

## BIG CHANGES TO CHILD TAX CREDIT

The American Rescue Plan Act, signed into law in March 2021, made significant changes to the child tax credit for 2021 only -- unless Congress extends these changes.

### OLDER CHILDREN COVERED

The tax credit now includes children who are age 17 as of December 31, 2021.

### INCREASED AMOUNT

The credit amount increased from \$2,000 to \$3,000 per child aged 6 to 17 and \$3,600 for children under age six, as of December 31, 2021.

### ELIGIBILITY

Calculating the total credit is difficult, because there are two phaseout rules that apply. The credit is reduced—or eliminated—for parents who earn above a certain amount. Your tax professional will be able to calculate how much, if any, tax credit you might receive.

### ADVANCE PAYMENTS

The IRS will estimate your child tax credit for 2021 and half of it will be paid to you in monthly installments from July through December 2021.

The remaining amount due to you will be credited when you file your 2021 tax return. However, if you file your 2021 tax return and the advance payments you received exceeded your actual credit, with a few exceptions for low and moderate-income taxpayers, you'll have to repay the excess.



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