

Changes to the 2021 Child Tax Credit

With the recently enacted *American Rescue Plan*, there were changes made to the child tax credit that may benefit many taxpayers, most notably:

- The amount has increased for certain taxpayers
- The credit is fully refundable
- The credit may be partially received in monthly payments
- The qualifying age for children has been raised from 16 to 17

The IRS will pay half the credit in the form of advance monthly payments beginning July 15 and ending December 15. Taxpayers will then claim the other half when they file their 2021 income tax return.

How much will you receive?

The credit for children ages five and younger is up to \$3,600 with up to \$300 received in monthly payments. The credit for children ages 6 to 17 is up to \$3,000 with up to \$250 received in monthly payments.

How do you qualify?

The following criteria must be met to qualify:

- A 2019 or 2020 tax return was filed and claimed the child tax credit, or your information was provided to the IRS using the non-filer tool
- Have a main home in the U.S. for more than half the year or file a joint return with a spouse who has a main home in the U.S. for more than half the year
- Care for a qualifying child who is under age 18 at the end of 2021, and who has a valid Social Security number
- Have a modified adjusted gross income less than certain limits:
 - o \$75,000 for single filers
 - o \$150,000 for married filing jointly filers
 - o \$112,500 for head of household filers

The credit begins to phase out above those thresholds. Higher-income families (e.g., married filing jointly couples with \$400,000 or less in income or other filers with \$200,000 or less in income) will generally get the same credit as prior law (generally \$2,000 per qualifying child) but may also choose to receive monthly payments.

You won't need to do anything to receive payments as the IRS will use information on file to start issuing payments.

IRS's child tax credit update portal

The IRS has a child tax credit and update portal where you can update your information to reflect any recent changes to things like filing status or number of children. You can also opt out of the advance payments and check on payment status in the portal. If you file a joint return, both you and your spouse will need to opt out, otherwise a portion of the payment will still be issued. If you prefer not to opt out online, you can also call the IRS at 1-800-908-4184.