

Idaho Families Would Benefit From Move to Include More Children in State's Child Tax Credit

JANUARY 26, 2022

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Idaho Lawmakers Should Include One-Time Change to Child Tax Credit

From housing to child care, hard-working Idaho families face high costs in our growing state. Since 2018, Idaho's tax code has supported families through the state Child Tax Credit (CTC). In the American Rescue Plan Act (ARPA), Congress approved a temporary change to expand the definition of "child" to include 17-year-olds in tax year 2021. This year, the Idaho legislature has the opportunity to also include these children in the state child credit by adopting the same definition, on a one-time basis. Idaho legislators should approve the change—included in House Bill 472—and give a boost to families.

Estimates from the Idaho Tax Commission and the Institute on Taxation and Economic Policy estimate that the cost of including 17-year-old children would be modest, ranging from \$5.3 to \$7 million and it would help thousands of Idaho families earning moderate incomes. Four percent of Idaho households would see a benefit if the legislature votes to include 17-year-olds in the state child credit for 2021. The average one-time tax cut for eligible families with 17-year-olds would range from \$202 to \$225. To collect, Idaho families would have to re-file their 2021 return. However, since the Idaho Child Tax Credit is not refundable, only moderate- and upper-income families will benefit from this change. Thousands of Idaho families making less than \$26,000 a year would not qualify for this temporary expansion of the CTC.

The other component of HB 472 that affects families is the increase in the Child and Dependent Care Credit from \$2,000 to \$3,000 a year. This means that families who spend more than \$2,000 per year on child or dependent care costs, will receive a larger state tax credit to off-set these costs. The increase in the credit is especially timely given the rising cost of child care in Idaho. In the state budget year that ends in 2022, the Tax Commission estimates that increasing the care credit will cost \$3.2 million.

By passing HB 472's changes in the state Child Tax Credit and Child and Dependent Care Credit, lawmakers will help Idaho families. With a large budget surplus this year, more can certainly be done.

