



Going, Sebastien, Fisher & LeBouef, LLP
 Darren J. Cart, CPA/PFS
 Partner
 2811 S Union St, Opelousas, LA
 1018 Harding St. Ste. 102,
 Lafayette, LA
 337-942-3041
 337-981-5555
 darren@goingcpa.com
 www.goingcpa.com

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**AICPA Personal Financial
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 member benefit

Enhanced Child Tax Credit for 2021

If you have qualifying children under the age of 18, you may be able to claim a child tax credit. (You may also be able to claim a partial credit for certain other dependents who are not qualifying children.) The American Rescue Plan Act of 2021 makes substantial, temporary improvements to the child tax credit for 2021, which may increase the amount you might receive.

Ages of qualifying children

The legislation makes 17-year-olds eligible as qualifying children in 2021. Thus, children age 17 and younger are eligible as qualifying children in 2021.

Increase in credit amount

For 2021, the child tax credit amount increases from \$2,000 to \$3,000 per qualifying child (\$3,600 per qualifying child under age 6). The partial credit for other dependents who are not qualifying children remains at \$500 per dependent.

Phaseout of credit

The combined child tax credit (the sum of your child tax credits and credits for other dependents) is subject to phaseout based on modified adjusted gross income (MAGI). Special rules start phasing out the increased portion of the child tax credit in 2021 at much lower thresholds than under pre-existing rules. The credit, as reduced under the special rules for 2021, is then subject to phaseout under the pre-existing phaseout rules.

The following table summarizes the effect of the phaseouts on the child tax credit in 2021, based on MAGI.

Single/Married filing separately	Married filing jointly	Head of household	Combined credit
Up to \$75,000	Up to \$150,000	Up to \$112,500	No reduction in credit
\$75,001 to \$200,000	\$150,001 to \$400,000	\$112,501 to \$200,000	Credit can be reduced to \$2,000 per qualifying child, \$500 per other dependent
More than \$200,000	More than \$400,000	More than \$200,000	Credit can be reduced to \$0

Refundable credit

The aggregate amount of nonrefundable credits allowed is limited to tax liability. With refundable credits, a taxpayer may receive a refund at tax time if they exceed tax liability.

For most taxpayers, the child tax credit is fully refundable for 2021. To qualify for a full refund, the taxpayer (or either spouse for joint returns) must generally reside in the United States for more than half of the taxable year. Otherwise, under the pre-existing rules, a partial refund of up to \$1,400 per qualifying child may be available. The credit for other dependents is not refundable.



Recent legislation made substantial, temporary improvements to the child tax credit for 2021 that may increase the amount you might receive.



Advance payments

Eligible taxpayers may receive periodic advance payments for up to half of the refundable child tax credit during 2021, generally based on 2020 tax returns. The U.S. Treasury will make the payments between July and December 2021. For example, monthly payments could be up to \$250 per qualifying child (\$300 per qualifying child under age 6).

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