



Ways and Means Committee Child Tax Credit Expansion Proposal

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<https://budgetmodel.wharton.upenn.edu/estimates/2021/2/24/ways-and-means-child-tax-credit-expansion>

Summary: In early February 2021, Congressman Richard E. Neal (D-MA), Chairman of the House Ways and Means Committee, released legislative proposals* for COVID-19 economic relief to be considered under the budget reconciliation process. One major element of the proposal is an expansion of the Child Tax Credit (CTC), similar to the plan envisioned in President Biden's stimulus proposal.** The CTC proposal would make the Child Tax Credit fully refundable, and would provide annual benefits of up to \$3,600 per child under age 6, and up to \$3,000 for children 17 and under. The credit would begin phasing out in value at a rate 5 cents for each additional dollar of income above \$75,000 for single filers, \$150,000 for married filers, and \$112,500 for head of household filers. For tax units with incomes above these phase-out thresholds, the value of the credit would remain unchanged from current law.

PWBM projects that this provision would cost \$100 billion. Families in the bottom 80 percent of the income distribution would see an average benefit of over \$3,100.

*<https://waysandmeans.house.gov/media-center/press-releases/chairman-neal-announces-markup-covid-19-relief-measures>

**<https://www.washingtonpost.com/us-policy/2021/01/14/biden-stimulus-covid-relief/>

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Table 1: Budgetary impact of spending proposal

Billions of Dollars, Change from Current-Law Baseline

2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
-77	-23	0	0	0	0	0	0	0	0	-100



Table 2: Distribution of Federal Tax Change under the Proposal

Income group	Average tax change	Share with a tax change	Average tax cut for those with a tax cut	Percent change in after tax income	Share of tax change	Share of federal taxes paid	
						Before tax change	After tax change
Bottom quintile	-\$440	12%	-\$3,825	9%	20%	0%	-1%
Second quintile	-\$910	28%	-\$3,300	3%	29%	3%	2%
Middle quintile	-\$656	24%	-\$2,720	1%	18%	11%	11%
Fourth quintile	-\$725	26%	-\$2,805	1%	19%	19%	19%
80-90%	-\$1,025	36%	-\$2,850	1%	11%	15%	15%
90-95%	-\$550	23%	-\$2,420	0%	2%	11%	11%
95-99%	-\$350	16%	-\$2,215	0%	1%	16%	17%
99-99.9%	\$0	0%	\$0	0%	0%	13%	13%
Top 0.1%	\$0	0%	\$0	0%	0%	12%	12%

Note: "Income" is defined as AGI plus: above-the-line deductions, nontaxable interest income, nontaxable Social Security benefits, nontaxable pensions and annuities, employer-side payroll taxes, and corporate liability. Note that this definition excludes transfer income and thus understates low-income tax units' income.