



# Ridge View Accounting & Tax, CPA, P.C.

June 17, 2021

As part of the American Rescue Plan, which was passed by Congress in March, the expanded child tax credit will increase the amount of tax credit per child available on 2021 tax returns for many Americans, but will also include an advance of that tax credit starting in July of this year (next month).

## Basic Facts:

For those married couples filing jointly with adjusted gross income (AGI) of less than \$150,000, Heads of Household filers with AGI of less than \$112,500 and single parents with AGI of less than \$75,000, the expanded 2021 Child Tax Credit amounts will be:

Child under age 6: \$3,600

Child ages 6-17: \$3,000

\*\*For those families with income levels higher than those stated above, the \$2,000 per child tax credit will still be in effect up to \$400,000 AGI.

The program will advance half of these credit amounts to families on a monthly installment basis starting on July 15. Therefore:

If you have a child aged 5 and under, you'll begin receiving \$300/month starting July 15

If you have a child aged 6-17, you'll begin receiving \$250/month starting July 15

\*If you have multiple children, add up the amounts for each child to find your total.

Eligible families who filed a 2020 tax return will be automatically enrolled in this program and don't need to do anything to start receiving the advances on July 15.

There are also reasons that some families may wish to "opt out" of receiving the advance child tax credit payments.

Possible reasons to opt out include:

"Since receiving half of my child tax credit in advance means that I only receive half of my child tax credit on my tax return, I will end up owing tax next Spring and I want to prevent owing."

"I usually get a large refund and I count on those large refunds as part of my family budget."

"I usually have to pay tax, but the child tax credit helps to keep the amount I owe to a minimum. If my tax return will only include half of the tax credit, I will owe more than I'm used to paying."



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“My income is increasing for 2021. If the IRS bases my advance child tax credit amounts on the 2020 return, I will receive more than I’m qualified for and it will adversely affect my 2021 tax return.”

Of course, realizing these consequences, some families may also wish to plan around the 2021 tax return results and remain enrolled in the monthly advance program. It is important to know how this will affect your tax return so that you can make a good decision for your family.

\*The IRS “opt out tool” is not yet available, but is scheduled to go live by July 1, 2021.

For those not filing a tax return, but otherwise qualified, there is a tool to sign up for these advance payments. If the person filed for Economic Impact Payments (aka stimulus payments) during 2020 using a similar tool, they will be automatically enrolled and won’t need to enroll using this tool. For more information, go to [Child Tax Credit Non-filer Sign-up Tool \(irs.gov\)](#)

If you wish to obtain an estimate and recommendation for your specific situation, please fill out the form below and a qualified Ridge View Accounting staff member will provide you with an estimate and the reasons for and against opting out of the advances. Utilizing this service can help you in making an informed decision. The service fee is \$60-75, based on the complexity of your situation.

[Child Tax Credit Advance Tax Planning Form](#)

Sincerely,

Ridge View Accounting & Tax, CPA, P.C.

(402)327-1053

sophie@ridgeviewacct.com