

Refundable Child Tax Credit

Note: Make sure the taxpayer's credit hasn't been disallowed previously. If previously disallowed, see Form 8862, Information To Claim Certain Credits After Disallowance, in Tab I, Earned Income Credit.

The American Rescue Plan Act (ARPA) of 2021 expands the Child Tax Credit (CTC) for tax year 2021 only. If the taxpayer (or the spouse if filing jointly) lived in the United States for more than half of 2021 or is a bona fide resident of Puerto Rico for 2021, the CTC remaining after applying the limitation based on modified adjusted gross income is fully refundable.

The expanded credit means:

- The amounts of the credit for qualifying children will increase for many taxpayers.
- For eligible taxpayers, the credit is fully refundable, which means that taxpayers can benefit from the credit even if they don't have earned income or don't owe any income taxes.
- Taxpayers can receive the credit for qualifying children who turn age 17 (rather than 16) in 2021.
- Eligible taxpayers may receive part of their estimated credit in 2021 before filing their 2021 tax return.

For tax year 2021, families claiming the CTC will receive up to \$3,000 per qualifying child between the ages of 6 and 17 at the end of 2021. They will receive \$3,600 per qualifying child under age 6 at the end of 2021. Under the prior law, the amount of the CTC was up to \$2,000 per qualifying child under the age of 17 at the end of the year.

The increased amounts are reduced (phased out), for incomes over \$150,000 for married taxpayers filing a joint return and qualifying widows or widowers, \$112,500 for heads of household, and \$75,000 for all other taxpayers.

Qualifying child:

1. Under age 18 at the end of the tax year.
2. A U.S. citizen or U.S. national* or resident alien of the United States. See Tab L, Resident/NR Alien.
3. Child must be claimed as your dependent.**
4. Your:
 - a. son or daughter, adopted child, stepchild, eligible foster child, or a descendant of any of them
 - b. brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them (for example, your niece or nephew)
5. Didn't provide over half of his or her own support.
6. Lived with the taxpayer for more than half of the tax year. (See Exception to Time Lived with You section on the Child Tax Credit chart on the following page.)
7. Must have a Social Security Number that is valid for employment issued before the due date of the return, including extensions.

* A National is an individual who, although not a U.S. citizen, owes his or her allegiance to the United States. U.S. nationals include American Samoans and Northern Mariana Islanders who chose to become U.S. nationals instead of U.S. citizens.

**Refer to the tables in Tab C, Dependents, for the rules governing who may be claimed as a dependent.



If the taxpayer is able to claim the dependent under the rules for divorced and separated parents, he or she is the only parent entitled to claim the child tax credit or additional child tax credit.

Schedule 8812 (Form 1040), Credits for Qualifying Children and Other Dependents, is intended to be filed by all taxpayers claiming a child tax credit or reconciling advance CTC payments. It will be the only Schedule used for figuring and reporting the CTC and the credit for other dependents (ODC) (with the exception of Form 1040-SS). See Tab C, Dependents, and the worksheet in the instruction booklet for additional information (including definitions and special rules relating to an adopted child, foster child, or qualifying child of more than one person).

Additional Child Tax Credit (ACTC) – General Eligibility

Taxpayers who cannot claim the Refundable CTC because they are unable to check the boxes on Schedule 8812 indicating that they (or their spouse if married filing jointly) have a principal place of abode in the United States for more than one-half of 2021 or that they (or their spouse if married filing jointly) are a bona fide resident of Puerto Rico for 2021 may be eligible to claim the ACTC if they meet the following conditions:

- Taxpayers with more than \$2,500 of taxable earned income may be eligible for the additional child tax credit if they have at least one qualifying child.
- Taxpayers with three or more children may also be eligible for additional child tax credit regardless of their income.
- Limited to \$1,400 per qualifying child

Note: The IRS cannot issue refunds before mid-February for returns that properly claim the earned income credit (EIC) or the ACTC.

Note: Taxpayers may not file an amended return to retroactively claim the additional child tax credit for a qualifying child if a valid SSN for the child is issued after the due date of the tax return.

Note: (International Certification only) If you claim the foreign earned income exclusion, the housing exclusion, or the housing deduction on Form 2555, you can't claim the additional child tax credit.

Note: See Disallowance of Certain Credits in Tab I, Earned Income Credit, if the taxpayer received a letter saying they had to complete Form 8862. If a child was a resident of the U.S., be sure to mark the "substantial presence" box in the Dependents Section or the EXPANDED child tax credit could be denied.

Table 1: Does Your Qualifying Child Qualify You for the Child Tax Credit or Credit for Other Dependents?

Remember to apply the steps for each dependent. To claim the child tax credit and/or the credit for other dependents, you can't be a dependent of another taxpayer.

Probe/Action: Ask the taxpayer:

<p>step 1 Is this person your qualifying child dependent? See Tab C, Dependents, Table 1: All Dependents</p>	<p>If YES, go to Step 2. If NO, you can't claim the child tax credit for this person. This person may qualify for the credit for other dependents, go to Table 2.</p>
<p>step 2 Did the child have an SSN, ITIN, or adoption taxpayer identification number (ATIN) issued on or before the due date of your return (including extensions)? (Answer "Yes" if you are applying for an ITIN or ATIN for the child on or before the due date of your return (including extensions).)</p>	<p>If YES, go to Step 3. If NO, you can't claim the child tax credit or the credit for other dependents for this child.</p>
<p>step 3 Was the child a U.S. citizen, U.S. national, or U.S. resident alien? (See Pub. 519, U.S. Tax Guide for Aliens, for the definition of a U.S. national or U.S. resident alien. If the child was adopted, see Exception to citizen test, below.)</p>	<p>If YES, go to Step 4. If NO, you can't claim the child tax credit or the credit for other dependents for this child.</p>
<p>step 4 Was the child under age 18 at the end of 2021?</p>	<p>If YES, go to Step 5. If NO, you can claim the credit for other dependents for this child.</p>
<p>step 5 Does this child have a Social Security Number valid for employment issued before the due date of the return (including extensions)?</p>	<p>If YES, you can claim the child tax credit for this person. Use Schedule 8812 to calculate the credit. If NO, you can claim the credit for other dependents for this child.</p>

Exception to Time Lived with You

A child is considered to have lived with you for all of the current tax year if the child was born or died in 2021 and your home was this child's home for more than half the time he or she was alive. Temporary absences for special circumstances, such as for school, vacation, medical care, military service, or detention in a juvenile facility, count as time lived at home.

