

Learn How to Get Your Advance Child Tax Credit Payments with Our Help

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Understanding the Child Tax Credit

The Child Tax Credit is a tax deduction that parents use to reduce the income tax that they pay each year. Parents of children up to, but not including 17 years old were able to deduct \$2,000 per child from the amount that they owe on their income taxes when they file. This would reduce the amount of income tax they owed the government.

If they earned at least \$2,500 in income and did not owe taxes, a portion of the child tax credit (\$1,400) was refundable. If they earned more than \$400,000 if filing jointly or \$200,000 if filing singly then none of it was refundable.

Now, however, Congress has changed the Child Tax Credit in a variety of ways. The new rules are part of the COVID relief provisions in the American Rescue Plan passed in March 2021. The purpose of the changes to the Child Tax Credit is to get more money to American families since many families have suffered financially during the COVID pandemic. The changes in the Child Tax Credit include the amount, the timing, income requirements and the amount that is refundable.

The Internal Revenue Service (IRS), the taxing agency of the federal government, is in charge of everything relating to the Child Tax Credit since it is a tax deduction. The IRS decides if you are eligible and how much money (if any) you will be getting. They are also the ones who will be distributing the money directly to American families.

Since these changes were put in place to help mitigate financial hardship from job losses and closures due to the COVID-19 pandemic, they will only be valid in 2021, after which the Child Tax Credit rules and amounts will go back to the way they were before the American Rescue Plan.

Who Qualifies for Child Tax Credit Payments?

The vast majority of the people receiving the Child Tax Credit are taxpayers who have previously claimed the Child Tax Credit on their tax returns. If you are a parent who has already claimed the Child Tax Credit on recent tax returns or are otherwise considered to be eligible by the IRS, you should receive several letters from the IRS in the mail. Nevertheless, some people who did not file a tax return in 2020 or 2019 or did not previously claim the Child Tax Credit may also qualify.

The basic requirements include having one or more children under age 18 with a valid Social Security number and earning less than certain income limits. If this describes you, it is important to know how to check to see if you are eligible and how to register for the Child Tax Credit if the IRS does not already have you on the list to receive it.

Learn About Child Tax Credit Monthly Payments

The amount of the maximum 2021 Child Tax Credit is nearly twice the normal amount before the American Rescue Plan was passed. Another major change is that the amount your family will get per child will depend on the age of each of your children.

The maximum amount of the Child Tax Credit you will receive is \$3,600 per child under the age of 6 and \$3,000 per child for children ages 6-17. However, these amounts can be reduced if you make more than certain threshold income amounts. The more money you earn, the lower the amount of the Child Tax Credit you will qualify for. To be prepared, you can determine the amount you will receive based on your children's ages and your income.

When and How Can You Receive Payments?

If you qualify for the increased amount, you will not receive all of the benefit of the Child Tax Credit at one time. Half of the Child Tax Credit total amount will be paid out in six monthly payments and the rest will be paid in a lump sum when you file your taxes and they are processed by the IRS. The monthly payments will be paid out directly to you over a period of six months, beginning in July 2021.

You will get either checks in the mail or direct deposits into your bank account, depending on what you had already set up with the IRS. However, if you need to, you can set up or change your direct deposit information or address that the IRS has on file for you.

Will You Need to Pay the IRS Back?

It is possible that when tax time comes around, you will owe some of the money from the Child Tax Credit back to the IRS. This is because the advance payments are calculated assuming that when you file your 2021 taxes, all of the things that qualify you to receive the Child Tax Credit stay the same.

However, it is possible that if your family circumstances or income changes, you may no longer qualify. For example, your child may now be older than 17, or maybe your 2021 income might be more than on the previous year's tax return. If you think this is the case, you can unenroll from the automatic payments. By unenrolling, you can make sure you have no potential tax liability as a result of the Child Tax Credit advance payments.

The Child Tax Credit and its Impact on American Households

The advance payment schedule and increased amount of the Child Tax Credit can make a big difference to American parents this year. Because of jobs and other income lost during the pandemic, many families are struggling to pay overdue bills, and the money from the Child Tax Credit can help get families current with their financial responsibilities.

Tax experts estimate that the advance Child Tax Credit payments (the monthly payments) along with other parts of the American Rescue Plan will result in reducing the number of American children living in poverty by at least half, from 13.7% to 6.5%, lifting millions of children above the poverty line. Other provisions of the Child Tax Credit will have the effect of reducing racial disparities, since millions of African-American and Latino families who previously did not qualify under the old rules will qualify in 2021.

Although most Americans with dependent children will automatically get these payments, it is not guaranteed that you will receive them. Whether you get them depends on whether the IRS thinks you qualify based on the information it has from your past tax returns.

However, circumstances sometimes change and the IRS may not have current information. For example, if you have had a baby or adopted a child since you filed your 2020 taxes, you can only get the Child Tax Credit payments if you let the IRS know by registering yourself. You might also have earned too much to qualify in 2020 but then had a drop in income in 2021 due to the pandemic or some other reason; the IRS may not think you meet the income qualifications unless you tell them otherwise.

If you are an American with children at home, it will benefit you to learn the details of the Child Tax Credit so that you will know what to expect and ensure that you get the payments if you qualify.