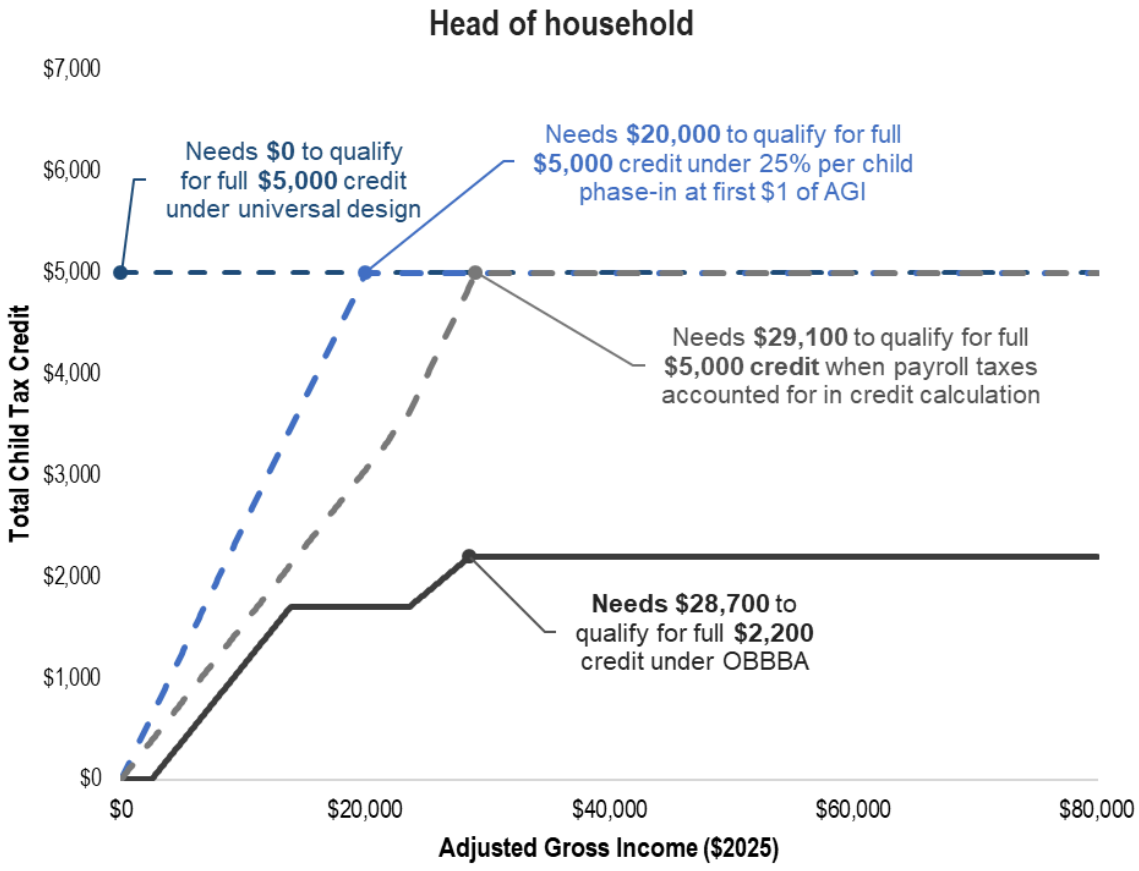
To model this proposed credit design, we first deflated the $5,000 value to 2024 dollars, as the credit under this phase-in design is tied to a family's income and payroll taxes, which are in 2024 dollars in the dataset. We then calculate the sum of a family's pre-credit federal income tax and payroll tax liabilities, including both the employer and employee contributions to payroll taxes in this calculation. We then determined filers' Child Tax Credit as the minimum of their tax liability and $5,000 (in 2025 dollars). The credit values are then phased out following the phaseout structure in place under OBBBA. We then divide the $5,000 Child Tax Credit by the number of dependents under age 17 in the tax unit to get the tax unit's "per child" credit amount. This value is then inflated from 2024 dollars back to 2025 dollars using the CPI-U. Children under age 17 whose per-child credit is less than $5,000 (in 2025 dollars) are identified as being "left behind," or not being eligible for the full credit.

3. Calculating gains in children's Child Tax Credit

Lastly, we calculate how much children's Child Tax Credit could change under the three $5,000 Child Tax Credit proposals modeled. To do this, we look at the average OBBBA and proposed $5,000 Child Tax Credit amounts for children living in deep poverty (i.e., 0-50% SPM) or closer to the poverty line (i.e., 50-100% SPM), and those living in families with low income (i.e., 100-200% SPM), families with moderate or middle income (i.e., 200-400% SPM), and families with high income (i.e., 400%+ SPM). To calculate the average "gain" associated with each $5,000 credit we model, we subtract the average "per child" credit amount under OBBBA from the average "per child" credit amount under each $5,000 proposal.

Appendix B. Additional Figures

Figure B.1. Income needed to qualify for full Child Tax Credit for a one-parent, one-child families in 2025: OBBBA vs. $5,000 Child Tax Credit designs



Source: Center on Poverty and Social Policy at Columbia University, 2025. Calculated using the 2025 Current Population Survey (CPS), Annual Social and Economic Supplement (ASEC), retrieved from U.S. Census Bureau.

Note: In this example, Adjusted Gross Income (AGI) and earned income are equivalent. The income needed to gain access to the full Child Tax Credit may be different for families who have, for example, both ordinary income and capital income. Tax liabilities used to determine the value of a families' Child Tax Credit calculated according to 2025 tax parameters.

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