We would like you to know about improvements made by the Tax Cuts and Jobs Act (the "Act") to the child tax credit, i.e., the credit available for taxpayers with children under the age of 17 ("qualifying children"), and about a new credit for other dependents.

Under pre-Act law: The child tax credit was $1,000 per qualifying child, but it was reduced for married couples filing jointly by $50 for every $1,000 (or part of a $1,000) by which their adjusted gross income (AGI) exceeded $110,000. (The threshold was $55,000 for married couples filing separately, and $75,000 for unmarried taxpayers.) To the extent the $1,000-per-child credit exceeded your tax liability, it resulted in a refund up to 15% of your earned income (e.g., wages, or net self-employment income) above $3,000. For taxpayers with three or more qualifying children, the excess of the taxpayer's social security taxes for the year over the taxpayer's earned income credit for the year was refundable. In all cases the refund was limited to $1,000 per qualifying child.

Starting in 2018: The TCJA doubles the child tax credit to $2,000 per qualifying child under 17. It also allows a new $500 credit (per dependent) for any of your dependents who are not qualifying children under 17. There is no age limit for the $500 credit, but the tax tests for dependency must be met. Under the Act, the refundable portion of the credit is increased to a maximum of $1,400 per qualifying child. In addition, the earned threshold is decreased to $2,500 (from $3,000 under pre-Act law), which has the potential to result in a larger refund. The $500 credit for dependents other than qualifying children is nonrefundable.

The Act also substantially increases the "phase-out" thresholds for the credit. Starting in 2018, the total credit amount allowed to a married couple filing jointly is reduced by $50 for every $1,000 (or part of a $1,000) by which their AGI exceeds $400,000 (up from the pre-Act threshold of $110,000). The threshold is $200,000 for all other taxpayers. So, if you were previously prohibited from taking the credit because your AGI was too high, you may now be eligible to claim the credit.

In order to claim the credit for a qualifying child, you *must* include that child's Social Security number (SSN) on your tax return. Under pre-Act law you could also use an individual taxpayer identification number (ITIN) or adoption taxpayer identification number (ATIN). If a qualifying child does not have an SSN, you will not be able to claim the $2,000 credit, but you can claim the $500 credit for that child using an ITIN or an ATIN. The SSN requirement does not apply for non-qualifying-child dependents, but you must provide an ITIN or ATIN for each dependent for whom you are claiming a $500 credit.

The changes made by the Act should make these credits more valuable and more widely available to many taxpayers.

If you have children under 17, or other dependents, and would like to determine if these changes can benefit you, please give us a call.