

Enhanced Child Tax Credit for 2021



If you have qualifying children under the age of 18, you may be able to claim a child tax credit. (You may also be able to claim a partial credit for certain other dependents who are not qualifying children.) The American Rescue Plan Act of 2021 makes substantial, temporary improvements to the child tax credit for 2021, which may increase the amount you might receive.

Ages of qualifying children

The legislation makes 17-year-olds eligible as qualifying children in 2021. Thus, children age 17 and younger are eligible as qualifying children in 2021.

Increase in credit amount

For 2021, the child tax credit amount increases from \$2,000 to \$3,000 per qualifying child (\$3,600 per qualifying child under age 6). The partial credit for other dependents who are not qualifying children remains at \$500 per dependent.

Phaseout of credit

The combined child tax credit (the sum of your child tax credits and credits for other dependents) is subject to phaseout based on modified adjusted gross income (MAGI). Special rules start phasing out the increased portion of the child tax credit in 2021 at much lower thresholds than under pre-existing rules. The credit, as reduced under the special rules for 2021, is then subject to phaseout under the pre-existing phaseout rules.

The following table summarizes the effect of the phaseouts on the child tax credit in 2021, based on MAGI.

Single/Married filing separately	Married filing jointly	Head of household	Combined credit
Up to \$75,000	Up to \$150,000	Up to \$112,500	No reduction in credit
\$75,001 to \$200,000	\$150,001 to \$400,000	\$112,501 to \$200,000	Credit can be reduced to \$2,000 per qualifying child, \$500 per other dependent
More than \$200,000	More than \$400,000	More than \$200,000	Credit can be reduced to \$0

Refundable credit

The aggregate amount of nonrefundable credits allowed is limited to tax liability. With refundable credits, a taxpayer may receive a refund at tax time if they exceed tax liability.

For most taxpayers, the child tax credit is fully refundable for 2021. To qualify for a full refund, the taxpayer (or either spouse for joint returns) must generally reside in the United States for more than half of the taxable year. Otherwise, under the pre-existing rules, a partial refund of up to \$1,400 per qualifying child may be available. The credit for other dependents is not refundable.

Recent legislation made substantial, temporary improvements to the child tax credit for 2021 that may increase the amount you might receive.

Advance payments

Eligible taxpayers may receive periodic advance payments for up to half of the refundable child tax credit during 2021, generally based on 2020 tax returns. The U.S. Treasury will make the payments between July and December 2021. For example, monthly payments could be up to \$250 per qualifying child (\$300 per qualifying child under age 6).

DISCLOSURES

RDM Financial Group is a team of investment professionals registered with Hightower Securities, LLC, member FINRA and SIPC & Hightower Advisors, LLC a registered investment advisor with the SEC. All securities are offered through Hightower Securities, LLC and advisory services are offered through Hightower Advisors, LLC. This is not an offer to buy or sell securities. No investment process is free of risk and there is no guarantee that the investment process described herein will be profitable. Investors may lose all of their investments. Past performance is not indicative of current or future performance and is not a guarantee. In preparing these materials, we have relied upon and assumed without independent verification, the accuracy and completeness of all information available from public and internal sources. Hightower shall not in any way be liable for claims and make no expressed or implied representations or warranties as to their accuracy or completeness or for statements or errors contained in or omissions from them. This document was created for informational purposes only; the opinions expressed are solely those of the author, and do not represent those of Hightower Advisors, LLC or any of its affiliates. Third-party links and references are provided solely to share social, cultural and educational information. Any reference in this post to any person, or organization, or activities, products, or services related to such person or organization, or any linkages from this post to the web site of another party, do not constitute or imply the endorsement, recommendation, or favoring of RDM Financial Group or Hightower Advisors, LLC, or any of its affiliates, employees or contractors acting on its behalf. Hightower Advisors, LLC, does not guarantee the accuracy or safety of any linked site. Hightower Advisors and RDM Financial Group do not provide tax or legal advice. This material was not intended or written to be used or presented to any entity as tax advice or tax information. Tax laws vary based on the client's individual circumstances and can change at any time without notice. Clients are urged to consult their tax or legal advisor for related questions. Reprinted with permission from Broadridge Investor Communication Solutions, Inc. Broadridge Investor Communication Solutions, Inc. does not provide investment, tax, legal, or retirement advice or recommendations. The information presented here is not specific to any individual's personal circumstances. To the extent that this material concerns tax matters, it is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding penalties that may be imposed by law. Each taxpayer should seek independent advice from a tax professional based on his or her individual circumstances. These materials are provided for general information and educational purposes based upon publicly available information from sources believed to be reliable — we cannot assure the accuracy or completeness of these materials. The information in these materials may change at any time and without notice.