

# 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).