

IRS Update – Websites.

The IRS is establishing two websites. One to help ensure you will get your Child Tax Credit, if you are a non-filer and a second one to opt out of the monthly payments. Both can be accessed from the following IRS website (link provided)

<https://www.irs.gov/credits-deductions/advance-child-tax-credit-payments-in-2021>

IRS Child Tax Credit Update

Monthly payments are automatic. Beginning Mid- July you will begin receiving payments for ½ of your projected 2021 Child Tax Credit if:

1. You filed a 2019 or 2020 tax return and claimed the credit. Or
2. You gave information in 2020 to receive the Economic Impact Payment using the IRS non-filer tool. And
3. The IRS thinks you are eligible. And
4. You did not opt out of the early payments.

The OPT- Out option

Not everyone should look forward to receiving payments for each month for ½ of their Child Tax Credit. Here's why:

You do not qualify for the credit. The IRS is using past returns to estimate who should get advance payments of this credit. They are going often be wrong. If your 2021 income is too high, you may need to pay back the advance payments when you file your tax return.

You need the large credit: If you use this credit to balance out your year- end tax bill, you may find yourself owing money at the end of the year. If the early payments are gone, this could create a tax bill hardship. For example:

- With 2 children you may be eligible for a \$6,000 credit with \$3000 paid to you in advance. When you file your tax return in April of 2022 your unclaimed credit on the return will be \$3,000 (you already received \$3,000) Last year your tax return credit was \$4000. If you saved some of the advanced payment, you will not have a problem. If it is

spent, you now have \$1,000 less of a credit to offset your other income on the return and may have to come up with some cash to pay your tax bill.

Your circumstances change: If your tax life changes, advance payments of the credit will complicate things. For example, if you are in the midst of a separation or divorce, the advanced payments could become a conflict.

What to do now?

Look for notices. The IRS is sending out notices in the mail to those they think should receive the Advance Child Tax Credit payments. If you have not received one, the IRS may not think you should receive the payments. So follow up to ensure you are on the radar by reviewing your most recent tax returns (2019 and 2020). But don't fret, if you are owed the credit you will receive it when you file your 2021 tax return.

OPT OUT: The Opt-Out portal is new and recently set up by the IRS. So if you do not want the early Child Tax Credit payments, go to this site immediately and Opt-Out of the payments. No one is sure on how efficient this will be, so you will need to stay on top of this.

Keep Track of payments: You will need to know how much you receive in advanced payments when you file your tax return next year. Do not assume the IRS is going to accurately keep track of this for you.

Forecast the Impact: Moving from \$2000 to as much as \$3600.00 per child is a big change in most families tax bill. Know what the change does to yours and look to adjust withholdings to account for this change.

It is fully refundable: Finally, remember the Child Tax Credit is now a fully refundable credit. So, if you know of anyone that does not pay income tax and has children, please tell them. The new Child Tax Credit may be helpful to them.