

You may have to pay back some of the new \$3,000 child tax credit.

The IRS will start issuing monthly payments of the enhanced child tax credit July 15, 2021. Some recipients may have to pay back a portion of those funds at tax time next year.

The American Rescue Plan directed the federal government to [issue advance payments of the child tax credit](#) in periodic installments. Americans would get up to \$300 a month per child, if issued according to the federal government's timeline.

The advanced payments are based on an IRS estimate, from available data like income, marital status, and number and age of qualifying kids. Outdated data may trigger an overpayment of the tax credit — and the need to pay back any excess funds. It would reduce your refund or increase your tax payment next April.

The IRS is using 2020 tax returns (or, if unavailable, 2019 returns) to determine taxpayers' eligibility for the child tax credit and the amount of the advance payments. The advance payments add up to half of a taxpayer's total credit for 2021. The American Rescue Plan raised the maximum credit amount to \$3,000 per kid ages 6 to 17, and \$3,600 for younger children. The remaining half would be claimed during tax season next year.

Information reported on next year's tax return may differ from current IRS data — and therefore change the total credit amount. That may happen, for example, if a taxpayer were to have another child in 2021. This may qualify them for an extra \$3,600.

A tax bill may occur if a payer's income increases dramatically this year from the income reported on a 2020 return. This may reduce someone's credit amount or disqualify them outright, depending on earnings.

Online portal

The IRS just launched new online tools designed to help families manage and monitor the advance monthly child tax credit (CTC) payments. The first payment will be made on July 15, 2021. The tools include:

- **Child Tax Credit Eligibility Assistant**: allows families to answer a series of questions to quickly determine whether they qualify for the advance credit

- **Child Tax Credit Update Portal**: allows families to verify their eligibility for the payments and, if they choose to, unenroll or opt out from receiving the monthly payments
- **Child Tax Credit Non-filer Sign-up Tool**: allows eligible individuals who don't normally file an income tax return register for payments

\$2,000 protection

Lower earners may be protected from having to repay a portion of the funds.

Up to \$2,000 per child would be shielded from repayment if the error is due to net changes in the number of qualifying children. Credit amounts exceeding \$2,000 would still have to be repaid.

Single filers with less than \$40,000 in income qualify for the full "safe harbor" amount. (Heads of household and married couples filing a joint return qualify if their income is less than \$50,000 and \$60,000, respectively.)

The \$2,000 protected amount gradually phases out as one's income rises. Single filers with more than \$80,000 of income (or, \$100,000 for heads of household and \$120,000 for joint filers) wouldn't be shielded from any overpayment.