

✉ P.O. Box 100  
Lake Stevens WA 98258

📍 228 N. Davies Road  
Lake Stevens WA 98258



☎ 425.334.8138

FX 425.334.5368

✉ office@lstax.com

🌐 www.lstax.com

## 2021 Changes to the Child Tax Credit

The American Rescue Plan raised the maximum Child Tax Credit in 2021 to \$3,600 for children under the age of 6 and to \$3,000 per child for children ages 6 through 17. Before 2021, the credit was worth up to \$2,000 per eligible child.

The new maximum credit is available to taxpayers with a modified adjusted gross income (AGI) of:

- \$75,000 or less for singles,
- \$112,500 or less for heads of household and
- \$150,000 or less for married couples filing a joint return and qualified widows and widowers.

For most people, modified AGI is the amount shown on Line 11 of their 2020 Form 1040 or 1040-SR. Above these income thresholds, the extra amount above the original \$2,000 credit — either \$1,000 or \$1,600 per child — is reduced by \$50 for every \$1,000 in modified AGI.

In addition, the credit is fully refundable for 2021. This means that eligible families can get it, even if they owe no federal income tax. Before this year, the refundable portion was limited to \$1,400 per child.

## What is the Advanced Child Tax Credit?

The advance Child Tax Credit payments are advances on 50% of the credit expected for 2021. These payments will generally be made on the 15th of each month. Eligible families will receive a payment of up to \$300 per month for each child under age 6, and up to \$250 per month for each child ages 6 through 17.

The first monthly payment of the expanded and newly-advanceable Child Tax Credit will be made on July 15. Most families will begin receiving monthly payments automatically next month without any further action required. These payments will be reconciled on the 2021 tax returns filed in 2022 and taxpayers will receive the remaining 50% of the credit or will pay back advances that they were not qualified for.

## Who qualifies for the Advanced Child Tax Credit?

In general, monthly payments will go to eligible families who:

- Filed either a 2019 or 2020 federal income tax return.
- Used the Non-Filers tool on IRS.gov in 2020 to register for an Economic Impact Payment.
- Registered for the advance Child Tax Credit this year using the new Non-Filer Sign-Up Tool on IRS.gov.

An eligible family who took any of these steps does not need to do anything else to get their payments.

Normally, the IRS will calculate the advance payment based on the 2020 income tax return. If that return is not available, either because it has not yet been filed or it has not yet been processed, the IRS is instead determining the payment using the 2019 tax return.

However, for those families that alternate dependents consideration should be taken on opting out of the advanced payments if a dependent was taken in the prior year but will not be taken in the current year as this will create a pay-back of the advancement on the taxpayer's 2021 tax return.