

# Norwalk Business Service, Inc.

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## \*\*\*\*\***Child Tax Credit Payments, Golden State Stimulus, and Unemployment**\*\*\*\*\*

Dear Client:

**Child Tax Credit** - The American Rescue Plan Act increased the child tax credit for some and allows for 50% of the credit to be paid in advance. While this is great news for many taxpayers, the downside is that taxpayers who receive advance amounts for which they are not eligible may have to repay these advances when they file their 2021 return. We recommend that clients un-enroll from the advance payments if:

- They will not be eligible for the Child Tax Credit based on their 2021 income, or have children who are no longer dependents in 2021;
- They reduced their withholding or estimated tax payments for the amount of expected Child Tax Credit. Clients in this situation could find themselves with a big tax bill at the end of the year if they received more in Child Tax Credit as an advance than their actual credit.

We suggest that clients who do not have a need to receive the advance payments un-enroll. However, if a client “un-enrolls,” they currently cannot re-enroll.

The portal can be accessed at:

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

**Golden State Stimulus** – The governor and legislative leaders have reached a budget deal. One of the agreements is an increased Golden State Stimulus. While it is not signed yet, this agreement is a good indication that taxpayers who made less 75,000.00 last year may see stimulus payments arrive in the next few months. The proposed expansion and the taxpayers that qualify can be seen at the following link:

<https://www.gov.ca.gov/2021/05/10/california-roars-back-governor-newsom-announces-largest-state-tax-rebate-in-american-history/>

**Unemployment** – IRS announced that is has begun to adjust returns that paid taxes on unemployment compensation on 2020 returns. In their first phase of adjustments, they are adjusting the returns of single taxpayers with no credits or dependents. Some clients have already reported receiving the adjustments. They will adjust returns with dependents or Married Filing Joint returns over the coming months.

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