# *Advance Child Tax Credit*

## What are advance Child Tax Credit payments?

Advance Child Tax Credit payments are early payments from the IRS of 50 percent of the estimated amount of the Child Tax Credit that your client may properly claim on your client's 2021 tax return during the 2022 tax filing season. If the IRS has processed your client's 2020 tax return or 2019 tax return, these monthly payments will be made starting in July and through December 2021, based on the information contained in that return.

## What does your client need to do to receive advance Child Tax Credit payments?

Generally, nothing. If your client is eligible to receive advance Child Tax Credit payments based on your client's 2020 tax return or 2019 tax return (including information your client entered into the Non-Filer tool for Economic Impact Payments on IRS.gov in 2020), your client generally will receive those payments automatically without needing to take any additional action.

Client must take action if he/she have not filed their 2020 tax return or 2019 tax return. The IRS has unveiled an online Non-Filer tool that will allow individuals who weren't required to file (and have not filed) a tax return for 2020 to file a simplified tax return. This simplified tax return will allow eligible individuals to register for advance Child Tax Credit payments and the third Economic Impact Payment, as well as claim the 2020 Recovery Rebate Credit.

The fastest way to get advance payments is to file your client's tax return electronically and provide information about your client's financial account so that he/she can receive their payments by direct deposit. Your client can use a bank account, prepaid debit card, or mobile app for their deposit and will need to provide routing and account numbers. If your client would like to have their payment direct deposited, many financial institutions will help your client open a low-cost or no-cost bank account.

## Does your client need income to receive advance Child Tax Credit payments?

No. Even if your client have $0 in income, your client can receive advance Child Tax Credit payments if your client is eligible.

## What if your client do not want to receive advance Child Tax Credit payments?

If your client prefers not to receive monthly advance Child Tax Credit payments because they would rather claim the full credit when they file their 2021 tax return, or your client knows he/she will not be eligible for the Child Tax Credit for their 2021 tax year, your client can unenroll through the Child Tax Credit Update Portal (CTC UP). CTC UP will allow your client to unenroll before the first advance Child Tax Credit payment is made.

## When will the IRS begin disbursing advance Child Tax Credit payments?

The IRS will begin disbursing advance Child Tax Credit payments on July 15. After that, payments will be disbursed on a monthly basis through December 2021.

## Will the IRS contact your client about advance Child Tax Credit payments before they are disbursed?

Yes. In June, the IRS will send your client Letter 6417. This letter will inform your client of the amount of your client's estimated Child Tax Credit monthly payments. This letter will also indicate where he/she can find additional information about advance Child Tax Credit payments.

## How does your client qualify for advance Child Tax Credit payments?

Client qualifies for advance Child Tax Credit payments if your client has a qualifying child. Also, your client — or your client's spouse, if married filing a joint return — must have their main home in one of the 50 states or the District of Columbia for more than half the year. Your client's main home can be any location where he/she regularly live. Your client's main home may be his/her house, apartment, mobile home, shelter, temporary lodging, or other location and does not need to be the same physical location throughout the taxable year. Your client do not need a permanent address to get these payments. If your client is temporarily away from their main home because of illness, education, business, vacation, or military service, he/she is generally treated as living in their main home.

## **Will receiving advance Child Tax Credit payments cause a delay in refund when your client files his/her 2021 tax return next year?**

No.

## **Are advance Child Tax Credit payments taxable?**

No. Advance Child Tax Credit payments are not income and will not be reported as income on your client's 2021 tax return. Advance Child Tax Credit payments are advance payments their tax year 2021 Child Tax Credit.

However, the total amount of advance Child Tax Credit payments that your client receives during 2021 is based on the IRS's estimate of your client's 2021 Child Tax Credit. If the total is greater than the Child Tax Credit amount that your client is allowed to claim on their 2021 tax return, your client may have to repay the excess amount on their 2021 tax return during the 2022 tax filing season. For example, if your client receives advance Child Tax Credit payments for two qualifying children properly claimed on his/her 2020 tax return, but your client no longer have qualifying children in 2021, the advance Child Tax Credit payments that your client received based on those children are added to your client's 2021 income tax unless he/she qualifies for repayment protection. For more information regarding your client's eligibility for repayment protection, and how to reconcile your client's advance Child Tax Credit payments with their Child Tax Credit on his/her 2021 tax return.

