
Making Sense of the Child Tax Credit

How to prepare for filing your taxes this year

What's changed?

- The American Rescue Act changed the Child Tax Credit for **2021 ONLY**
- Increased the age of children who qualify
- Increased the amount of the credit
- The credit is now fully refundable

What is the 2021 Child Tax Credit?

- \$3,000 per child ages 6-17
- \$3,600 per child under 6
- First half as advanced payments
- Second half when you file your taxes

2020 vs 2021 Comparison

2020

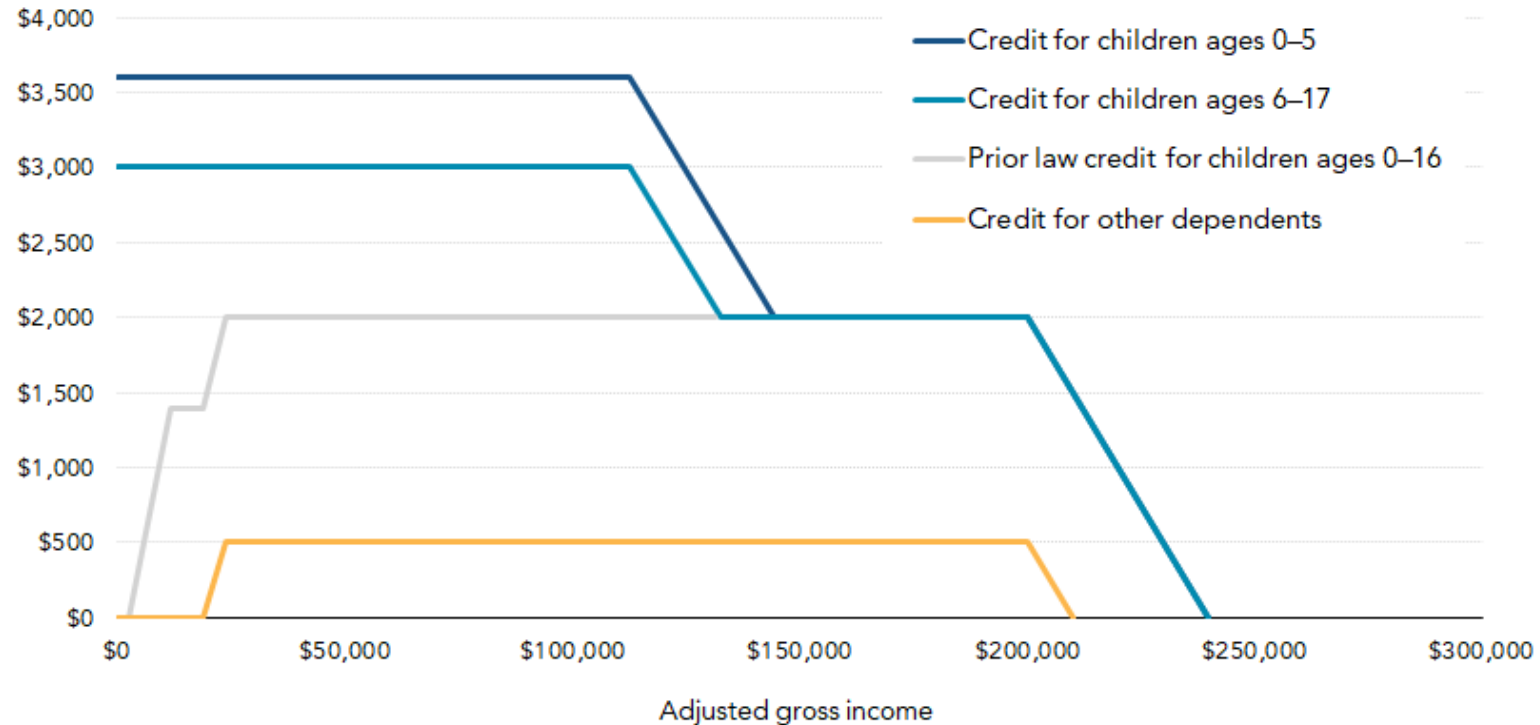
- Up to \$2,000 per child
- 16 or under
- \$1,400 is refundable
- No advanced payments
- Must have earned income

2021

- Up to \$3,600 per child
- 17 or under
- Entire credit is refundable
- Advanced payments
- No earned income requirement

Comparison chart from the Tax Policy Center

FIGURE 1
Child Tax Credit, Single Parent
For one child, tax year 2021



What does “refundable” mean?

- A **non-refundable** tax credit will only reduce the tax you owe
- A **refundable** tax credit will reduce the tax you owe AND if there is any leftover you will get it as a refund

What does “refundable” mean?

