

Child Tax Credit Advance Payments

In March 2021, the American Rescue Plan Act of 2021 (ARPA) was signed into law. The ARPA included changes to how families can receive their Child Tax Credit. Traditionally, the Child Tax Credit was a tax credit up to \$2000 per qualifying child that was included on your annual tax return. The change made with ARPA is that qualified families can now receive half of the normal credit via monthly payments before filing their tax return. The intent of this change was to provide families with more income monthly instead of waiting until filing their tax return. The Child Tax Credit was also increased for 2021 to \$3600 for children under 6 and \$3000 for children between ages 6 and 17.

FAQs:

Do I qualify for the Advance Child Tax Credit? The credit is based on your most recently filed return if it was a 2020 or 2019 tax return. If you qualified for the Child Tax Credit on your most recently filed return, you are **Automatically Enrolled** for the advanced credit.

Will accepting the Advance Child Tax Credit impact my tax return? Potentially. Since you are receiving half of the credit in advance, this will reduce the normal credit you would have received on your tax return, and depending on other circumstances could reduce your normal refund or increase the amount you would owe.

Do I have to take the Advance Child Tax Credit payments? No. The IRS has added an option to opt-out of receiving the advance payments. The opt-out option is available via the link below:
<https://www.irs.gov/credits-deductions/advance-child-tax-credit-payments-in-2021>

What if I no longer qualify for the Child Tax Credit? If you fall into a circumstance where you only claim a qualifying child every other year or your income has risen over the income limits, it is recommended to opt-out of the advance payments using the link above. If you receive the credit in advance and subsequently do not qualify for the credit when you file your tax return, the advance credit payment will be required to be paid back with your tax return.

I/we had a child in 2021. Will they qualify for the Advance Child Tax Credit? (Updated) Yes. The IRS plans to release an option using the online service from the link above to allow individuals to add children born in 2021. The ability to add the additional children is tentatively scheduled for late summer.

What should I do? If you are concerned about the impact taking the advance payments will have on your tax situation, it is recommended you schedule a tax planning appointment with our firm.