## **Will the IRS send your client a letter of their advance Child Tax Credit payments to help your client claim the correct Child Tax Credit amount on their 2021 return next year?**

Yes. In January 2022, the IRS will send your client Letter 6419 to provide the total amount of advance Child Tax Credit payments that were disbursed to them during 2021. Please keep this letter regarding your client's advance Child Tax Credit payments with your client's tax records. your client may need to refer to this letter when they file their 2021 tax return during the 2022 tax filing season.

## **Will advance Child Tax Credit payments affect any government benefits that your client receives?**

No. Advance Child Tax Credit payments cannot be counted as income when determining if your client or anyone else is eligible for benefits or assistance, or how much your client or anyone else can receive, under any federal program or under any state or local program financed in whole or in part with federal funds. These programs also cannot count advance Child Tax Credit payments as a resource for purposes of determining eligibility for at least 12 months after your client receives it.

## Can your client call the IRS or tax software company or bank to update their bank account information for advance Child Tax Credit payments?

The IRS launched on IRS.gov a Child Tax Credit Update Portal (CTC UP), which will allow your client to update information with the IRS.

CTC UP currently allows your client to elect not to receive advance Child Tax Credit payments and update your client's bank account information. The IRS will add features to CTC UP later this year.

## How does your client avoid scams relating to advance Child Tax Credit payments?

The IRS urges everyone to be on the lookout for scam artists trying to use advance Child Tax Credit payments as a cover for schemes to steal personal information and money. The IRS does not initiate contact by email, text your client messages, or social media channels to request personal or financial information – even information related to advance Child Tax Credit payments. Also, watch out for emails with attachments or links claiming to have special information about advance Child Tax Credit payments or refunds of the Child Tax Credit.

## When will your client be able to update their information?

Client will be able to update certain information in the coming months:

| *Date You Can Make Changes | What You Can Do |
| --- | --- |
| June 21 | • Find out if you're eligible<br>• Unenroll from payments<br>• See a list of your payments |
| June 30 | • Make changes to your bank information for your payments beginning in August |
| Early August | • Make changes to your address |
| Late summer | • Make changes to your dependents, marital status and income<br>• Re-enroll if you previously unenrolled |

## Who is a “qualifying child” for purposes of the 2021 Child Tax Credit?

For tax year 2021, a qualifying child is an individual who does not turn 18 before January 1, 2022, and who satisfies the following conditions:

1. The individual is the taxpayer’s son, daughter, stepchild, eligible foster child, brother, sister, stepbrother, stepsister, half-brother, half-sister, or a descendant of any of them (for example, a grandchild, niece, or nephew).
2. The individual does not provide more than one-half of his or her own support during 2021.
3. The individual lives with the taxpayer for more than one-half of tax year 2021. For exceptions to this requirement, see IRS Publication 972, Child Tax Credit and Credit for Other Dependents.
4. The individual is properly claimed as the taxpayer’s dependent. For more information about how to properly claim an individual as a dependent, see IRS Publication 501, Dependents, Standard Deduction, and Filing Information.
5. The individual does not file a joint return with the individual’s spouse for tax year 2021 or files it only to claim a refund of withheld income tax or estimated tax paid.
6. The individual was a U.S. citizen, U.S. national, or U.S. resident alien. For more information on this condition, see IRS Publication 519, U.S. Tax Guide for Aliens.

## Does your client, or their children, need to have Social Security numbers to qualify for the Child Tax Credit?

Your client — and your client’s spouse, if married filing a joint return — must have a Social Security number (SSN) or an IRS Individual Taxpayer Identification Number (ITIN). Your client will receive advance Child Tax Credit payments only if he/she used their correct SSN or ITIN when your client filed a 2020 tax return or 2019 tax return (including when your client entered information into the Non-Filer tool on IRS.gov in 2020).

Advance Child Tax Credit payments will be made for each qualifying child who has an SSN that is valid for employment in the United States.

