



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

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The new advance child tax credit payments are causing some concern for parents that only claim their child(ren) every other year, rather than every year. The most common question that has come up is:

·What should I do if I claimed my child last year (2020), but will not be able to claim them for this year (2021)? What about the opposite situation?

Although this must be a problem for many Americans, the IRS has not come out with a recommendation for these types of scenarios. Some possible solutions, based on the research of Ridge View Accounting staff are listed below. We hope this helps for those parents affected by this dilemma.

For the parent that claimed the child(ren) in 2020, but will not claim in 2021:

Option 1: Unenroll so that no payments are received. This is the ideal option, but we have been informed of some cases where the unenroll option is not working for everyone.

Option 2: The IRS has indicated that their portal tool will be updated to allow parents to go in and add dependents that they didn't have before or remove dependents that they won't have for 2021. This functionality should be available by September. Up until this time, the payments will be received if the parent is unable to unenroll. At the point when the tool is updated, go in and make the update so that the payments stop. Between now and then, collect the payments, setting it aside in a separate bank account in order to pay it back at tax time. At least updating the system when possible will minimize the amount of payments received. Setting the money aside, knowing it will likely need to be paid back, will help to protect the parent from financial strain at tax time.

Option 3: Do nothing and receive the advance child tax credit payments. Set aside all of this money in a separate bank account and plan to pay it back with your 2021 tax return. This option is less than ideal, but would work for those unable to unenroll for any reason.

For the parent that didn't claim the child(ren) in 2020 and will claim for 2021:

Option 1: No child tax credit advance payments will be received during 2021. Wait until tax return filing and claim the full child tax credit amount then.

Option 2: When the IRS portal tool is updated, go in and make the update so that payments will start coming. The parent will miss out on the first 2-3 payments, but will be able to receive the last 3-4 payments and claim the remainder on their 2021 tax return (filed in 2022).

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