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Qualify for a child tax credit

Qualify for a child tax credit? New IRS tool can tell

\$3,600 child tax credit payments: IRS launches new tools

The Internal Revenue Service on Tuesday launched two new tools to help families find out if they are eligible for up to \$3,600-per child tax credits and manage their monthly payments, which are set to start going out July 15.

Here's what to know about the tools.

WHAT THE TOOLS DO

The first, called the Child Tax Credit Eligibility Assistant, allows families to “quickly determine” if they are eligible for the credit by answering a “series of questions,” the IRS says.

The second, the Child Tax Credit Update Portal, can be used to opt out of the monthly payments if families want to receive the full credit when they file their taxes in 2022. Later in the summer and during the fall, families will be able to use the update portal to monitor their payment history and to change their bank account information or mailing address, the IRS says.

HOW TO USE THEM

The Child Tax Credit Eligibility Assistant can be found at www.irs.gov.

Users will need their 2020 tax return or their 2019 return if they haven't filed for last year to complete the questions.

Those who don't have a copy of either return but who know their filing status and the number of dependents they claimed when they filed can use a W-2 or 1099 form or the “amount of any expenses or adjustments to your income” to be able to answer all the questions.

The Child Tax Credit Update portal also can be found at www.irs.gov.

“This secure, password-protected tool is available to any eligible family with internet access and a smart phone or computer,” the IRS says.

Users will need to create an IRS username or ID.me account if they don’t already have one. Those who don’t have one will need to have a photo ID.

Those who don’t have internet access can unenroll by calling the phone number included in their “outreach letter.”

DECIDING WHETHER TO OPT OUT

The IRS says there are several reasons families may choose to not receive monthly payments and instead collect the entire credit when they file taxes.

Parents may want to opt out of the advance payments if they expect the amount of taxes they’ll owe to be more than their expected refund when they file their 2021 tax returns in 2022, the IRS says. The IRS says that by accepting the advance payments, the refund may decrease or the amount owed may increase.

“You may avoid owing tax to the IRS if you unenroll and claim the entire credit when you file your 2021 tax return,” the agency says.

Some families may also choose to opt out because they would rather have a lump sum payment instead of smaller, monthly payments or because the monthly payments would “throw off” their tax planning, CNBC reports.

Opting out of monthly payments may also be the best choice for parents who are separated and alternate who claims their children on their tax returns each year, CNBC reports.

Those who want to opt out will need to do so three days before the first Thursday of the following month, the IRS says. Re-enrollment is not yet available.

ABOUT THE CHILD TAX CREDIT

The temporary enhanced credits were included in the American Rescue Plan, the \$1.9 trillion COVID-19 relief package signed into law in March.

They provide families with \$3,600 per child under age 6 and \$3,000 per child ages 6 to 17 in tax benefits over the course of a year. Eligible families will start receiving monthly payments of up to \$300 on July 15 through the end of the year if they don’t opt out. The other half of the benefits can be claimed on income taxes at the end of the year.

Single parents making up to \$75,000 a year and couples making up to \$150,000 a year are eligible for the full benefit. Benefits are phased out after that.

Printed:September 28, 2021

<http://www.kansaslegalservices.org/node/2463/qualify-child-tax-credit-new-irs-tool-can-tell>

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