



Administering Benefits Through the Tax Code: Challenges for Low- Income Families

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Family Tax Credits Help Children Thrive

Refundable tax credits like the EITC and Child Tax Credit (CTC) are associated with:

- Improved infant and maternal health
- Better school performance
- Increased college enrollment
- Increased earnings in the next generation



Refundable Tax Credit Eligibility Rules



Work Requirement/Earnings Threshold:
CTC threshold is \$2,500



Residency Test: Must live with the child
more than 6 months



Relationship Test: Must be parent,
grandparent, aunt/uncle, sibling



Others (age, SSNs, etc.)

Problems Under Current Rules

- Eligibility rules lead to exclusion of low-income kids:
 - Removing earnings test would make 5.9 million additional children eligible for the CTC*
 - Removing relationship test would make 2 million additional children eligible for the CTC*
- Complex rules lead to mistakes, penalties
- IRS doesn't have an obvious source of information for relationship and residency requirements

*Jacob Goldin & Katherine Michelmore, *Who Benefits from the Child Tax Credit?*, 75 Nat'l Tax J. 123 (2022)

Possible Solutions

- Simplified credit claiming portal like [GetCTC](#)
- Data sharing between benefits programs
- Simplify eligibility rules – e.g. get rid of the relationship test