



FAIRMAN GROUP FAMILY OFFICE

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CHILD TAX CREDIT UPDATE THOUGHT LEADERSHIP PERSPECTIVES

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THE AMERICAN RESCUE PLAN ACT CHANGED THE WAY THAT THE CHILD TAX CREDIT IS PAID TO ELIGIBLE PARENTS FOR 2021

Instead of being claimed as a credit on your income tax return as was previously the case, starting this month, one-half of the amount of the credit will be paid monthly via a direct deposit to your checking account or a physical check mailed to you. The amount of the credit will also increase to \$3,600 for children under the age of 6 and \$3,000 for children ages 6 to 17. The credit was only \$2,000 prior to this change.

There is an income limit to be eligible to receive the higher amounts. The full credit is available to parents whose adjusted gross income is \$75,000 or less (\$150,000 or less for parents who file jointly and \$112,500 for those who file as heads of households). For parents with income greater than the thresholds, the credit will phase out. The credit is reduced to zero for parents who file as single and head of household with income greater than \$240,000 and reaches zero at \$440,000 for parents who file jointly. The payments will be based on the information from your 2020 tax return.

For many, the receipt of a monthly check starting now instead of waiting for a refund next year will be very helpful in meeting family expenses. However, since one-half of the credit will be received during this year and will not be available to offset taxes that are due with your tax return, you could be faced with having to pay taxes with the return next year. If that is the case, you may want to opt out of receiving the monthly payments this year and receive the entire credit amount when you file your tax return next year.

**IF YOU DECIDE TO OPT OUT OF RECEIVING THE ADVANCED CHILD TAX CREDIT, THE IRS HAS CREATED A PORTAL YOU CAN USE TO INDICATE THAT CHANGE:
[HTTPS://WWW.IRS.GOV/CREDITS-DEDUCTIONS/CHILD-TAX-CREDIT-UPDATE-PORTAL](https://www.irs.gov/credits-deductions/child-tax-credit-update-portal)**

If you file jointly, each parent will need to go to the portal and create what the IRS calls an ID.me account. This will require uploading a photo ID and a selfie. The process of creating the account is complicated but there is presently no other way to make the change. After the ID.me account is created, you can elect out of the advanced payment of the credit. You can also add banking information so the payments can be directly deposited. Later this year, the IRS plans to add additional features to the portal, such as adding information concerning new dependents. It is too late to change the payment that will be mailed by July 15, but you can opt out of future payments.

IT'S IMPORTANT TO KNOW HOW CHANGES IN THE TAX LAW CAN AFFECT YOU. IF YOU HAVE QUESTIONS OR CONCERNS, PLEASE CONTACT A MEMBER OF YOUR FAIRMAN GROUP FAMILY OFFICE SERVICE TEAM TODAY.

ABOUT FAIRMAN GROUP FAMILY OFFICE

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