

# The American Rescue Plan

★ EXPLAINED ★

## American Rescue Plan Improvements to the Child Tax Credit, Earned Income Tax Credit and Their Economic and Fiscal Impacts in Indiana

The American Rescue Plan (ARP) included groundbreaking changes to the Child Tax Credit (CTC) and Earned Income Tax Credit (EITC) that are having immediate positive income effects on families and local and state economies. This fact sheet summarizes the changes made to the CTC and EITC, and their estimated national, state, and local economic and fiscal impacts. CTC estimates in this fact sheet were published by the Niskanen Center and can be found [here](#). EITC estimates were published by the Institute for Tax and Employment Policy and can be found [here](#).

### Summary of changes to the Child Tax Credit (CTC) and Earned Income Tax Credit (EITC) in the American Rescue Plan

For tax year 2021, three major changes were made to the Child Tax Credit.

- 1** The credit is now fully refundable.
- 2** The maximum credit is now \$3,000 for children ages 6 to 17, and \$3,600 for infants and young children.
- 3** The expanded credit begins to phase out at a rate of 5 percent for married couples with adjusted gross income above \$150,000 (\$112,500 for single parents) until reaching the TCJA level of up to \$2,000 per child. The credit's value is then further reduced at a rate of 5 percent for married couples with incomes above \$400,000 (\$200,000 for single parents).

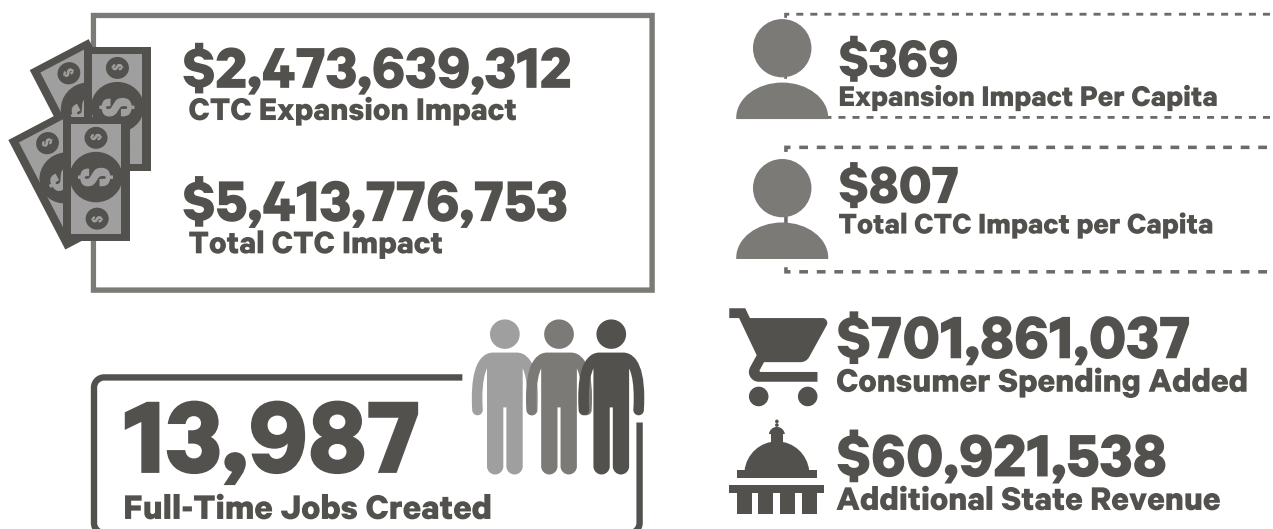
Additionally, families will not have to wait until they file their taxes in 2022 to receive their credit. The ARP gave U.S. Treasury authority to pay out in monthly installments half the value of families estimated CTC for tax year 2021. Those payments started in July 2021.

For tax year 2021, the American Rescue Plan expanded the EITC by doing the following: Increasing the maximum value of the credit from \$543 to \$1,502 for childless adults, lowering the age eligibility for the childless EITC from 25 to 19 and eliminating the upper age limit which currently bars the credit for childless people aged 65 and older. (1)

## Estimated Economic and Fiscal Impacts

Nationwide, the improvements to the CTC will generate a \$27.6 billion incremental increase in consumer spending across the 12-month expansion period beginning July 15, 2021, support just over half a million full-time jobs, and generate \$1.9 billion in new revenues for state and local governments. Below are the estimates for Indiana.

### CTC Impact In Indiana, 2021



### CTC Impact In Indiana, CD-5, 2021



### CTC Impact In Indiana, CD-9, 2021



## EITC Impact in Indiana, 2021



**\$274,000,000**  
CTC Expansion Impact



**465,600**

Total Adults Benefitting From EITC Expansion

(1) The American Rescue Plan made additional changes to the EITC, including changes to income limits for married filers, that are not expected to generate as much economic impact as the changes for childless adults. Thus, the estimates included here only reflect changes to the EITC that impact childless adults.