



The value of the credits is provided in **Table 1**. Since it is assumed that the family's income equaled the "phase-out threshold amount," the family would by definition receive the maximum EITC for a family with three or more children. The maximum amount of the EITC, as well as other inflation adjusted parameters of the credit (and other provisions of the tax code), are published in Internal Revenue Service (IRS) revenue procedures.<sup>4</sup>

The child tax credit is effectively calculated as 15% of earnings above \$3,000, not to exceed the maximum amount of the credit.<sup>5</sup> (The *maximum* amount of the child tax credit is the number of qualifying children multiplied by \$1,000.) For example, in 2013, the value of the child tax credit would be calculated as 15% of \$19,870 (\$22,870 minus \$3,000), equaling \$2,981 as illustrated in **Table 1**. In 2014, the child tax credit is calculated using the same formula (15% of \$20,260 (\$23,260 minus \$3,000)). Using the formula, the credit would be equal \$3,039. However, if the family has three qualifying children, the credit cannot exceed \$3,000, and hence this family's child tax credit would be \$3,000. If the family had four qualifying children, in contrast, the child tax credit in 2014 would be \$3,039 as illustrated in **Table 1**. Unlike the EITC, the amount of the child tax credit is not indexed for inflation.

**Table 1. Amount of the EITC and Child Tax Credit for a Stylized Taxpayer, 2011-2014**

Year	Earned Income	EITC		Child Tax Credit		Total of EITC & Child Tax Credit	
		3 Children	4 Children	3 Children	4 Children	3 Children	4 Children
2011	\$21,770	\$5,751	\$5,751	\$2,816	\$2,816	\$8,567	\$8,567
2012	\$22,300	\$5,891	\$5,891	\$2,895	\$2,895	\$8,786	\$8,786
2013	\$22,870	\$6,044	\$6,044	\$2,981	\$2,981	\$9,025	\$9,025
2014	\$23,260	\$6,143	\$6,143	\$3,000	\$3,039	\$9,143	\$9,182

**Source:** CRS calculations based on Internal Revenue Code section 32 and 24 and Internal Revenue Procedures 11-12, 11-52, 13-5 & 13-35

**Notes:** Earned income is equal to the maximum earned income a married taxpayer can have and still receive the maximum EITC amount.

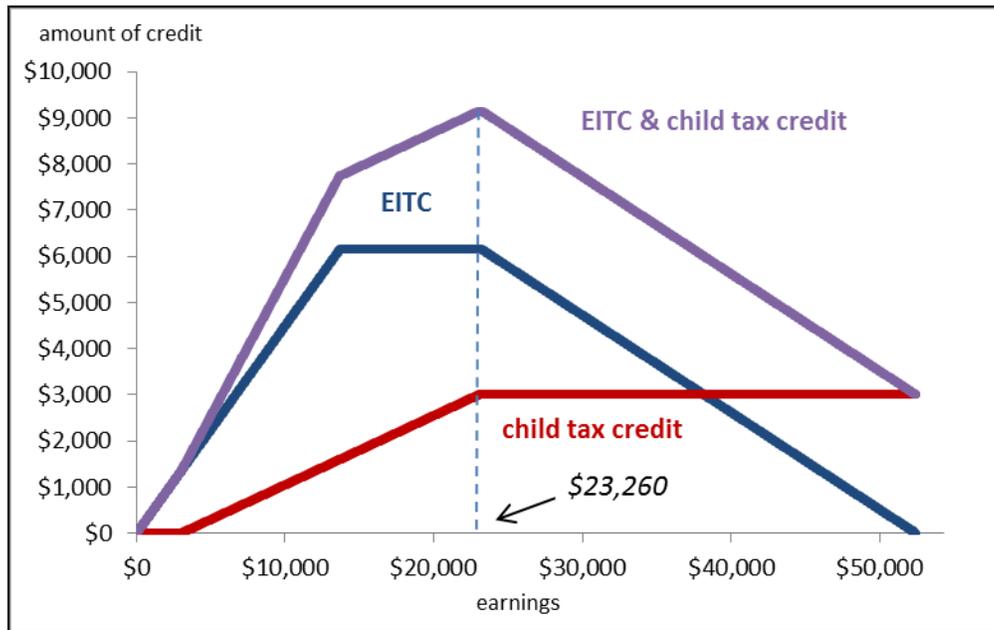
**Figure 1** provides a graphical representation of the amount of the EITC and child tax credit by earnings for a married couple with three children in 2014. As this figure shows, the EITC gradually increases to its maximum value of \$6,143, remains constant at this maximum value, and then begins to fall in value when earnings exceed the phase-out threshold amount of \$23,260. In addition, the child tax credit reaches its

<sup>4</sup> The maximum EITC amount for 2011 through 2014 can be found in Revenue Procedure 11-2, 11-52, 13-5 and 13-35 available at <http://www.irs.gov/pub/irs-drop/rp-11-12.pdf>, <http://www.irs.gov/pub/irs-drop/rp-11-52.pdf>, <http://www.irs.gov/pub/irs-drop/rp-13-15.pdf>, and <http://www.irs.gov/pub/irs-drop/rp-13-35.pdf>.

<sup>5</sup> Currently, eligible families that claim the child tax credit can subtract up to \$1,000 per qualifying child from their federal income tax liability. If a family's tax liability is less than the value of their child tax credit, they may be eligible for a refundable credit calculated using the earned income formula, which is 15% of earnings above \$3,000. Given the low income of the family in this example, they will calculate the credit using the earned income formula.

maximum value of \$3,000 when earnings equal \$23,000. The child tax credit does not begin to fall in value until income is greater than \$110,000 for a married couple filing jointly. Hence, when this family's income is between \$23,000 and \$23,260 they will receive the maximum combined credit of \$9,143.

**Figure 1. Amount of the EITC and Child Tax Credit for a Married Couple with Three Children in 2014, by Earnings**



**Source:** CRS calculations based on Internal Revenue Code section 32 and 24 and Internal Revenue Procedures 11-12, 11-52, 13-5 & 13-35