

## Advance CTC Repayment Protection

If the amount of Advance Child Tax Credit payments received in 2021 is greater than the Child Tax Credit that is allowed on the 2021 tax return, the taxpayer may have to repay the excess unless they qualify for repayment protection.

Filing status	Qualifies for <u>full repayment protection</u> if 2021 AGI is at or below	Qualifies for <u>reduced repayment protection</u> if 2021 AGI is	<u>Does not qualify for repayment protection</u> if AGI is at or above:
Married Filing Jointly or Qualifying Widower	\$60,000	More \$60,000 but less than \$120,000	\$120,000
Head of Household	\$50,000	More than \$50,000 but less than \$100,000	\$100,000
Single or Married Filing Separately	\$40,000	More than \$40,000 but less than \$80,000	\$80,000

The taxpayer’s main home must also have been in the United States for more than half of 2021 in order to qualify for full repayment protection.

**If you qualify for reduced repayment protection,** the repayment protection amount is phased out – or reduced – as your modified AGI exceeds the full payment protection threshold amount.

**If you do not qualify for repayment protection,** you will need to report the entire excess amount on your 2021 tax return as additional income tax. This additional income tax will reduce the amount of your tax refund or increase your total tax due for 2021.

### **FYI: Steps to Determine Repayment Protection Amount**

1. Determine if the taxpayer qualifies for full repayment protection, reduced repayment protection, or no repayment protection. (To do this, compare the taxpayer’s TY21 AGI to the chart above.)

2. If the taxpayer qualifies for full or partial repayment protection, calculate what the full repayment protection amount would be and then how much of that the taxpayer qualifies for (see below).

**Explanation for calculating the full repayment protection amount:** If you qualify for repayment protection, the amount of your tax liability from excess advance Child Tax Credit payments is reduced by up to the full repayment protection amount. 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 your advance Child Tax Credit payments, **minus**
- The number of qualifying children properly taken into account in determining the allowed Child Tax Credit amount on your 2021 tax return.

► **SAMPLE SCENARIO:** The taxpayer filed a joint return with their spouse for tax year 2020 and properly claimed the Child Tax Credit for three qualifying children. The IRS estimated their total advance Child Tax Credit payment amount based on these qualifying children. However, when they file their 2021 joint tax return the taxpayer claimed only one qualifying child and had a modified AGI of \$75,000. They therefore have two excess qualifying children. And their modified AGI exceeds the applicable \$60,000 modified AGI threshold by 25 percent. Their potential full repayment protection amount of \$4,000 (that is, \$2,000 for each excess qualifying child) is reduced by 25 percent to \$3,000.

(To break the math down further: TY21 AGI was \$75,000, or \$15,000 over the full repayment protection threshold of \$60,000 for that filing status. The excess of \$15,000 divided by the \$60,000 threshold is .25 or 25%. Then multiply the full repayment protection amount (\$4,000 in this example) by .25 and you get \$1,000. Reduce the full repayment protection of \$4,000 by \$1,000 to get a repayment protection amount of \$3,000.)