



Major Update for Child and Family Related Credits

Major Changes to Child Related Credits Puts Money Back in Your Pocket!



Child Tax Credit

Advanced Child Tax Credit

Other Dependent Credit

**Child and Dependent Care
Credit**

Earned Income Tax Credit

The Child Tax Credit

Update on Child Tax Credit. The passage of American Rescue Plan Act of 2021 (ARPA) has made several changes to the Child Tax Credit for 2021:

- 1. The credit is increased to \$3,000 per qualifying child age 6 or older (\$3,600 per qualifying child age 5 and below.**
- 2. A qualifying child is one who, in addition to meeting other existing requirements, is under the age of 18 by the end of the year (meaning 17).**
- 3. The child tax credit will no longer require that the taxpayer have any federal income tax liability in order to receive it. The child tax credit is refundable.**

The Child Tax Credit

Update on Child Tax Credit.

4. The credit may be paid monthly in advance
5. The credit will be reconciled when filing the 2021 tax return.

Advanced Child Tax Credit

Who Qualifies for Advance Payments? To qualify for advance payments of the Child Tax Credit, you (and your spouse, if you filed a joint return) must have:

1. You must have filed a 2019 or 2020 tax return and claimed the child tax credit.

Advanced Child Tax Credit

- 2. If you did not file a return you must have given the IRS your information in 2020 to receive the Economic Impact Payment using the Non-Filers Tool.**
- 3. Or given the IRS your information in 2021 using the Non-Filer.**
- 4. Lived in a main home in the United States for more than half the year 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 (meaning age 17) at the end of 2021 who has a valid Social Security number.**

Advanced Child Tax Credit

The increased child tax credit amount begins phasing out at higher incomes:

- **\$150,000 for married taxpayers filing jointly**
- **\$112,500 for taxpayers filing as head of household**
- **\$ 75,000 for single and married filing separately**



Credit for Other Dependents

A taxpayer may be eligible for a Credit for Other Dependents (ODC) of up to \$500

A dependent child over the age of 17, could be a college student or an adult child of any age still living in your home and income challenged.

A dependent brother or sister living in your home and income challenged.

A parent who is dependent upon you for up to 66% of living expenses. This is true whether the parent lives with you or live in their own home or assisted living.



Child and Dependent Care Credit

American Rescue Plan made various changes to the child and dependent care tax credit that are effective only for 2021. These changes include:

For 2021 the Credit is Refundable.

The percentage of eligible expenses has increased from 35% to 50% of eligible expenses.

The maximum credit increased to \$4,000 for one qualifying individual, and \$8,000 for two or more qualifying individuals.



Child and Dependent Care Credit

Eligible Care Recipients Limited to Qualifying Person. A qualifying person is:

The taxpayer's qualifying dependent child under age 13 (cut off is 12)

The taxpayer's spouse who was not physically or mentally able to care for himself or herself, and lived with the taxpayer for more than half the year.

You do not qualify for the credit if the spouse was in assisted living the entire year.





Earned Income Tax Credit

The earned income credit is a refundable tax credit for working class taxpayers. To claim the credit:



Taxpayer must have earned income.

Single taxpayers age 19-100 now qualify for EITC. Major change in prior years single taxpayers had to be age 25-64 to qualify.

Taxpayer cannot have investment income over \$10,000. This is major change from prior year amount of \$3,650 or less.

Taxpayer filing status cannot be married filing separately. Unless separated from their spouse for the last 6 months of the year and in separate residences.

Earned Income Tax Credit

What is considered Earned Income for EITC purposes:



- **Wages, salary or tips where federal income taxes are withheld on Form W-2, box 1**
- **Income from a job where your employer didn't withhold tax (1099 NEC workers gig economy work) including:**
 - **Driving a car for booked rides or deliveries**
 - **Running errands or deliveries**
 - **Providing creative or professional services**
 - **Providing other temporary, on-demand or freelance work.**
- **Self Employment**
 - **Operate a home based or traditional business or farm.**

Earned Income Tax Credit

Earned Income Does not Include:



- **Pay you got for work when you were an inmate**
- **Income in a penal institution**
- **Interest and dividends**
- **Pensions or annuities**
- **Social Security**
- **Unemployment benefits**
- **Alimony**
- **Child support**

Earned Income Tax Credit

Maximum Adjusted Gross Income to Qualify of EITC

Maximum Amt of Children or Relatives Claimed in 2021	Maximum AGI (filing as Single, HOH, Widowed or Married Filing Separately*)	Maximum AGI (filing as Married (Filing Jointly)	The maximum amount of credit you can claim for EITC
Zero	\$21,430	\$27,380	• No qualifying children: \$1,502
One	\$42,158	\$48,108	• 1 qualifying child: \$3,618
Two	\$47,915	\$53,865	• 2 qualifying children: \$5,980
Three	\$51,464	\$57,414	• 3 or more qualifying children: \$6,728

Investment income limit: \$10,000 or less.

Taxpayers claiming the EITC who file Married Filing Separately must meet the eligibility requirements under the special rule in the American Rescue Plan Act (ARPA) of 2021.



This concludes our presentation on the 2021 Update on the Refundable Credits. If you want a copy of the presentation go www.thetaxladyplus.online/clientresources. That's all folks!