

## Alert: 2021 Child Tax Credit Advance Payments FAQs

### What are the child tax credit advance payments?

The advance Child Tax Credit gives qualifying families advance payments of the refundable tax credit many people may claim on their 2021 tax return during the 2022 tax filing season. The IRS will disburse these advance payments monthly through December 2021. Your child must not turn 18 at any point in 2021 to qualify.

### Who qualifies to receive the payments?

You qualify for advance Child Tax Credit payments if you have a qualifying child and you lived within one of the 50 states or the District of Columbia for more than half of the year. The payments are calculated based on the most recent tax return on file, either 2020 or 2019 if you have not yet filed your 2020 return.

### How much will I receive?

Your total advance Child Tax Credit payment amounts will equal half of the amount of your estimated 2021 Child Tax Credit. For tax year 2021, the Child Tax Credit is increased from \$2,000 per qualifying child to \$3,600 for children ages 5 and under at the end of 2021; and \$3,000 for children ages 6 through 17 at the end of 2021. This amount is then divided into monthly advance payments to you. As a result, for each of your qualifying children age 5 or younger, generally you will receive \$300. That is determined by dividing \$3,600 in half, which is \$1,800. Six monthly payments of \$300 will provide you with \$1,800. For each of your qualifying children ages 6 to 17, generally you will receive \$250. That is determined by dividing \$3,000 in half, which is \$1,500. Six monthly payments of \$250 will provide you with \$1,500.

### Are advance Child Tax Credit payments taxable?

No. These payments are not income and will not be reported as income on a taxpayer's 2021 tax return. These payments are advance payments of a person's tax year 2021 Child Tax Credit.

### My 2019 tax return included no qualifying child or showed a large amount of income, but I have since had a child or now my income is lower. What can I do now to receive advance Child Tax Credit payments during 2021?

File your 2020 tax return. Even though you did not receive the Child Tax Credit based on your 2019 tax return, you may receive advance Child Tax Credit payments based on the number of qualifying children allowed on your 2020 tax return. The payment will start the month after your 2020 tax return is processed.

### Could my Child Tax Credit be limited? What if my credit is more than I receive in advance payments?

Yes, if your income is over certain levels based on your 2021 tax return, your tax credit could be limited. This means the amount paid to you in advance could be more or less than the amount you are entitled to.

To determine the amount of the Child Tax Credit you are entitled to, know that the credit phases out in two steps based on your modified adjusted gross income (AGI) in 2021. The first phaseout can reduce the Child Tax Credit to \$2,000 per child. It can reduce only the \$1,600 increase for qualifying children ages 5 and under, and the \$1,000 increase for qualifying children ages 6 through 17, at the end of 2021.

The Child Tax Credit begins to be reduced to \$2,000 per child if your modified AGI in 2021 exceeds:

- \$150,000 if married and filing a joint return or if filing as a qualifying widow or widower;
- \$112,500 if filing as head of household; or
- \$75,000 if you are a single filer or are married and filing a separate return.

The second phaseout can reduce the remaining Child Tax Credit below \$2,000 per child. The Child Tax Credit won't begin to be reduced below \$2,000 per child until your modified AGI in 2021 exceeds: \$400,000 if married and filing a joint return; or \$200,000 for all other filing statuses.

If the amount of your Child Tax Credit for 2021 exceeds the total amount of your advance Child Tax Credit payments, you can claim the remaining amount of your Child Tax Credit on your 2021 tax return. The credit will reduce your tax liability or will give you a refund.

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### If my income is over the limit and my benefit is limited, will I have to pay back any of the credit amounts I received in advance?

Maybe. If you determine the amount you were paid in advance is more than the amount you are entitled to receive based on your 2021 modified income on your tax return, you may be required to pay back the advance. In January 2022, the IRS will send you Letter 6419 to provide the total amount of advance Child Tax Credit payments that were disbursed to you during 2021. Please keep this letter regarding your advance Child Tax Credit payments with your tax records. You may need to refer to this letter when you file your 2021 tax return during the 2022 tax filing season.

If your income is below certain levels, you may qualify for repayment protection which means you will not have to repay the excess advance you received. If you do not qualify for repayment protection, you will need to report the entire excess amount on your 2021 tax return which will increase the amount of tax you owe. This additional income tax will reduce the amount of your tax refund or increase your total tax due for 2021.

You won't qualify for any repayment protection if your modified AGI is at or above the amounts listed below based on the filing status on your 2021 tax return.

- \$120,000 if you are married and filing a joint return or if filing as a qualifying widow or widower;
- \$100,000 if you are filing as head of household; and
- \$80,000 if you are a single filer or are married and filing a separate return.

You qualify for full repayment protection and won't need to repay any excess amount if your main home was in the United States for more than half of 2021 and your modified adjusted gross income (AGI) for 2021 is at or below the following amount based on the filing status on your 2021 tax return:

- \$60,000 if you are married and filing a joint return or if filing as a qualifying widow or widower;
- \$50,000 if you are filing as head of household; and
- \$40,000 if you are a single filer or are married and filing a separate return.

### What should people do if they don't want to receive advance Child Tax Credit payments?

If you make estimated tax payments, your income is higher than it was in 2020, or you no longer have a qualifying child, receiving the refundable credit advance essentially reduces the amount you are paying in and could create a larger tax bill in April, so some clients are choosing to opt-out of receiving the payments. Anyone who does not want to receive monthly advance Child Tax Credit payments because they would rather claim the full credit when they file their 2021 tax return, or because they know they will not be eligible for the credit in 2021, can unenroll through the [Child Tax Credit Update Portal](#). People can unenroll at any time, but [deadlines](#) apply each month for the update to take effect for the next payment. Be sure to have your photo ID available and plenty of time as the process to create a login to unenroll is a bit cumbersome.

For people married and filing jointly, know that you and your spouse must unenroll using the Child Tax Credit Update Portal. If only one person unenrolls, they will still receive half the normal payment. Similarly, if you are changing bank account information, both of you must make the update so both halves of your payment go to the new account.

The above information is sourced directly from the IRS website: <https://www.irs.gov/credits-deductions/2021-child-tax-credit-and-advance-child-tax-credit-payments-topic-a-general-information>.

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