



Dear valued client,

The American Rescue Plan Act increased the child tax credit for the 2021 year and added a provision for the Department of Treasury to begin making advance payments of this credit to families. So if you have a child under age 18, you may start seeing monthly deposits into your bank account or checks in the mail for this credit. The child tax credit has been increased to \$3,000 per child under age 18 and \$3,600 per child under age 6, using the child's age as of December 31, 2021.

The advance payments of these credits will be based on either 2020 or 2019 tax returns filed and will be paid monthly from July through December 2021. These payments will be \$250 per month per eligible child under age 18 and \$300 per month per eligible child under age 6. The balance of the child tax credits not paid as an advance will be applied to your 2021 tax return. Since these payments are an advance of the credits that will be received on the tax return, these advance payments will either reduce a refund you may have received or increase the tax due on your tax return. And if you receive too much in advance payments, these advance payments will need to be paid back on your 2021 tax return.

Married taxpayers with modified adjusted gross income ("AGI") under \$150,000, head of household taxpayers with AGI under \$112,500, and single or married filing separate taxpayers with AGI under \$75,000 are eligible for the full \$3,000 or \$3,600 child tax credit. Taxpayers with AGI over these limits will have their child tax credits reduced. Once taxpayers reach \$440,000 of AGI if married or \$240,000 of AGI if unmarried, the child tax credit amount is zero.

The IRS is creating a website that will allow taxpayers to update their information or opt out of receiving advance payments. This website is not currently available, but they plan to have it available by July 1<sup>st</sup>.

Some reasons you may want to consider updating your information with the IRS once the website is available or even opting out of receiving advance payments are:

- You had a child born or adopted during 2021
- You are no longer eligible to claim a child in 2021
- You expect an increase in income in 2021 that will make you ineligible for the child tax credit
- You would prefer to apply the credits to your tax return to increase your potential refund/offset your tax due instead of receiving the payments as an advance

We will provide more information in a future email after the IRS has made the website available.

If you have any questions, please feel free to reach out to us.

Sincerely,

*Your Cornerstone CPA Group Team*