Andrew 0:04

Hello, and welcome to the JGUA financial commentary podcast. I'm your host, Andrew Barron. And in this episode, I talk with our head of tax Don Huff about the advanced child care tax credit. But first, a short disclaimer. The contents of this podcast are strictly for informational purposes only, and nothing said should be taken as investment tax or legal advice. Any strategies discussed may not be suitable for listeners specifically and JGUA encourages consulting with your advisor before implementing any strategies to ensure they meet your individual objectives. Welcome back, Don.

Don 0:45

Hello, how are you, Andrew?

Andrew 0:46

I'm good. Nice to have you back for a timely a podcast on this. This kind of piggybacks off of the original childcare tax credit, right?

Don 0:54

Yes, yes. It's, it's basically, they're giving additional monies to families over and above the $2000 or $500.

Andrew 1:06

Can you walk us through some of the qualifications for this new credit?

Don 1:09

Sure, you got to meet the definition of a qualifying child, which includes stepchildren, foster children, brothers, sisters, step brothers, step sisters, or the descendant of any one of them. So that's number one, then the person must be a dependent, and they must be less than 18 years old. And there's income limitations based on the filing status.

Andrew 1:35

Let me just stop right there. So when we talk about less than 18 years old, we're talking about turning 18 before 12/31 of 2021, right?

Don 1:45

Correct. Correct.

Andrew 1:47

Thanks for clarifying that. Let's get into some more of the details then.

Don 1:50

Okay. Basically, I guess, the most important items are single taxpayers with an annual income of $75,000 or less, head of household with earnings of $112,500 or less, and married couples with income of $150,000 or less, to qualify for the credit. Those amounts do not preclude the $2,000 that taxpayers are already being given. So the $2000, they're going to get or the $500 they're going to get this will not disallow that amount. For children ages five and younger, they'll receive $3,600 of credit, which is $1,600, more than it would have been, and children from a six until 17 will reach $3000. Again, this is over the $2000 by the $1,000 that they otherwise would have gotten. So basically, a family can expect to receive $250 per month for kids over the ages of five and $300 per month for children, five or younger. Third point that's important is that families, if they earn too much to qualify for the advanced child tax credit, they will still be eligible for the $2,000. This is not in addition to that 12/31/21, where it's age 17.

Andrew 3:29

I've heard of people wanting to opt out. Could you talk about why someone would want to do that? And maybe some of the specifics around it.

Don 3:36

Yeah. So for a lot of reasons, there, there could be a change in circumstances that the taxpayer will not qualify any longer. So the amounts will have to be paid back to the IRS. So a lot of taxpayers don't want to have to pay it back. So the thing is, they can opt out. The reasons for opt out, are maybe they no longer meet the income requirement. They're over those thresholds of 75 for single and 150. For married filing joint, they will not be claiming the child for 2021 is the second item, you know, there could be a situation where there's a divorce, where the taxpayer is only getting the child every other year. So they will not receive credit if the child is on their ex-spouses tax return. The third is the repayment of the advanced child tax credit to the IRS. In effect, if they don't qualify, they will have to pay the whole amount back. That's just a few of the reasons to opt out. There could be other circumstances, but you should definitely talk to your tax advisor to make sure

Andrew 5:01

Please correct me if I'm wrong. But this is a refundable credit and wouldn't affect other federal benefits or like Medicare, Medicaid.

Don 5:07

That is correct. It's in addition to all other credits.

Andrew 5:13

Great. So what's the deadline for the opt out?

Don 5:16

You know, I think there's a misconception. There was a June 15 deadline, to opt out of these payments. For those taxpayers that have already gotten past that deadline, there's still an opportunity for them to opt out for future payments. Basically, all they have to do is go to the IRS website and search for advanced child tax credit, and there will be a screen that will provide directions on how they can do that. The other thing that, you know, if you if you opt out of the advance payment program this year, and you find that you qualify, you'll still be able to claim the full amount when you file your tax return in 2022. So it's not lost. If you opt out and you qualify later, you will still get credit, but it will be delayed till 2022.

Andrew 6:13

I really appreciate you going through this material done especially because it's so new and a lot of people aren't familiar with it yet.

Don 6:19

Yes, it's definitely a tricky area. And taxpayers should definitely talk to their advisors if they have any questions.

Andrew 6:29

Thank you so much, Don, for being part of this.

Don 6:31

Thank you, Andrew.

Andrew 6:32

If our listeners have any questions, feel free to send your questions to info@jgua.com or find us on social media for additional content and other authors. Until next time, stay smart.