
OLR Bill Analysis

HB 5403

AN ACT ESTABLISHING A CHILD TAX CREDIT AGAINST THE PERSONAL INCOME TAX.

SUMMARY

The bill establishes a state child tax credit (CTC) that resident taxpayers with qualifying incomes may claim against the personal income tax. Taxpayers may claim the credit for up to three children (age 16 and younger) whom they validly claimed as dependents on their federal income tax return for the applicable tax year.

The bill allows taxpayers to claim either a nonrefundable or a refundable credit. The refundable credit is lower in value than the nonrefundable credit, but taxpayers who claim it may receive a refund for the portion of the credit that exceeds their income tax liability. Table 1 shows the maximum credit amounts.

Under the bill, taxpayers are eligible for the full CTC if their federal adjusted gross incomes (AGIs) fall at or below certain thresholds, which vary by filing status. For taxpayers with incomes exceeding these thresholds, the credit phases out at a rate of 10% for every \$1,000, or fraction of \$1,000, of AGI exceeding the threshold (e.g., a single filer with a federal AGI of \$101,500 is eligible for 80% of the full credit amount). Table 1 indicates the income thresholds at which taxpayers are (1) eligible for the full credit and (2) not eligible for the credit.

The bill specifies that (1) the credit does not apply against the withholding tax and (2) for purposes of the CTC, a taxpayer's tax liability must be calculated without regard to the state earned income tax credit.

EFFECTIVE DATE: July 1, 2022, and applicable to tax years beginning on and after January 1, 2022.

MAXIMUM CREDIT AMOUNTS AND INCOME THRESHOLDS

Table 1: CTC Amounts and Thresholds Under the Bill

<i>Filing Status</i>	<i>Credit Amount (per child)</i>		<i>Maximum Credit Threshold</i>	<i>No Credit</i>
	<i>Refundable</i>	<i>Nonrefundable</i>	<i>Federal AGI ≤</i>	<i>Federal AGI ></i>
Single or Married Filing Separately	\$420 or 4.5% of the filer's federal AGI, whichever is less	\$600	\$100,000	\$109,000
Head of Household			\$160,000	\$169,000
Joint Filers or Surviving Spouse			\$200,000	\$209,000

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 36 Nay 14 (04/05/2022)