## Will your client receive advance Child Tax Credit payments if their qualifying child dies in 2021?

Yes. If your client’s qualifying child was alive at any time during 2021 and lived with your client for more than half the time in 2021 that the child was alive, then your client’s child is a qualifying child for purposes of the 2021 Child Tax Credit. As a result, your client will receive advance Child Tax Credit payments for their qualifying child.

## Because their 2019 return included no qualifying child or showed a large amount of income, your client did not receive the 2019 Child Tax Credit. However, he/she is eligible for the Child Tax Credit based on their 2020 information. What can your client do now to receive advance Child Tax Credit payments during 2021?

File your client's 2020 tax return. Even though your client did not receive the Child Tax Credit based on their 2019 tax return, your client may receive advance Child Tax Credit payments based on the number of qualifying children allowed on your client's 2020 tax return. The payment will start in July or the month after your client's 2020 tax return is processed, whichever is later.

## Their payment was issued but your client did not receive it. What can your client do?

Client can request a payment trace to track your client's payment if your client have not received it within the timeframes below. We will not be able to trace your client's payment unless it has been:

- 5 days since the deposit date and the bank says it has not received the payment
- 4 weeks since the payment was mailed by check to a standard address
- 6 weeks since the payment was mailed, and your client have a forwarding address on file with the local post office
- 9 weeks since the payment was mailed, and your client have a foreign address

## Can your client still get payments under pending eligibility?

No. your client will not receive advance CTC payments until we are able to confirm your client's eligibility. If we are not able to confirm eligibility during 2021, your client may be eligible to claim the full 2021 Child Tax Credit when your client file his/her 2021 tax return.

## What is the amount of the Child Tax Credit for 2021?

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.

**Note:** The $500 nonrefundable Credit for Other Dependents amount has not changed.

## How much will your client receive in advance Child Tax Credit payments?

Client's total advance Child Tax Credit payment amounts will equal half of the amount of your client's estimated 2021 Child Tax Credit. This amount is then divided into monthly advance payments to your client.

As a result:

- For each of your client's qualifying children aged 5 or younger, generally your client will receive $300. That is determined by dividing $3,600 in half, which is $1,800. Six monthly payments of $300 will provide your client with $1,800.
- For each of your client's qualifying children ages 6 to 17, generally your client will receive $250. That is determined by dividing $3,000 in half, which is $1,500. Six monthly payments of $250 will provide your client with $1,500.

## If your client is eligible to receive advance Child Tax Credit payments when will your client start receiving payments?

Advance Child Tax Credit payments will be disbursed in monthly installments starting July 15, 2021, through December 2021. More details about when your client should expect to receive advance Child Tax Credit payments will be provided soon.

| Payment Month | Payment Date |
|---|---|
| July | 7/15/2021 |
| August | 8/13/2021 |
| September | 9/15/2021 |
| October | 10/15/2021 |
| November | 11/15/2021 |
| December | 12/15/2021 |

## How will your client receive their advance Child Tax Credit payments?

If the IRS has received your client's banking information, your client's payment will be sent to them as a direct deposit. We will use bank account information from the following sources, in the following order:

- Client's 2020 tax return.
- Client's 2019 tax return, including information your client entered into the Non-Filer tool on IRS.gov in 2020.
- A federal agency that provides your client benefits, such as: Social Security Administration, Department of Veterans Affairs, or the Railroad Retirement Board.

If we do not have bank account information to issue your client a direct deposit, we will send your client's advance Child Tax Credit payments by mail. We will issue Advance Child Tax Credit payments on July 15, Aug. 13, Sept. 15, Oct. 15, Nov. 15 and Dec. 15.

## Will any of their advance Child Tax Credit payments be reduced if your client owes taxes from previous years or other federal or state debts?

No. Advance Child Tax Credit payments will not be reduced (that is, offset) for overdue taxes from previous years or other federal or state debts that your client owes.

However, if your client receives a refund when your client files his/her 2021 tax return, any remaining Child Tax Credit amounts included in your client's refund may be subject to offset for tax debts or other federal or state debts your client owes.

## Is their advance Child Tax Credit payment subject to garnishment?

Yes. Advance Child Tax Credit payments are not exempt from garnishment by non-federal creditors under federal law. Therefore, to the extent permitted by the laws of your client's state and local government, your client's advance Child Tax Credit payments may be subject to garnishment by your client's state, local government, and private creditors, including pursuant to a court order involving a non-federal party (which can include fines related to a crime, administrative court fees, restitution, and other court-ordered debts).