Kidnapped Child

A kidnapped child is considered to have lived with you for all of the current tax year if:

- In the year the kidnapping occurred, the kidnapped child is presumed by law enforcement to have been taken by someone who isn't a family member, and
- The kidnapped child lived with the taxpayer for more than half of the portion of the year prior to the kidnapping.

Modified Adjusted Gross Income Limits

- Married filing jointly - \$400,000
- All other filing statuses - \$200,000

Children of Divorced or Separated Parents

A child will be treated as being the qualifying child of his or her noncustodial parent if all of the following apply:

- The parents were divorced or legally separated or lived apart at all times during the last 6 months of the current tax year.
- The child received over half of his or her support for the current tax year from the parents.
- The child was in the custody of one or both of the parents for more than half of the current tax year.
- The custodial parent signs Form 8332, Release/Revocation of Release of Claim to Exemption for Child by Custodial Parent, or similar statement that he or she won't claim the child as a dependent in the current tax year and the noncustodial parent includes a copy of the form or statement with his or her return. If the divorce decree or separation agreement went into effect after 1984 and before 2009, the noncustodial parent may be able to attach certain pages of the decree or agreement instead of Form 8332. For pre-1985 divorces, see the Instructions for Form 1040.

Exception to Citizen Test

If you are a U.S. citizen or U.S. national and your adopted child lived with you all year as a member of your household, that child meets the citizen test.

Reconciling Advance CTC Payments

When filing the 2021 tax return, compare:

- The total amount of the advance Child Tax Credit payments received during 2021 (refer to Letter 6419 that taxpayers will receive with this information); with
- The amount of Child Tax Credit that can properly be claimed on their 2021 tax return.

If the amount of Child Tax Credit exceeds the total amount of advance Child Tax Credit payments, claim the remaining amount of Child Tax Credit on the 2021 tax return.

If the total amount of advance Child Tax Credit payments exceeds the amount of Child Tax Credit that can properly be claimed for the 2021 tax year, some or all of that excess payment may need to be repaid.

Repayment Protection

Taxpayers qualify for **full repayment protection** and won't need to repay any excess amount if their main home was in the United States for more than half of 2021 and their modified adjusted gross income (AGI) for 2021 is at or below the following amount based on filing status for 2021:

- \$60,000 MFJ or Qualifying Widow(er);
- \$50,000 HOH; and
- \$40,000 Single or MFS

Repayment protection may be limited if modified AGI exceeds these amounts or the main home was not in the United States for more than half of 2021.

Repayment protection is phased out as modified AGI exceeds the amount above. Repayment protection will equal \$0 and the repayment amount will not be reduced when modified AGI is at or above this higher amount based on the filing status for 2021:

- \$120,000 MFJ or Qualifying Widow(er);
- \$100,000 HOH; or
- \$80,000 Single or MFS

For taxpayers who qualify for repayment protection, the full repayment protection amount equals \$2,000, multiplied by the following:

- The number of qualifying children that the IRS took into account in determining the IRS's initial estimate of the taxpayer's advance Child Tax Credit payments, **minus**
- The number of qualifying children properly taken into account in determining the allowed Child Tax Credit amount on the 2021 tax return.

See [CTC and Advance CTC FAQs](#) on IRS.gov for additional information.

Credit for Other Dependents

There is a \$500 credit for other dependents who do not qualify for the child tax credit. The dependent must be a U.S. citizen, U.S. national, or resident of the U.S. The dependent must have a valid identification number (ATIN, ITIN, or SSN).

The \$500 nonrefundable credit is available for dependents who don't qualify for the child tax credit, such as children who are age 18 and above, dependents with other relationships (such as elderly parents), or children who do not have a valid SSN. Taxpayers cannot claim the credit for themselves (or a spouse if Married Filing Jointly).



Dependents who are not U.S. citizens or U.S. nationals, but are residents of Canada or Mexico do not qualify for either the Child Tax Credit or the Credit for Other Dependents.

Note: If previously disallowed, see Form 8862, Information To Claim Certain Credits After Disallowance, in Tab I, Earned Income Credit.

Table 2: Does Your Qualifying Relative Qualify You for the Credit for Other Dependents?

Probe/Action: Ask the taxpayer:

step 1	Is this person your qualifying relative dependent? See Tab C, Dependents, Table 2: Qualifying Relative Dependents.	If YES , go to Step 2. If NO , you can't claim the credit for other dependents for this person.
step 2	Did your qualifying relative have a SSN, ITIN, or ATIN issued on or before the due date of your 2021 return (including extensions)? (Answer "Yes" if you are applying for an ITIN or ATIN for the qualifying relative on or before the return due date (including extensions).)	If YES , go to Step 3. If NO , you can't claim the credit for other dependents for this person.
step 3	Was your qualifying relative a U.S. citizen, U.S. national, or U.S. resident alien?	If YES , you can claim the credit for other dependents for this person. If NO , stop. You can't claim the credit for other dependents for this person.