

Eye on Washington Regulatory Update



IRS Advance Child Tax Credit Payments May Cause Questions to Employers

In March 2021, the American Rescue Plan Act ([P.L. 117-2](#)) (the "Act") increased the maximum Child Tax Credit amount in 2021 to \$3,600 per child for children under the age of six and to \$3,000 per child for children ages six through 17. The Act directed the Internal Revenue Service (IRS) to issue payments to taxpayers for the Advance Child Tax Credit (ACTC). The first payments are expected to be received the week of July 12.

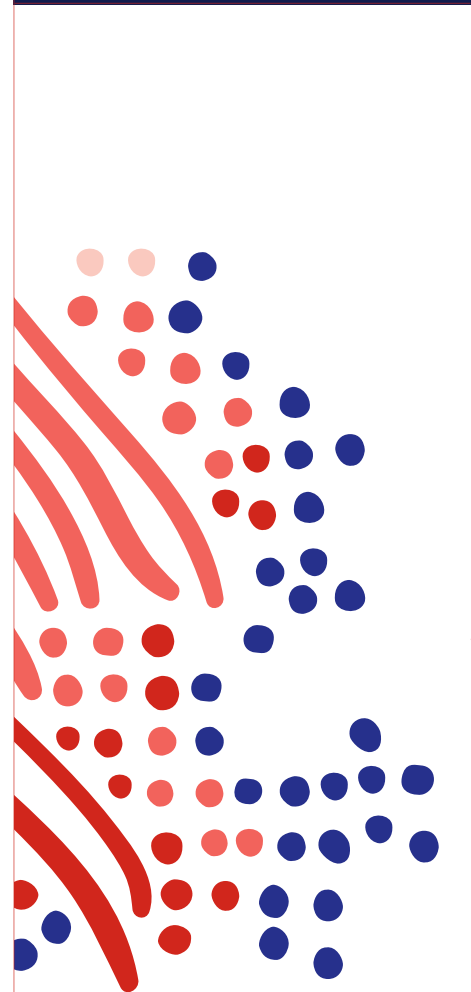
Eligible families will receive a payment of up to \$300 per month for each child under age six, and up to \$250 per month for each child ages six through 17. The credit begins to phase out if income is over \$75,000 for single filers, \$150,000 for married filing jointly and \$112,500 for head of household filers. Most eligible families will begin receiving monthly payments automatically without any action required. Monthly payments will generally be issued to eligible families who filed a 2019 or 2020 federal income tax return. Those not required to file can register with the IRS on [IRS.gov](#).

Generally, these payments have no effect on income tax withholding in 2021 and no changes to Forms W-4 are necessary. For example, an employee who unexpectedly begins to receive these payments does not need to modify their current withholding inputs to Form W-4. However, employers may receive questions concerning these payments, such as:

- How to [check eligibility](#) or to verify enrollment to receive payments.
- How the payments are calculated, or whether an amount may need to be repaid.
- Impact on expected refunds from 2021 tax returns.
- How to opt-out.
 - Some people may prefer to receive their full child tax credit when filing their 2021 income tax return, rather than receiving half in advance.
 - Others may believe that they will not qualify when they file their 2021 return; for example, if their income will be too high or if someone else may claim their children as dependents in 2021.
- How to update bank account information with the IRS.

Employers are generally not expected to assist employees with income tax questions, but it may be helpful to be able to refer employees to appropriate IRS resources. Employers may also wish to refer employees to their tax advisor. For these and related questions or for more information, refer taxpayers to:

- [Advance Child Tax Credit Payments in 2021](#)
- [Questions and Answers About the Advance Child Tax Credit Payments](#)
- [2021 Child Tax Credit and Advance Child Tax Credit Payments: Resources and Guidance](#)



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