Some states and financial institutions have chosen to act to protect these payments, however, and these payments are still protected from offset by the federal government. For example, if a taxpayer has a judgment against them obtained by a private party but also owes assessed federal taxes, the IRS will not subject the payment to offset with respect to the federal taxes.

## Does your client need to file an injured spouse claim (Form 8379) if their spouse owes a federal or state debt and your client do not?

No. Advance Child Tax Credit payments will not be reduced (that is, offset) for overdue taxes from previous years or other federal or state debts that your client's spouse owes.

However, if your client file a joint 2021 tax return with your their spouse and receive a refund, any remaining Child Tax Credit amounts included in your client's refund may be subject to offset for tax debts or other federal or state debts your client's spouse owes. Your client can file Form 8379 with his/her 2021 tax return.

## Client received one or more advance Child Tax Credit payments for their qualifying child, but that child moved in with the other parent in March 2021. What should your client do?

- Agree with your client's qualifying child's other parent to allow your client to claim that child for the Child Tax Credit for 2021. Your client must receive from your client's child's other parent a signed Form 8332, Release/Revocation of Release of Claim to Exemption for Child by Custodial Parent, and attach it to your client's 2021 tax return on which he/she claims the Child Tax Credit.
- Consider using the Child Tax Credit Update Portal (CTC UP) to unenroll from receiving advance Child Tax Credit payments, or to remove that child from your client's Child Tax Credit information provided to the IRS. As a result, your client's future advance Child Tax Credit payment amounts will be reduced to take into account his/her unenrollment or removal of that child.

If your client takes neither action, he/she may need to repay to the IRS the amount of advance Child Tax Credit payments your client received that are based on that child when your client filed their 2021 tax return next year.

## If your client reported that he/she was a victim of tax-related identity theft, how can your client ensure he/she will receive advance Child Tax Credit payments?

If your client has reported that he/she is a victim of tax-related identity theft, the IRS will not disburse advance Child Tax Credit payments to your client until his/her tax-related identity theft issue has been resolved. More details about tax-related identity theft will provided through these questions and answers.

## If your client suspect they have been a victim of tax-related identity theft, what can your client do to make sure that he/she receives advance Child Tax Credit payments?

If your client believes he/she is a victim of tax-related identity theft and have not reported the tax-related identity theft issue to the IRS, your client should take steps to protect themselves. Notify the IRS by filing a Form 14039, Identity Theft Affidavit through IdentityTheft.gov or by filing the Form 14039 by paper.

The IRS will not disburse advance Child Tax Credit payments to your client until his/her tax-related identity theft issue has been resolved. If your client do not receive advance Child Tax Credit payments for a qualifying child your client will claim in 2021, he/she may claim the full amount of their allowable Child Tax Credit for that child when they file their 2021 tax return.

## How does your client reconcile their advance Child Tax Credit payments and their Child Tax Credit on their 2021 tax return?

When your client files their 2021 tax return during the 2022 tax filing season, your client will need to compare:

1. The total amount of the advance Child Tax Credit payments that your client received during 2021; with
2. The amount of the Child Tax Credit that your client can properly claim on their 2021 tax return.

**Excess Child Tax Credit Amount:** If the amount of your client's Child Tax Credit exceeds the total amount of your client's advance Child Tax Credit payments, he/she can claim the remaining amount of their Child Tax Credit on their 2021 tax return.

**Excess Advance Child Tax Credit Payment Amount:** If your client receives a total amount of advance Child Tax Credit payments that exceeds the amount of Child Tax Credit that your client can properly claim on their 2021 tax year, your client may need to repay to the IRS some or all of that excess payment.

In January 2022, the IRS will send your client Letter 6419 to provide the total amount of advance Child Tax Credit payments that were disbursed to them during 2021. Please keep this letter regarding your client's advance Child Tax Credit payments with your client's tax records. He/she may need to refer to this letter when they file their 2021 tax return during the 2022 tax filing season.

## Will your client need to repay advance Child Tax Credit payments back to the IRS if they are greater than the Child Tax Credit amount that your client is allowed on their 2021 tax return?

