



What to Expect This Tax Filing Season: The Child Tax Credit, Stimulus Checks, Earned Income Tax Credits, Other Credits, and Refund Timing

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Those who will be filing tax returns for 2021 (filing in 2022) should take note of specific credits and other matters impacting themselves and their customers. Here are a few of the highlights to start preparing for now as e-filing began January 24, 2022.

The American Rescue Plan Act (the Act) expanded the **Child Tax Credit (CTC)** to provide needed tax relief to almost all working families with children. The Act authorized the IRS to pay half of your expected Child Tax Credit in advance. You will claim the other half when you file your 2021 income tax return.

The CTC has been enhanced for 2021 to help ease the economic impact of COVID on families. You qualify for advance Child Tax Credit payments if you have a qualifying dependent child. The new Enhanced Child Tax Credit (ECTC) was increased from \$2,000 to \$3,000 for a qualifying child (under age 18 as of December 31, 2021). The ECTC also provides an extra \$600 for a child under the age of six. Please note credit is fully refundable for the year 2021 regardless of child's age. Being fully refundable allows for the credit to still be claimed by families even without earned income.

Single taxpayers were eligible for full monthly payments if 2020 adjusted gross income did not exceed \$75,000 while married couples who filed a joint return were eligible for full credit if their 2020 adjusted gross income did not exceed \$150,000. Taxpayers who earned more than those thresholds received partial benefit, which was reduced by \$50 for every additional \$1,000 of reported income. Taxpayers who did not qualify for expanded credit can still claim \$2,000 per child if 2021 adjusted gross income is below \$200,000 for singles and \$400,000 for married couples filing joint returns.

The IRS is sending *Letter 6419* from late December 2021 through January 2022 to recipients of the ECTC. This letter will list the amount of advanced Child Tax Credit payments taxpayers received in 2021 and should be kept, ensuring an accurate return is filed and to prevent delays in tax refunds due to incorrect Child Tax Credits being claimed. Qualifying families who did not receive the advanced Child Tax Credit can claim the full amount of the credit on their 2021 tax return.

It is important to note that refunds for the 2021 tax year could be smaller than prior years due to the advanced disbursements of the Child Tax Credit. Additionally, taxpayers may be required to repay amounts to IRS if your 2021 income puts you above the eligibility limits or above your 2020 income.

For more information, the IRS website updates FAQs as needed.

<https://www.irs.gov/credits-deductions/2021-child-tax-credit-and-advance-child-tax-credit-payments-frequently-asked-questions>

2021 Recovery Rebate Credit (aka Economic Impact Payment, aka Stimulus check)

If you received a third stimulus check in 2021, that amount is not included in your gross income. You are not required to report the third payment on your 2021 return, however, you may need that information to determine whether you are eligible to claim a 2021 Recovery Rebate Credit on your 2021 tax return. The 2021 Recovery Rebate Credit is \$1,400 for single taxpayers and \$2,800 for joint filers plus an additional \$1,400 for each dependent. The payment amount phases out at the following adjusted gross income amounts: \$75,000 for single filers, \$112,500 for taxpayers filing as head of household, and \$150,000 for married couples filing joint returns.

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In early 2022, the IRS will send *Letter 6475* that contains the total amount of the third Economic Impact Payment and any Plus-Up Payments received. People should keep this and any other IRS letters about their stimulus payments with other tax records. Additionally, there is no requirement to return any amount if you received more than you were entitled to based on your 2021 income reported.

Earned Income Tax Credit

This credit provides low to moderate income workers a credit against tax. This credit is refundable and could provide from \$1,502 up to \$6,728 in benefit. The credit is based on the amount of earned income up to a threshold and number of qualifying children.

Know the Signs of Identity Theft

The following could indicate you have been a victim of identity theft. Report any unusual activities, such as the following:

- You get a letter from the IRS inquiring about a suspicious tax return that you did not file.
- You can't e-file your tax return because of a duplicate Social Security Number.
- You get a tax transcript in the mail that you did not request.
- You get an IRS notice that an online account has been created in your name.
- You get an IRS notice that your existing online account has been accessed or disabled when you took no action.
- You get an IRS notice that you owe additional tax or refund offset, or that you have had collection actions taken against you for a year you did not file a tax return.
- IRS records indicate you received wages or other income from an employer you didn't work for.
- You've been assigned an Employer Identification Number, but you did not request an EIN.

Also, remember, the IRS will never call you on the phone. Avoid providing sensitive information to scammers and fraudsters.

Timing of Certain Refunds

Taxpayers filing electronically with Direct Deposit information provided can generally expect refunds within three weeks of filing. By law the IRS cannot issue your refund before February 15 if you claim the Earned Income Tax Credit or the Additional Child Tax Credit. The IRS publishes that you can expect to get your refund by the first week of March when you claim these credits if you file your return early and online providing Direct Deposit information and they find no other issues with your return. Refunds may also be further delayed by your financial institution. Searching for "Where's my refund?" will direct you to an IRS webpage where you can provide your SSN, filing status, and refund amount to check the status of the refund in process.

Other Credits

There are many other personal tax credits available against tax in addition to those listed above. There are credits for paying dependent care allowing you to work, credits available for the costs of adopting a child, and for disabled and elderly individuals. See the IRS website for more details here: <https://www.irs.gov/credits-deductions-for-individuals>

If you have questions or would like assistance with your returns, please contact us here at Rivero, Gordimer & Company. Here's to a prosperous 2022 for all!

NEED MORE HELP? Contact Rivero, Gordimer & Company in Tampa, Florida by calling 813-875-7774 or visiting our website at www.rgco CPA.com.

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