

**Benefits to Families and Individuals from the
Major Family and Education Tax Provisions under Current Law¹
Summary for Taxable Year 2023**



**Office of Tax Analysis
April 25, 2022**

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¹ This document presents a subset of the usual set of counts and amounts produced annually. Since these are so similar to last year's presentation for taxable year 2022, we provide solely the summary tables.

The Federal income tax system supports families and individuals by reducing their tax liabilities, and thus increasing their after-tax incomes, in several different ways. Principally, this support takes the form of certain deductions and credits available only to taxpayers with children or other dependents, but some benefits are available to all taxpayers. This document presents two summary tables that describe the income tax benefits to families and individuals from key provisions **under current law for taxable year 2023** as a function of adjusted gross income (AGI).²

The provisions examined are head of household filing status (HoH); the earned income tax credit (EITC); the child tax credit, the additional child tax credit, and the other dependent tax credit (CTC, ACTC, and ODTC respectively); the child and dependent care tax credit (CDCTC); the American opportunity tax credit (AOTC); the lifetime learning tax credit (LLTC) and the deduction for student loan interest (SLID). The tables show the number of tax units³ expected to benefit from or claim these benefits using Treasury’s Individual Tax Model (ITM). The ITM takes a stratified random sample of tax returns from a base year, forecasts the values of line items on the tax returns for 2023, and applies a very detailed tax calculator to analyze how changes in the tax system affect tax liability.

Summary Table A answers the questions for the key family and education tax benefits under current law: “How many tax units *benefit* from the provision(s), what is the total amount of benefit and what is the average benefit per return?” The benefits are explored individually and in combination. Summary Table B answers the questions for the key family and education tax benefits under current law: “How many tax units *claim* the provision(s) and what is the total amount claimed and average amount claimed per return?”

For any given provision shown in Summary Table A, the amount of benefit is calculated by comparing estimated tax liability to what estimated tax liability would be in the absence of the provision (but with the law and proposed law otherwise unchanged). In some cases, the number of tax units benefiting (or the amount of benefit received) is smaller than the number of tax units claiming (or the amount claimed). This difference occurs in cases where some would have chosen an alternate credit if the one under consideration were repealed. For example, in absence of the CTC, nearly all current claimants would switch to the ODTC. At most, these taxpayers would see their taxes increase by \$1,500 and not the full \$2,000 per child. The estimated claims are shown in Summary Table B. The amounts in Summary Table B also differ from the amounts shown in Summary Table A because the estimates in Summary Table A ignore changes in tax of less than \$5.

An appendix provides a brief summary of the provisions under current law for taxable year 2023.

² Current law for taxable year 2023 is nearly unchanged from 2022. Readers are referred to the General Explanation of the Administration’s Budget Proposals for FY 2023 (Greenbook) for complete descriptions of current law for taxable year 2022: <https://home.treasury.gov/system/files/131/General-Explanations-FY2023.pdf>.

³ A tax unit consists of the individuals on a given tax return. In some cases, membership will be identical to the household or family, but in other cases (e.g. a multigenerational household) membership will differ.

Summary Table A
Tax Support for Families from Main Family-Related Tax Provisions
under Current Law
Taxable Year 2023

Counts and Amounts of Tax Units Benefitting from ...¹	Total Tax Units² (millions)	Total Value (\$billions)	Average Benefit (\$)
1 Head of Household Filing Status	15.3	18.9	1,237
2 Child Credit (CTC) and Additional Child Tax Credit (ACTC) and Other Dependent Credit (ODC)	47.4	117.0	2,467
2A Child Tax Credit and Additional Child Tax Credit	37.2	85.3	2,294
2B Additional Child Tax Credit (ACTC) (make ACTC nonrefundable)	19.6	37.0	1,885
2C Other Dependent Credit	15.6	10.0	641
3 Earned Income Tax Credit (EITC)	27.2	73.7	2,707
3A EITC Marriage Penalty Relief ³	3.8	3.6	938
3B EITC Students and Disabled (repeal EITC for qualifying children >18)	3.2	7.4	2,288
3C EITC for Families with Children	19.5	71.1	3,654
3D EITC for Families with No Children	7.8	2.6	336
4 Child and Dependent Care Tax Credit	5.8	3.3	573
5 Education Credits (AOTC and LLTC)	12.8	17.6	1,369
5A Lifetime Learning Credit (LLTC)	4.1	3.2	771
5B American Opportunity Tax Credit (AOTC)	8.9	9.3	1,036
5C Refundability of AOTC ⁴ (make AOTC nonrefundable)	5.0	4.3	848
6 All Major Family and Education Credits ⁵	63.5	212.6	3,350

