



Hello everyone, I hope you are doing well and enjoying the summer.

Advance Child Tax Credit payments are early payments from the IRS of 50 percent of the estimated amount of the Child Tax Credit that you will claim on your 2021 tax return.

If the IRS has processed your 2020 or 2019 tax return, these monthly payments will be made starting on July 15th and through December of 2021 based on the information on those returns.

There are a couple of issues here that I want to bring to your attention.

First, these advance payments are based on your 2019 and 2020 tax returns. If for some reason your situation has changed and you are no longer able to claim the child tax credit you may have to repay those amounts. Below are examples of life changes that could effect your eligibility.

- A qualifying child who resided with you may change homes during 2021 and reside more than half of the 2021 tax year with a different individual.
- Your income increases in 2021.
- Your filing status changes for 2021.
- Your main home was outside of the US for more than of half of 2021.

Second, the child tax credit provides a nice cushion for a lot of clients that would otherwise owe money come tax time. If you receive these payments in advance realize that you may end up owing taxes, or have a lower refund than you are expecting.

If for some reason you receive more in the advance than you should have, the IRS has put in place repayment protection for qualifying taxpayers. To qualify for full repayment protection, a married couple's AGI would need to be at or below \$60,000. The repayment protection is reduced ratably above \$60,000 and fully phases out at \$120,000.

Example: You filed a joint return with your spouse for tax year 2020 and properly claimed the Child Tax Credit for three qualifying children. The IRS estimated your total advance Child Tax Credit payment amount based on these qualifying children. However, when you file your 2021 joint tax return with a modified AGI of \$75,000, you claim the Child Tax Credit for only one qualifying child – and therefore have two excess qualifying children. Your modified AGI of \$75,000 exceeds your applicable \$60,000 modified AGI threshold by 25 percent. Your potential full repayment protection amount of \$4,000 (that is, \$2,000 for each excess qualifying child) is reduced by 25 percent to \$3,000.

If you do not wish to participate in the Advance Child Tax Credit you can unenroll by going to the IRS website by clicking here. [IRS Advance Child Tax Credit.](#)

If you would like to learn more about this topic you can click here for [2021 Child Tax Credit FAQ's.](#)

Below is a link to our YouTube channel that has other really good content dealing with tax and business related issues. Subscribe to the channel to be notified of new videos we post.

[REH CPA YouTube Channel](#)

Thank you!

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