



Advance Child Tax Credit Payments



The American Rescue Plan, signed into law in March of 2021, expanded the Child Tax Credit and provided a mechanism for families to receive advance payments for the credit. This document provides an overview of the Child Tax Credit and the advance payments that will begin this summer.

What is the Child Tax Credit?

The Child Tax Credit is a tax credit provided to parents with one or more qualifying children.

Prior to the American Rescue Plan, the Child Tax Credit was \$2,000 per qualifying child. For the 2021 tax year, the amount of the credit is \$3,000 for each qualifying child between the age of 6 and 17 years old and \$3,600 for each qualifying child younger than 6 years old.

The Child Tax Credit is a tax credit that reduces a taxpayer's tax liability dollar for dollar. The tax credit is also fully refundable meaning that if a taxpayer's tax liability is reduced to zero, the taxpayer will receive a refund for the remainder of the credit.

Advance Payments

As part of the American Rescue Plan Act, the IRS will pay half of the estimated Child Tax Credit in six equal payments beginning on July 15, 2021. Thus, taxpayers will receive \$300 per month for each qualifying child younger than six and \$250 per month for each qualifying child age six to seventeen. The balance of the credit will be taken on the taxpayer's 2021 tax return.



What are the income qualifications?

In order to receive the full tax credit for 2021, a taxpayer's adjusted gross income must be less than \$150,000 for Married filing jointly, \$112,000 for Head of Household, or \$75,000 for individuals.

If a taxpayer's AGI is greater than these limits, then the tax credit is reduced by about \$50 for every \$1,000 of excess income until the amount of the credit drops to \$2,000. Then, the remaining \$2,000 gets phased out at \$200,000 of AGI for individuals and \$400,000 for married filing jointly under the same calculation - a \$50 reduction for each \$1,000 in excess AGI.

Additionally, to qualify for the advance Child Tax Credit Payments, the taxpayer, and spouse if filing jointly, must have:

- Filed a 2019 or 2020 tax return and claimed the Child Tax Credit on the return; or Given the IRS their information in 2020 to receive the Economic Impact Payment.
- A main home in the United States for more than half the year; or files a joint return with a spouse who has a main home in the United States for more than half the year.
- A qualifying child who is under age 18 at the end of 2021 and who has a valid Social Security number.
- Made less than the income limits discussed earlier.

What do I need to do to receive the Child Tax Credit Payments?

If you have filed your 2019 or 2020 tax return, you do not need to take any additional action to get advance payments. The IRS will use the information provided earlier to determine if you qualify and automatically enroll you for advance payments.



What if I don't want to receive the Child Tax Credit Payments?

You may prefer not to receive monthly advance Child Tax Credit payments because you would rather claim the full credit when you file your 2021 tax return, or you know you will not be eligible for the Child Tax Credit for your 2021 tax year. You will be able to unenroll through the Child Tax Credit Update Portal before the first advance Child Tax Credit payment is made. To unenroll visit:

<https://www.irs.gov/credits-deductions/child-tax-credit-update-portal>

What if I receive more in payments than the 2021 credit amount?

The IRS will calculate the amount of the advance payments based on your 2019 or 2020 tax return, whichever is most recent. If you receive advance Child Tax Payments in 2021, but then don't qualify for the amount of payments received when filing your 2021 return, you will owe the difference back to the IRS.



Final Thoughts

The purpose of this document is to provide a brief overview of the Child Tax Credit and is not a substitute for talking with one of our experts. If you have any questions or need help filing your tax return, please contact our office.



About Lewis Hooper Dick, LLC

Lewis, Hooper & Dick, LLC was established in 1955 by Edward Lewis, CPA. Our professionals provide value-added and affordable accounting and advisory services to clients throughout the region. Our dedicated leadership strives to continually grow our practice by instilling our founding principles throughout our organization. The firm's professionals challenge themselves to introduce new and exciting ways to exceed our clients' personal and professional goals. Our experienced and knowledgeable staff continues to be the driving force behind our innovative techniques and ongoing success.

The firm's team of four member/owners and over 20 professionals offers comprehensive accounting, consulting, human resources, financial planning, and tax and computer services. Lewis, Hooper & Dick, LLC specializes in serving feed yards, municipalities, school districts, government entities and construction organizations. We maintain offices in Garden City and Hugoton.



Lewis Hooper Dick, LLC
405 N. Sixth
Garden City, KS 67846



(620) 275-9267



info@lhd.com



www.lhd.com