¹ The tax benefits included in this table are the head of household filing status, the earned income tax credit (EITC), the child tax credit (CTC), the additional child tax credit (ACTC), the child and dependent care tax credit (CDCTC), the American opportunity tax credit (AOTC), the lifetime learning tax credit (LLTC) and the other dependent tax credit (ODTC).

² Dependent returns are excluded from the calculations. Returns are considered to benefit from a provision (or set of provisions) if income tax liability increases by \$5 or more if the provision is (or provisions are) repealed.

³ In 2023, the phaseout range of the EITC for joint filers begins at incomes \$6,470 higher than for other filers.

⁴ Even though all 8.9 million tax units claiming an AOTC claim the 40 percent of the credit that is refundable, only those with insufficient tax liability to offset their full credit benefit from this refundability. Tax units with sufficient tax liability would receive their full credit even without refundability; they are therefore not included among the 5.0 million units benefiting from refundability.

⁵ The credits included in line 6 are the seven credits described in footnote 1.

Summary Table B
Number of Tax Units Claiming and Amounts Claimed for Key Family Credits¹
Under Current Law
Taxable Year 2023

Tax Credit (numbers correspond to Tables 2-6)	Number of Tax Units (Millions)	Amount Claimed (\$Billions)	Average Claimed (\$)
2. Total CTC, ACTC and ODTC	47.7	117.3	2,460
2A. Total CTC + ACTC	37.2	106.6	2,863
- CTC	28.0	69.7	2,491
2B. ACTC	19.6	36.9	1,877
2C. ODTC	16.7	10.7	642
3. Total EITC	27.3	73.7	2,704
3C. EITC for workers with children	19.5	71.1	3,653
3D. EITC for workers without children	7.8	2.6	335
4. Total CDCTC	6.3	3.7	591
5. Total Education Credits ²	13.1	18.1	1,383
5A. LLTC	4.4	3.3	763
5B. Total AOTC	9.0	14.7	1,644
- AOTC nonrefundable portion	6.3	7.0	1,101
5C. AOTC refundable portion ³	9.0	7.0	778
6. Total EITC, CTC, ACTC & ODTC, CDCTC, & Educ. Credits	63.6	212.8	3,346

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April 7, 2022

¹ The tax benefits included in this table are the earned income tax credit (EITC), the child tax credit (CTC), the additional child tax credit (ACTC), the other dependent tax credit (ODTC), the child and dependent care tax credit (CDCTC), the American opportunity tax credit (ACTC) and the lifetime learning tax credit (LLTC). Head of Household filing status is not included. The line numbers correspond as closely as possible to Tables 2-6. Lines that are not numbered (but begin with a dash) do not correspond to an earlier table.

² The Omnibus Appropriations and Covid-19 Relief Act passed in December of 2020 expanded the phaseout of the LLTC to the higher AOTC levels.

³ As written in the statute, the AOTC is calculated in two pieces: 40 percent of the otherwise allowable AOTC is refundable and the remaining 60 percent is not refundable. Thus, all tax units claiming an AOTC receive the refundable portion of the AOTC but only those with tax liability to offset are able to claim all or part of the nonrefundable portion of the AOTC. Of the 9 million tax units claiming an AOTC, 5.0 million would receive a smaller credit, or none at all, if the AOTC were not refundable.

Appendix

Brief Description of the Main Tax Provisions for Families for Taxable Year 2023 under Current Law

Taxpayers with dependent children pay lower taxes than similar families without children through the following major tax provisions of the individual income tax. These provisions are described below. A more complete description of the provisions under current law is available in the General Explanations of the Administration's Fiscal Year 2023 Revenue Proposals (the Greenbook).⁴ With the exception of indexation for inflation of the EITC and the standard deduction, the provisions are the same in 2022 as in 2023.⁵

