

IRS mails information letters to advance child tax credit recipients

January 27, 2022

The IRS announced that it is issuing letters to taxpayers who received monthly advance child tax credit (CTC) payments in 2021 providing a record of amounts paid and qualifying children on file. The letters will be instrumental in assisting recipients with their 2021 federal income tax returns as the temporary changes made to the CTC in response to COVID-19 expired January 1, 2022.

Background | Taxpayers can claim a credit against their federal income taxes for each qualifying child. Eligibility is dependent on the taxpayer's annual income and filing status.



Traditionally, the CTC payments are administered in a lump sum after parents file their taxes. Before 2017, the CTC was equal to \$1,000 per child under 17 and was available to individuals earning up to \$75,000 and married joint filers making up to \$110,000.

When the Tax Cuts and Jobs Act (TCJA; PL 115-97) was enacted in 2017, the amount increased to \$2,000 per qualifying child and the thresholds were raised to \$200,000 for individual filers and \$400,000 joint filers, respectively. \$1,400 of the credit became refundable, but the payment was kept at once per year.

The American Rescue Plan Act (ARPA; PL 117-2) further increased the credit amount to \$3,600 for children age 5 and under and \$3,000 for children ages 6-17 to assist families most affected by the COVID-19 pandemic.

Individuals making up to \$75,000 and heads of household and joint filers making up to \$112,500 were eligible for the higher amounts under ARPA. All other recipients remained eligible for the \$2,000 credit. Half of the credit amount that would be claimed in 2022 was automatically paid in six monthly advance installments beginning July 2021. The last advance CTC payments were distributed December 15.



Taxpayers who preferred to receive the full credit all at once could opt out of receiving advance payments.

The IRS encourages parents to use their online tool to estimate their credit payments and to keep eligibility information — such as income, children and residency — current.

2022 credit | Effective January 1, 2022, the changes made to the CTC expired, including the increased amount and monthly payments, essentially reverting to its pre-ARPA version. The remaining half of the credit can be claimed when taxpayers complete their returns.

Because the enhanced CTC was made fully refundable for 2021, all recipients, even those not required to file tax returns, should file this year.

If the House-passed version of the Build Back Better Act were to be enacted, the advance monthly payments would be extended through 2022. However, taxpayers need to act and plan for the TCJA version of the CTC to remain indefinitely.

To help parents anticipate their remaining credit to be paid this year, the IRS began sending Letter 6419, 2021 advance CTC, in late December that details the amount of CTC advance payments made in 2021 and the number of qualifying children that were used to determine monthly payments. This letter should be included your source documentation when you file your 2021 Tax Return.

