



## The Child Tax Credit – Why did the IRS just send me money!

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As part of an initiative to put cash into taxpayers' hands, the IRS has initiated an advance child tax credit program. You may have already received your first check last week. The IRS has funded bank accounts or sent out checks dependent upon where and how you filed your 2019 or 2020 tax returns and received funds or paid tax, so please check your accounts! If you received this advance, here is what that means for you!

Typically, if you have dependents and report a certain limited amount of taxable income, you are eligible to receive a refundable credit related to supporting your children. For 2021, the tax credit has been increased to \$3,600 for children ages five and younger and \$3,000 for those ages six through 17.

In order to get money into the hands of taxpayers, the IRS began last week distributing half the value of the credit in monthly installments (July-December) as an advance of the 2021 tax credit. The balance can be claimed when you file your 2021 tax return.

You are automatically enrolled to receive the advance payments as long as you filed a 2019 or 2020 tax return and claimed the Child Tax Credit on such return OR you gave the IRS your information in 2020 to receive the Economic Impact Payment using the "Non-Filers: Enter Payment Info Here tool".

As with many IRS credits, and as mentioned about limits above, there are income thresholds to determine your eligibility to receive full or partial credit. You will receive the full credit if you are a single filer and your modified adjusted gross income (MAGI) is less than \$75,000, you are a head of household filer with MAGI of less than \$112,500, or a married filing jointly couple with MAGI of less than \$150,000. If your income is above these thresholds the credit will begin to phase out.

Also, worth noting, if your income is high enough that you do not qualify for the enhanced credit in 2021 you can still claim the previous Child Tax Credit of up to \$2,000 per child, which doesn't begin phasing out until income is \$200,000 for a single filer or head of household and at \$400,000 for married couples filing jointly.

Please remember to look for these payments, as the information will be helpful in your accountants' hands when you file your 2021 return. Should you have any questions, please feel free to reach out to your Spielman Koenigsberg Parker, LLP representative!