

# ***The Advance Child Tax Credit – Are You Eligible, And Should You Opt Out?***

***By: Andrew James (AJ) Flores, CFP®***



The [American Rescue Plan](#), signed into law on March 11<sup>th</sup>, includes among other things an expansion of the Child Tax Credit. This legislation increased the maximum annual tax credit from \$2,000 per child under age 17 to \$3,000 per child under age 18 or \$3,600 per child under the age of 6. Additionally, the Child Tax Credit has gone from being only partially refundable to being fully refundable.

The American Rescue Plan also provides for an advance of the tax credit, with half of the annual credit (\$1,500 and \$1,800 for children under age 18 and age 6, respectively) being made available in the form of equal monthly

payments to eligible households starting on July 15<sup>th</sup> and continuing through December 15<sup>th</sup>, 2021.

To qualify for the full Child Tax Credit, families must earn less than \$150,000 in adjusted gross income if married and filing jointly, or \$75,000 if filing as an individual. Households making more than these amounts would have the tax credit reduced incrementally until the credit amount reaches \$2,000.

It is important to note that these payments will be [automatically disbursed](#) to those who filed a 2019 or 2020 tax return and previously claimed the Child Tax Credit. As a result, it is possible that some families receiving the tax credit based on eligibility in 2020 will receive more than they would be eligible for in 2021. For example, if you were qualified for the full tax credit based on your 2020 income but received a bump in salary pushing you beyond the income thresholds specified above for 2021, you would still receive the full amount.

These payments, unlike previous government-issued stimulus checks, are not relief payments but advanced payments of a refund of what families would have received anyway upon filing their tax return. Thus, if you were to receive these advance payments and ultimately not qualify for the full amount, you may then owe the credit back to the government come tax time. If you feel that you will receive more in Advance Child Tax Credits than you are eligible for year, and if you prefer not to have to repay these credits come tax season, you may choose to opt out by making a request through the [IRS Child Tax Credit Update Portal](#). Otherwise, you may take on what is essentially an interest-free loan from the government if you are certain that you would be able to make good on the re-payment at tax time.

If you wish to discuss your family's eligibility for this program, [reach out and schedule some time with your financial advisor!](#)