Example 1:

You owe \$100 in taxes

You are eligible for a \$200 **non-refundable** tax credit

The credit reduces the tax you owe to \$0 but you don't get the remainder as a refund

Example 2:

You owe \$100 in taxes

You are eligible for a \$200 **refundable** tax credit

The credit reduces the tax you owe to \$0 **AND** you get a \$100 refund

Who is eligible?

You must have a qualifying child who is **under 18 before 1/1/2022**

- A son, daughter, child, sister, brother, sibling, niece, nephew, grandchild with a Social Security Number
- Child cannot provide more than half of their own support
- Child must live with you for more than half the year
- You must be a US citizen or resident alien. If you do not have a SSN, you can file with an ITIN and claim the credit

Who is eligible?

Maximum credit goes to filers with an AGI (adjusted gross income) below:

- \$75,000 for single
- \$112,500 for head of household
- \$150,000 for married filing jointly

Credit will phase out for those with higher incomes

There is **no minimum** income to receive the credit

The image shows a portion of the IRS Form 1040, specifically the section for Adjusted Gross Income (AGI). Line 9 is labeled 'Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income'. Line 10 is 'Adjustments to income', with sub-lines 10a ('From Schedule 1, line 22'), 10b ('Charitable contributions if you take the standard deduction. See instructions'), and 10c ('Add lines 10a and 10b. These are your total adjustments to income'). Line 11 is 'Subtract line 10c from line 9. This is your adjusted gross income'. Line 13 is 'Qualified business income deduction. Attach Form 8995 or Form 8995-A'. Line 14 is 'Add lines 12 and 13'. Line 15 is 'Taxable income. Subtract line 14 from line 11. If zero or less, enter -0-'. The form number '1040' is visible in the bottom right corner.

What are the advanced payments?

- IRS will send you 6 payments equal to HALF of the 2021 child tax credit
- Payments will come on the 15th of each month, starting in July ending in December
- Payments will come **automatically** if you filed a tax return in 2019, 2020, or received the stimulus checks

How much will the payments be?

- \$300 per child under 6
- \$250 per child 6-17

\$1,500 – \$1,800 per child in total

Example

A single parent with a 5 year old and a 9 year old who makes \$25,000/year

- **Total credit = \$6,600** with advanced payments and refund combined
- Advanced payments of **\$550 per month**
- Total July-December = \$3,300
- Amount of Child Tax Credit on **2021 tax return \$3,300**

What do I need to do?

Do **nothing** if you . . .

- Filed a tax return in 2019 or 2020, and have no changes to your family or basic information

Use the portal on the IRS website if you . . .

- Don't usually file a tax return
- Need to change who you are claiming as a dependent
- Need to update your bank account information or address
- Want to opt out of receiving the advanced payments

Non-filers

Non-filers **can** still receive the 2021 Child Tax Credit and advanced payments

- Use the non-filer tool on the IRS website to enter your information
- Even though you normally don't file a tax return, file a \$0 AGI 2021 tax return to receive the remaining amount of the credit



Non-Filers: Submit Your Information

If you aren't required to file a tax return and haven't given us your information, please provide basic information for the Child Tax Credit.

[Enter Your Information](#)

Changing who you claim as a dependent

You need to update the IRS if you ...

- Had a baby in 2021
- You claimed your child in 2020 but another parent or relative is claiming your child in 2021

This tool is **NOT YET AVAILABLE** on the IRS website

You will be able to update **later this summer**



Manage Payments

Use this tool to:

- Check if you're enrolled to receive payments
- Unenroll to stop getting advance payments
- Provide or update your bank account information for m

In the coming months you will be able to [make other updat](#)

Manage Payments

Bank account or address change

- Update your address or bank account information on the IRS website
- Choose where your money will go—**direct deposit into your savings account**
- If you had a child in 2021 your **first payment will NOT include money for that child** but you will be able to update the IRS later this summer
- If you get less than you should in monthly payments you will get the rest when you file your taxes

Opting out of the advanced payments

If you usually owe a large amount of tax, you may not want the advanced payments

- Unenroll on the IRS website
- You will need to create an account with ID.me, be prepared to take a picture of your photo ID and a video of your face

Who should opt out?

You may want to opt out if you ...

- Typically owe a large amount of self-employment tax, or were self-employed in 2021 and didn't make estimated tax payments
- If you are divorced and claimed your child in 2020, but the other parent will be claiming the child in 2021
- If you claimed your child in 2020, but in 2021 a grandparent or other relative provided more than 50% of the support for you and your child

Divorced or Separated Parents

Parent A and Parent B **alternate who gets to claim their child each year**. In 2020, Parent A claimed their child. In 2021, Parent B will get to.

