



The Advanced Child Tax Credit

Some clients are starting to receive the Advanced Child Tax Credit automatically either via direct deposit or check. If you decide to take the money early, this will mean that your 2021 tax refund will be lower by what you have received from June 2021 to December 2021. ***This is not extra money!*** This is more like an advance of your next year's tax refund. Additionally, unlike the stimulus, if you do not eventually qualify for the child tax credit, you will need to repay the amounts during tax time. This is a link if you want to opt out the credit or simply don't want to reduce your 2021 tax refunds:

<https://www.irs.gov/credits-deductions/child-tax-credit-update-portal>

Here are some situations where you might not qualify for Child Tax Credit for 2021:

- Your income rises so you phase out of credit
- The child will not be claimed on your 2021 return
 - An example would be divorced couples who claim their child every other year
- Kids age out of credit
 - Child tax credit reduces when child turns 6 years old (lower amount) or disappears completely when child 17 years old

During tax preparation next year, you will need to provide the dates/amounts of any advance payments that you received from June to Dec 2021. Any discrepancies will cause delays in your tax processing with the IRS. Most importantly, remember that your 2021 refund will be lower by what you have already received.

- Eddy Cheung, CPA