

Additional FAQs About the Child Tax Credit

*Information courtesy of the Get It Back Campaign taxoutreach.org

1. How much will my newly expanded CTC amount decrease by if I have a higher income?

The expanded CTC will be reduced in two steps:

1. The CTC will be reduced to \$2,000 per child: It will reduce by \$50 for each \$1,000 that you are above the income threshold (\$75,000 for single filers, \$150,000 for married couples, and \$112,500 for heads of households) until the CTC reaches \$2,000.
2. The CTC will be reduced *again* to below \$2,000 per child. It will reduce by \$50 for each \$1,000 that you are above the income threshold (\$200,000 for single filers and heads of households and \$400,000 for married couples) until the CTC reaches \$0.

2. How will the advance payments be sent?

If the IRS already has your banking information because you had a tax refund directly deposited, your advance payments will be sent as a direct deposit. The IRS will use the sources listed below (in order) to know which bank account to deposit your payments in:

1. Your 2020 tax return
2. Your 2019 tax return or the information you submitted to the IRS 2020 Non-Filer tool to get your stimulus checks
3. Information you submitted to Get My Payment in 2020
4. A federal agency that sends you benefits (eg: Social Security Administration, Department of Veterans Affairs, or the Railroad Retirement Board)

If the IRS does not have any of your banking information, your advance payments will be sent by mail.

3. What is the Child Tax Credit Update Portal (CTC UP) used for?

The IRS launched an online portal for CTC recipients, called the [Child Tax Credit Update Portal](#) (CTC UP). You can use the portal to opt out of advance payments if you prefer to receive the full amount of your refund all at once when you file your 2021 tax return (which you file in 2022).

Later in the year, the CTC portal will allow you to make other updates, including changing your bank account information and your mailing address. In addition, if your family situation has changed since you last filed tax return or changes during the year, you can make updates to the number of dependents you have, your income, or your marital status. For example, if you have or will have a new baby this year, you can update your number of qualifying children on the CTC portal. These life changes can affect the amount of CTC you are eligible for. Making updates will help make sure that the IRS is sending you the correct amount of your CTC.

4. What if I receive more money than I should have as part of the advance payments for the expanded CTC?

Congress enacted a safe harbor protection for families with lower incomes if the IRS overpays you. If your 2021 income is less than \$40,000 (\$60,000 for married couples and \$50,000 for heads of households), **you are not required to repay anything back.**

This protection only applies if you are overpaid because there are changes to the number of children you claim, **not** changes in income. The safe harbor amount gradually decreases as your income increases. If your 2021 income is \$80,000 or above (\$120,000 for married couples and \$100,000 for heads of households), **you are required to repay the full excess amount.**

If you earn more than the safe harbor allows and receive more money than you should through advance payments in 2021, the IRS may require you to pay back the excess amount when you file your 2021 tax return (which you file in 2022). This means that you will either owe more taxes or see a decrease in your tax refund.

An example is if you received advanced payments for a child who lived with you in 2020, but moved in March 2021. Once you file taxes in 2022 (for Tax Year 2021), you will have to pay the money back.

The [CTC Update Portal](#) will provide the opportunity to not receive advance payments if you're unsure if you will be eligible for the expanded CTC (e.g., you anticipate that your income will change or the dependents you can claim will change). The portal will also allow you to update your information (the number of dependents you have, your income, or your marital status) which will help the IRS to pay you the correct amount.

5. What if my advance payments are based on my 2019 tax return and then, I recently filed my 2020 tax return? Will the IRS update the amounts of my advance payments?

Yes. As soon as the IRS processes your 2020 tax return, the amount of your advance payments will be adjusted if there are changes to your income, number of qualifying children, or filing status.

6. What if I filed a 2020 tax return, but the IRS still hasn't processed my 2020 tax return?

The IRS will use your 2019 tax return to determine if you're eligible for advance payments and if you are, the amount you will get. Once your 2020 tax return is processed, your payment amount may change.

7. Can my advance payments be reduced if I owe child support payments, back taxes, Federal or state debt, or money to creditors or debt collectors?

No. Your advance payments won't be offset to pay past-due child support, back taxes, and Federal or state debts. However, they are not protected from garnishment by creditors and debt collectors.

When you file your tax return and receive the rest of your CTC as part of your tax refund, it can be reduced for past-due child support payments, back taxes, Federal or state debts, and garnishment by creditors and debt collectors.

8. What if I get government benefits? Will these payments count against eligibility?

Tax credit refunds including the CTC don't count as income against federally funded benefit programs like SNAP, TANF, or Medicaid. Tax credit refunds that are saved are not counted toward asset limits in such programs for 12 months.

9. Do advance payments count as income? Do I need to report it on my tax return?

No. Advance payments are not income and do not need to be reported as income on your tax return. These payments are early payments of your 2021 Child Tax Credit, which you would normally claim as part of your tax refund when you file your tax return. Even though the advance payments don't need to be reported on return, in January 2022, the IRS will send you *Letter 6419* that tells you the total amount of advance payments sent to you in 2021. **Please keep this letter for your tax records.** On your 2021 tax return (which you file in 2022), you may need to refer to this notice to claim your remaining CTC.

10. What if I share custody of my child? Who will get to claim the newly expanded CTC and advance payments?

Only one person — whoever lives with the child for more than half the year — can claim the expanded CTC. If you claimed your child on your 2020 tax return (or 2019 return if you haven't filed your 2020 tax return), starting in July 2021 you'll automatically begin receiving half of the newly expanded CTC through advance payments. You will receive the rest of the CTC when you file a 2021 tax return in 2022.

If your child lived with you for most of the year, but no longer does, make sure to file a 2020 tax return so the IRS has your most recent information. Or, if your situation changes in 2021, update the information in the [CTC update portal](#). If more than one parent or guardian lived with your child for more than half of the year, the parent who claimed the child on the most recent tax return will be the parent who receives the advance payments. The same situation applies if you and other relatives both care for and live with the child.

That parent or relative who receives the advance payments should be the same person to claim the CTC on their 2021 tax return (which you file in 2022), to receive the remaining half of the credit (as long as that parent or relative still lives with the child for most of 2021). If the other parent claims the CTC instead, the IRS will question whether the advance payments made in 2021 were made improperly. The IRS may need to take additional steps to determine who can rightfully claim the child, which may lead to a delay of your tax refund.

Custody Changes:

You can update your custody arrangement, if it has changed since your 2019 return, by filing a 2020 tax return (which you file in 2021) if you haven't already filed. This will allow you to receive the current CTC and possibly receive the advance payments of the newly expanded CTC.

11. Is there a deadline to sign up for advance CTC payments?

After the IRS processes the information you provide through the [IRS Non-filer portal](#) or by filing a 2020 tax return, you will begin receiving advance payments. If you sign up after payments are first issued in July, your monthly payments will be larger so that you still get half of your CTC amount in 2021.

If you don't receive some or all of your advance payments, you can still file your 2021 tax return (which you file in 2022) to receive the full amount of the newly expanded CTC.

12. Are these new changes to the CTC permanent?

Maybe. The new rule changes to the CTC are temporary. They only apply to your 2021 tax return (which you file in 2022). Legislation is being proposed to have the changes be in effect for subsequent years.