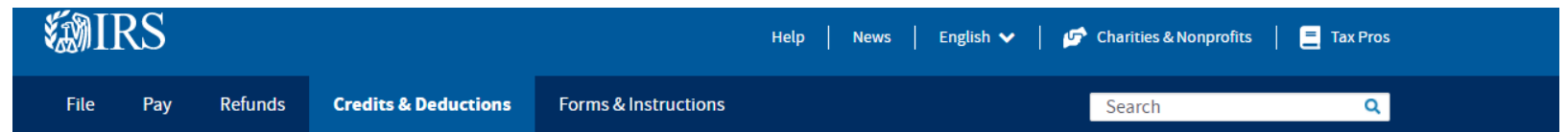
What happens next?

- Parent A will use the Manage Payments tool on the IRS website to **unenroll** from the advanced payments
- Parent B will then use the Manage Payments tool to claim their child **later this summer**

If Parent A **does not unenroll**, Parent B will **not be able to sign up for the advanced payments**, and will have to wait till they file their 2021 tax return to get the Child Tax credit

Link to the IRS portals

<https://www.irs.gov/credits-deductions/advance-child-tax-credit-payments-in-2021>



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Advance Child Tax Credit Payments in 2021

[English](#) | [Español](#) | [中文\(简体\)](#) | [中文\(繁體\)](#) | [한국어](#) | [Русский](#) | [Tiếng Việt](#) | [Kreyòl ayisyen](#)

Individuals

[Advance Child Tax Credit](#)

[Earned Income Tax Credit](#)

Businesses and Self Employed

Important changes to the Child Tax Credit will help many families get advance payments of the credit starting this summer. The IRS will pay half the total credit amount in advance monthly payments beginning July 15. You will claim the other half when you file your 2021 income tax return. These changes apply to tax year 2021 only.

To qualify for advance Child Tax Credit payments, you — and your spouse, if you filed a joint return — must have:

- Filed a 2019 or 2020 tax return and claimed the Child Tax Credit on the return; **or**
- Given us your information in 2020 to receive the Economic Impact Payment using the Non-Filers: Enter Payment Info Here tool; **and**
- A main home in the United States for more than half the year (the 50 states and the District of Columbia) or file a joint return with a spouse who has a main home in the United States for more than half the year; **and**
- A qualifying child who is under age 18 at the end of 2021 and who has a valid Social Security number; **and**
- Made less than certain income limits.

We'll use information you provided earlier to determine if you qualify and **automatically enroll you for advance payments**. You do not need to take any additional action to get advance payments.

[Manage Payments](#)

Manage Payments

Use this tool to:

- Check if you're enrolled to receive payments
- Unenroll to stop getting advance payments
- Provide or update your bank account information for monthly payments starting with the **August payment**

In the coming months you will be able to [make other updates that affect your payment](#).

[Manage Payments](#)

Non-Filers: Submit Your Information

If you aren't required to file a tax return and haven't given us your information already, you will need to give us some basic information for the Child Tax Credit.

[Enter Your Information](#)

Check If You're Eligible

Check if you may qualify for advance payments.

[Use the Eligibility Assistant](#)

What information will I need to file my 2021 taxes?

- In January 2022 the IRS will send you a Letter 6419
- Letter 6419 will provide you with the total amount of advanced payments you received
- Use this to determine how much remaining Child Tax Credit you can claim on your return

FAQ

Will the advanced payments affect my benefits?

- **No**, the advanced payments **do not count as income**, and will not affect SNAP, SSI/SSDI, TAFDC, or fuel assistance

What if I get the payments and I'm not supposed to?

- Use the IRS Manage Payments portal to **update your information with the IRS** before you get any payments. You will have to **pay back any wrongly issued CTC over \$2,000 per child**. If your AGI is above \$40,000 for single/MFS, \$50,000 for HOH and \$60,000 for MFJ, the \$2,000 amount will be reduced.

FAQ

Will my advanced payment be garnished?

- **No**, the advanced payments are not subject to garnishment. However, **when you file your 2021 tax return, the remaining amount of the Child Tax Credit will be garnished** if you owe back taxes, etc. as on prior year's returns

How do I sign up for the IRS portals?

- Go to the IRS website and navigate to the Manage Payments tool or the Non-filers tool. To manage your payments, you will need to **create an account with ID.me**, which will require you to upload a picture of your photo ID and take a video of your face. The Non-filers tool **does not** require an ID.me account

Resources

[Publication 5534-E \(7-2021\) \(irs.gov\)](#)

[https://www.getctc.org/en](#)

[https://www.irs.gov/credits-deductions/advance-child-tax-credit-payments-in-2021](#)

Questions?

Call Shannon or Rebecca at 413-376-1179
