

# CHILD TAX CREDIT (CTC) FORM LETTER 6419



During 2020/2021 the Internal Revenue Service issued a CTC Payment also known as the Child Tax Credit payment.

You were giving the option to receive one lump for each qualifying child dependent on your individual reported tax return. If you chose this option, you should have received your payment via a mailed check from the Internal Revenue Service (IRS), or direct deposit if you had an authorized bank account listed on your reported tax return. This payment should have been issued to you during the COVID-19 Pandemic to help those.

The Child Tax Payment is not the same as the EIP COVID-19 Payment. If you did not receive a letter or if you cannot locate the letter, please do not worry as this information can still be found on the IRS website.

Did you receive any amount of the Child Tax Credit payment also known as the American Rescue Plan?

YES \_\_\_ NO \_\_\_ If you answered yes, how much was your Lump Sum Amount \_\_\_\_\_

The second option that you were giving was/is known as the Expanded Child Tax Credit. This payment was issued to those who refused the lump sum payment and instead chose to receive their Child Tax Credit payment paid out over the next six months. The monthly payment was made available to each qualifying child under the age of 17.

If you chose this option for payment, did you receive any portion of the Expanded Child Tax Credit payment?

YES \_\_\_ NO \_\_\_

If you answered yes to the above question, how many payments did you receive and what was the amount of each payment issued to you from the Internal Revenue Service?

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## Expanded Child Tax Credit

The child tax credit was expanded by the American Rescue Plan Act of 2021. The previous credit of \$2,000 per child (\$1,400 of which was refundable) was expanded to \$3,000 per child (\$3,600 for children under 6). The expanded credit was deemed fully refundable for 2021; a tax credit is "refundable" if any excess of the tax credit over a taxpayer's total tax liability is paid to the taxpayer as a refund.

In addition, half of the credit will be prepaid; advance monthly payments will be distributed over the six-month period from July 2021 through December 2021 with a maximum of \$250-\$300 per child. The other half will be credited after filing a 2021 tax return.

From July 15 through December 2021, Treasury and the IRS will advance one half of the estimated 2021 child tax credit in monthly payments to eligible taxpayers. Eligible taxpayers are taxpayers who have a main home in the United States for more than half the year. This means the 50 states and the District of Columbia. U.S. military personnel stationed outside the United States on extended active duty are considered to have a main home in the United States.

The monthly advance payments will be estimated from their 2020 tax return, or their 2019 tax return if 2020 information is not available. Advance payments will not be reduced or offset for overdue taxes or other federal or state debts that taxpayers or their spouses owe. Taxpayers will claim the remaining child tax credit based on their 2021 information when they file their 2021 income tax return.

## Received payments

The American Rescue Plan made several notable but temporary changes to child tax credit, including:

- Increasing the amount of the credit
- Making it available for qualifying children who turn age 17 in 2021
- Making it fully refundable for most taxpayers
- Allowing many taxpayers to receive half of the estimated 2021 credit, in advance.

Taxpayers who have qualifying children under age 18 at the end of 2021 can now get the full credit if they have little or no income from a job, business, or other source. Prior to 2021, the credit was worth up to \$2,000 per qualifying child, with the refundable portion limited to \$1,400 per child. The new law increases the credit to as much as \$3,000 per child ages 6 through 17 at the end of 2021, and \$3,600 per child ages 5 and under at the end of 2021.

For taxpayers who have their main homes in the United States for more than half of the tax year and bona fide residents of Puerto Rico, the credit is fully refundable, and the \$1,400 limit does not apply. The maximum credit is available to taxpayers with a modified adjusted gross income of:

- \$75,000 or less for single filers and married persons filing separate returns
- \$112,500 or less for heads of household
- \$150,000 or less for married couples filing a joint return and qualifying widows and widowers

Above these income thresholds, the excess amount over the original \$2,000 credit — either \$1,000 or \$1,600 per child — reduces by \$50 for every \$1,000 in additional modified AGI. The original \$2,000 credit continues to be reduced by \$50 for every \$1,000 that modified AGI is more than \$200,000; \$400,000 for married couples filing a joint return.

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The IRS reminds taxpayers who still haven't filed, that several provisions of the American Rescue Plan affect their 2020 tax returns.

One provision excludes up to \$10,200 in unemployment compensation from income. Another provision benefits many people who purchased subsidized health coverage through either federal or state Health Insurance Marketplaces. The law also includes a third round of Economic Impact Payments, currently going out to eligible Americans, that are generally equal to \$1,400 per person for most people. **The IRS will automatically provide these benefits to eligible filers. Increase the Child Tax Credit, Earned-Income Tax Credit, and Child and Dependent Care Tax Credit**

- **For those without children, the American Rescue Plan increased the Earned-Income Tax Credit from \$543 to \$1,502.**
- **For those with children, the American Rescue Plan increased the Child Tax Credit from \$2,000 per child to \$3,000 per child for children over the age of six and \$3,600 for children under the age of six – and raised the age limit from 16 to 17.**
- **The American Rescue Plan also increased and expanded the Child and Dependent Care Tax Credit, making more people eligible and increasing the total credit to \$4,000 for one qualifying individual and \$8,000 for two or more.**

## Who is Eligible?

To be eligible for advance payments of the Child Tax Credit, you (and your spouse, if married filing jointly) must have:

- Filed a 2019 or 2020 tax return and claimed the Child Tax Credit on the return **or**
- Entered your information in 2020 to get stimulus (Economic Impact) payments with the Non-Filers: Enter Payment Info Here tool **or**
- Given us your information in 2021 with the Non-Filer: Submit Your Information tool

And you (and your spouse, if married filing jointly) must also have:

- Lived in a main home in the United States for more than half the year (the 50 states and the District of Columbia) or filed 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.

Clients: First Name    Last Name

Clients: Signature

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Date: \_\_\_\_\_

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