



**United Way  
of Central Alabama, Inc.**

Changes to Child Tax Credit  
and Dependent Care Credit for 2021

Judy Allen, Tax Assistance Director  
[jallen@uwca.org](mailto:jallen@uwca.org)

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# Child Tax Credit



United Way  
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## Child Tax Credit Amounts for 2021 only (up from max of \$2,000 previously)

- \$3600 for eligible children under 6 years on 12/31/21
  - \$3000 for eligible children under 18 years on 12/31/21
  - Credit is now fully refundable, like Earned Income Credit  
(Even in you had no income you could still received money.)
  - Child Tax Credits are NOT income and **DO NOT AFFECT** other government benefits like:
    - SNAP (food stamps)
    - Income-based rent assistance
    - LIHEAP
    - Taxable portion of Social Security payments
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# Child Tax Credit



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## Child Tax Credit Eligibility

Must have:

- a **qualifying child** under 18
- Main home in US for at least half the year
- Below Income thresholds (phase out begins at \$75,000 Single or MFS, \$150,000 MFJ)
- Filed taxes

(Haven't filed taxes for 2019 and 2020? Call 2-1-1 for free tax prep with United Way).

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# Child Tax Credit



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## **Child Tax Credit Monthly Amounts**

- \$300 advance for eligible children under 6 years beginning in 7/21  
Up to \$1,800 per child (1/2 of total credit)
  
- \$250 for eligible children under 18 years beginning in 7/21  
Up to \$1,500 per child (1/2 of total credit)

Go to portal to unenroll (to not receive advance credits)

[www.irs.gov/credits-deductions/advance-child-tax-credit-payments-in-2021](https://www.irs.gov/credits-deductions/advance-child-tax-credit-payments-in-2021)

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## Child Tax Credit Advance Payments - Why unenroll?

- Not sure if you will claim this child this year – custody changes
- Usually owe taxes – Self employed
- Took a retirement withdrawal last year that you chose to spread over three tax years
- Not needed monthly, prefer to receive in one payment

## Alternative to unenrolling:

increase withholding from paycheck, or save the amount received to prepare for taxes

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# Dependent Care Credit



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For **tax year 2021** (the taxes you file in 2022):

The amount of **qualifying expenses** increases from

- \$3,000 to **\$8,000** for one qualifying person
  - from \$6,000 to **\$16,000** for two or more qualifying individuals
  - The percentage of qualifying expenses eligible for the credit increases from 35% to 50%
  - The beginning of the reduction of the credit is increased from \$15,000 to \$125,000 of adjusted gross income (AGI).
  - Also for tax year 2021, the maximum amount that can be contributed to a dependent care flexible spending account and the amount of tax-free employer-provided dependent care benefits is increased from \$5,000 to \$10,500.
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# References

IRS

<https://www.irs.gov/credits-deductions/advance-child-tax-credit-payments-in-2021>

<https://www.irs.gov/newsroom/child-and-dependent-care-tax-credit-faqs>

Center for Budget and Policy Priorities

<https://www.taxoutreach.org/tax-credits/child-tax-credit/whats-new-about-the-child-tax-credit-in-2021/>

<https://www.irs.gov/credits-deductions/advance-child-tax-credit-payments-in-2021>



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