Maybe. If your client qualifies for the repayment protection, your client will be excused from repaying some or all of the excess amount. If he/she do not qualify for repayment protection, your client will need to report the entire excess amount on their 2021 tax return as additional income tax. This additional income tax will reduce the amount of your client's tax refund or increase your client's total tax due for 2021.

## How does your client know if your client do not qualify for the repayment protection for filers based on their income during 2021?

Client will not qualify for any repayment protection if your client's modified AGI is at or above the amounts listed below based on the filing status on your client's 2021 tax return.

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

## How does your client know if your client qualify for the full repayment protection for filers based on income during 2021?

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

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

Client's repayment protection may be limited if your client's modified AGI exceeds these amounts, or your client's main home was not in the United States for more than half of 2021.

## If your client qualify for repayment protection, how much repayment relief will your client qualify for?

If your client qualifies for repayment protection, the amount of your client's tax liability from excess advance Child Tax Credit payments is reduced by up to the **full repayment protection amount**. The full repayment protection amount equals $2,000, multiplied by the following:

- The number of qualifying children that the IRS took into account in determining the IRS's initial estimate of your client's advance Child Tax Credit payments, **minus**
- The number of qualifying children properly taken into account in determining the allowed Child Tax Credit amount on your client's 2021 tax return.

**Example:** Your client properly claimed three qualifying children on their 2020 tax return but claims only one qualifying child on their 2021 tax return. Your client can receive up to $4,000 in repayment protection (that is, $2,000 for each excess qualifying child) if your client qualifies.

Client will be able to apply the full repayment protection amount of $2,000 for each excess qualifying child if your client's modified adjusted gross income (AGI) is at or below the following amounts based on the filing status on your client's 2021 tax return:

- $60,000 if your client is married and filing a joint return or if filing as a qualifying widow or widower.
- $50,000 if your client is filing as head of household; and
- $40,000 if your client is a single filer or he/she is married and filing a separate return.

## What happens if your client have a balance due to the IRS because of excess advance Child Tax Credit payments, but your client cannot afford to make the balance due payment when filing their 2021 tax return?

The majority of individuals who need to repay excess advance Child Tax Credit payments will satisfy that balance through a reduction in their expected federal income tax refund. However, if your client owes a balance in excess of their refund, the IRS routinely works with taxpayers who owe amounts they cannot afford to pay. The process to make a payment arrangement for these balances due is the same as for other tax balances. For further information on how to pay your client's past due federal income tax liability.

## Why should your client unenroll?

Client may want to unenroll from receiving advance Child Tax Credit payments for several reasons, including if your client expect the amount of tax, he/she owes to be greater than your client's expected refund when your client files their 2021 tax return. The payments your client receives are an advance of the Child Tax Credit that your client would normally get when your client file your client's 2021 tax return. Because these credits are paid in advance, every dollar your client receive will reduce the amount of Child Tax Credit your client will claim on their 2021 tax return. This means that by accepting advance child tax credit payments, the amount of your client's refund may be reduced, or the amount of tax your client owes may increase.

Client may avoid owing tax to the IRS if they unenroll and claim the entire credit when your client files their 2021 tax return.

## Why is your client required to authenticate their identity?

The IRS needs to make sure your client is the person filing their tax return - and not someone pretending to be your client - before we give your client access to their sensitive account information. The verification of your client's identity helps to keep your client's information safe and prevent fraud and identity theft.

## How does your client authenticate their identity?

If your client is a new user, your client must create an ID.me account at the IRS and verify their identity. ID.me is a trusted credential service provider selected to support IRS.gov login services.

ID.me uses the latest in identity verification technology to authenticate your client's identity quickly and easily. Learn more about ID.me and the IRS verification process at Sign In or Create a New Account.

If your client has an existing account with the IRS, use your client's Secure Access username and password and enter the security code as part of the multi-factor authentication (MFA) process. If your client have an existing account with ID.me from a state government or federal agency, your client may use your their email and password and complete MFA.

## Will ID.me retain their information?

Yes, as a credential service provider certified against federal standards, ID.me is required to store the individual's information.  ID.me protects all sensitive data with stronger encryption than many financial institutions.