**Summary of new (2021 ONLY) rules for the child credit**

2021 individual tax returns qualify for a child credit of $3,000 ($3,600 if under 6 at

12/31/2021) for children under age 18 on the last day of the year with a social security

number claimed as a dependent on the return. The full amount is refundable. The

increased amounts begin phasing out at $150,000 on a joint return down to $2,000, which

begins phasing out at the 2020 levels as before. $112,500 and $75,000 begin the higher

amount phaseouts for heads of household and single returns respectively, also dropping

to $2,000 and phasing out at the 2020 amounts. This means for 2021 there is a stairstep

phaseout of none up until $150k (MFJ), then partial to a $2,000 safe harbor until $400k

MFJ, and complete after that.

Additionally, ARPA requires the IRS to pay ½ of the credit in advance in 6 monthly

payments beginning in July, 2021 for individuals maintaining a principal

residence in the

United States for over ½ the year. This advance payment will be estimated based on 2020

returns (2019 if not yet filed) and then reconciled upon filing the 2021 return. The IRS will

have a primary portal open by 7/1/21 where taxpayers can elect out of advance payments

or update their 2021 income, filing status or qualifying children. Key points of new law:

• One year only (2021) change under current law

• Under age 18 on last day of year

• Must be a dependent with a social security number by the due date of the return

• $3,000 per dependent

o $3,600 if dependent is under age 6 at 12/31/2021

• Fully refundable

• 50% of credit paid in 6 payments in advance **beginning 7/15/2021**

o Remainder refundable with 2021 return when filed

The advance credit will then be reconciled when filing the 2021 return. Any additional

credits due will be refunded with the return. The advance payments are to be electronically

paid using the same mechanism used to send the stimulus checks. The portals can also

be used to add new babies or dependents which would increase the 2021 credit.

***Any excess payments are must be paid back with the 2021 Form 1040 as additional***

***tax (Act Sec. 7527A(j)(2)(A))***

Older dependents will still qualify for the old $500 credit, but it will not qualify for the

advance payment program. Unlike the stimulus check where divorced parents might have

qualified for a dependent credit, the child credit will only apply to whomever claims the

child on the 2021 tax return.