- *Filing status* – Unmarried taxpayers who are supporting a dependent child may be eligible to file as a head of household, instead of as a single filer. Head of household status has a higher standard deduction, and income is taxed under a separate rate bracket structure that is more generous than the brackets available to single filers.
 - For taxable year 2023, the estimated standard deduction for single filers is \$13,650. The standard deduction for joint filers is \$27,300 and the standard deduction for head of household filers is \$20,500.
- *Child credit (CTC)* – Taxpayers may be eligible for a partially refundable child credit of \$2,000 for each child through age 16 with a valid social security number. Taxpayers with insufficient tax liability to claim the entire CTC may be able to claim up to \$1,400 per child of unclaimed credit as an additional child credit (ACTC). The ACTC is calculated as the lesser of any unclaimed credit and fifteen percent of any earnings in excess of \$2,500, up to \$1,400 per child. The CTC (combined with the amount of other dependent credit, described below) phases out beginning at \$200,000 of modified adjusted gross income (AGI) and \$400,000 for married couples filing a joint return.
- *Other dependent credit (ODTC)* – Taxpayers may be eligible for a non-refundable other dependent credit of up to \$500 for each qualifying dependent relative or child who is not eligible for the child credit. The ODTC (combined with the amount of CTC [see above]) phases out beginning at \$200,000 of modified AGI (\$400,000 for married couples filing a joint return).
- *Earned income tax credit (EITC)* – Taxpayers with earned income may be eligible for a refundable EITC. The amount of EITC a taxpayer may receive initially increases as the taxpayer earns more income, then remains constant over a range of earned income, and then decreases as earned income (or modified adjusted gross income, if greater) increases further. The credit begins to phase out at a higher income level for married taxpayers and is more generous for families with more children (up to three children).
 - Taking as an example the one-child schedule for a single parent with estimated parameters for 2023, the credit phases in with earnings at a rate of 34 percent, until the maximum credit of \$3,937 at \$11,580. The credit begins phasing out with

⁴ The Greenbook is available here: <https://home.treasury.gov/system/files/131/General-Explanations-FY2023.pdf>

⁵ The indexation of the rate brackets will interact with all provisions, regardless of whether the provision is indexed.

- modified AGI (or earnings if greater) in excess of \$21,240 at a rate of 15.98 percent, phasing out completely at \$45,878.⁶
- Under current law for taxpayers with no qualifying children (including those living with children they do not claim), for taxable year 2023 the phase-in and phaseout rate is 7.65 percent, and the maximum credit is estimated to be \$591. The credit is fully phased in at earnings of \$7,720 and begins phasing out at the greater of earnings or modified AGI at \$9,660.
 - The EITC for married taxpayers who file a joint return will begin to phase out at incomes is \$6,470 higher than for other filers.
 - *Child and dependent care credit (CDCTC)* – Taxpayers with expenses for caring for a qualifying individual, who may be a child or an adult, may be eligible for a non-refundable CDCTC. The credit is generally available for working taxpayers with dependent children under age 13, but it is also available for working taxpayers supporting parents or other dependents needing care. The maximum credit rate is 35 percent of up to \$3,000 of childcare expenses for 1 child and \$6,000 for 2 or more children. The credit rate phases down beginning at incomes of \$15,000 until the rate reaches 20 percent at incomes above \$43,000.⁷
 - *American opportunity tax credit (AOTC) and lifetime learning credit (LLTC)* – Taxpayers with expenses related to their or their dependent children’s post-secondary education may be eligible for the partially refundable AOTC of up to \$2,500, with up to \$1,000 of the credit being refundable. The credit phases out beginning at \$80,000 of modified AGI (\$160,000 for joint filers) and is available for 4 years. Students must attend at least half time to be eligible for this credit. Taxpayers may also be eligible for a nonrefundable LLTC for 20 percent of up to \$10,000 per return of expenses required for enrollment per return. The phaseout range is the same as for the AOTC⁸ and there is no limit on the number of years the credit may be claimed or on the intensity of study. The expenses of any one student may be applied to only one credit.

⁶ Parameters shown are Treasury estimates for taxable year 2023. The end of the phase-in range and the end of the plateau are indexed for inflation.

⁷ Taxpayers whose employers offer the benefit may also exclude from income for income and payroll tax purposes amounts contributed to a dependent care flexible spending program, up to certain limits. This exclusion is not modeled.

⁸ The phaseout range for the LLTC was increased to match the phaseout range of the AOTC beginning in taxable year 2021 as part of the Consolidated Appropriations Act of 2020.