

June 23, 2021

How the expanded Child Tax Credit works

The American Rescue Plan temporarily increases the Child Tax Credit in 2021 – the second most widely claimed individual tax break in the code – and allows people to claim a portion of the credit July through December, instead of all at once at the end of the year. Families can now receive the tax credit even if they have little or no employment income.

While Congress limited the number of people who can qualify for the newly enlarged credit, lawmakers required the Treasury to automatically enroll all CTC beneficiaries, regardless of income – some 50 million families, earning up to \$400,000 – or families who signed up for IRS stimulus checks in the monthly payment program unless they opt out. The IRS published instructions Tuesday on how taxpayers can decline automatic monthly payments of either the expanded tax credit or the pre-2021 CTC if they prefer to receive a lump sum later to reduce tax bills next filing season.

Here’s a look at how much the expanded CTC pays and when payments will be issued.

Payment amounts before and after the American Rescue Plan expanded the Child Tax Credit

For the 2020 tax year, married couples filing jointly with an adjusted gross income of up to \$400,000 and all other taxpayers with an adjusted gross income of up to \$200,000 could claim a maximum credit of \$2,000 per child under the age of 17.

Taxpayers making too much money to qualify for the 2021 expanded credit will receive the pre-2021 tax credit in the monthly payments.

EXAMPLES

Married, filing jointly

Up to \$400,000 adjusted gross income; two children under age 17



Other taxpayers

Up to \$200,000 adjusted gross income; one child under age 17



For 2021 only, the program has increased the amount married couples filing jointly with an adjusted gross income of up to \$150,000 can claim for dependents. They can now claim up to \$3,000 per child age 6 to 17 and \$3,600 for each child under age 6.

Single heads of households with an adjusted gross income of up to \$112,500 with qualifying children can also claim the maximum credit.

EXAMPLES

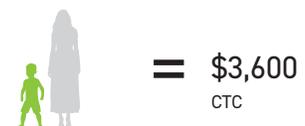
Married, filing jointly

Up to \$150,000 adjusted gross income; two children age 6 and 17



Single parent household

Up to \$112,500 adjusted gross income; one child under age 6



When newly expanded Child Tax Credit payments will be issued

Families will automatically receive up to half of their total CTC amount in six monthly payments. The advance amounts are estimated from 2019 or 2020 tax returns. The remaining half of the expanded credit will be collected by families when 2021 taxes are filed.

Low-income families with children eligible for the expanded tax credit who did not have to file taxes in 2019 or 2020 because they had too little income, or who did not sign up to receive stimulus checks from the IRS, need to sign up for the payments via the IRS website.

