

26 CFR 601.602: Tax forms and instructions  
(Also Part I, §§ 24, 32 and 36B)

Rev. Proc. 2021-23

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SECTION 1. PURPOSE

This revenue procedure supersedes sections 3.05 (Child Tax Credit) and 3.07 (Earned Income Credit) of Rev. Proc. 2020-45, 2020-46 I.R.B. 1016, and section 2.01 of Rev. Proc. 2020-36, 2020-32 I.R.B. 243 (Applicable Percentage Table for 2021), to reflect statutory amendments made by the American Rescue Plan Act of 2021, Pub. L. No. 117-2 (ARP). Rev. Proc. 2020-45 sets forth inflation-adjusted items for 2021, for various provisions of the Internal Revenue Code of 1986 (Code). Rev. Proc. 2020-36 updates the applicable percentage table in § 36B(b)(3)(A)(i) of the Code (Applicable Percentage Table) used to calculate a taxpayer's premium tax credit (PTC) and the

required contribution percentage used to determine whether an individual is eligible for employer-sponsored minimum essential coverage for calendar year 2021.

## SECTION 2. CHANGES

.01 Solely for taxable years beginning in 2021, section 9611 of the ARP increases the child tax credit under § 24 of the Code to \$3,000 for qualifying children who have attained age 6 but not 18 by the end of the 2021 taxable year, and \$3,600 for qualifying children who have not attained age 6.

.02 Solely for taxable years beginning in 2021, section 9621 of the ARP temporarily modifies the Earned Income Credit (EIC) under § 32 of the Code to provide special rules, including, for example, special rules for eligible individuals with no qualifying children and applicable phaseout amounts.

.03 For taxable years beginning in or after 2021, section 9624 of the ARP modifies § 32(i) of the Code to provide that the EIC is not available for taxpayers whose aggregate amount of disqualified income exceeds \$10,000. This amount will be adjusted for inflation for taxable years beginning after December 31, 2021.

.04 For taxable years beginning in 2021 and 2022, section 9661 of the ARP Act amends the Applicable Percentage Table in § 36B(b)(3)(A) of the Code to provide temporary percentages. Taxpayers use the applicable percentages in § 36B(b)(3)(A) to determine the amount of the PTC they may claim for a taxable year. Section 9661 does not amend the required contribution percentage that a taxpayer uses to determine whether the taxpayer and members of the taxpayer's family are eligible for employer-sponsored minimum essential coverage. See § 36B(c)(2)(C)(i)(II). Consequently, the

required contribution percentage of 9.83 percent for 2021 provided in section 2.02 of Rev. Proc. 2020-36 is unchanged.

### SECTION 3. 2021 INCREASED REFUNDABLE CHILD TAX CREDIT

For taxable years beginning in 2021, the child tax credit is refundable for certain taxpayers up to \$3,000 for each qualifying child age 6 or older and \$3,600 for each qualifying child who has not attained age 6. A taxpayer is eligible for the increased refundable amount only if the taxpayer, or the spouse of a taxpayer filing a joint return, had a main home in the United States for more than half of the taxable year beginning in 2021 or was a bona fide resident of Puerto Rico for the taxable year beginning in 2021. For all other taxpayers, the refundable portion of the credit is limited to \$1,400 under § 24(h)(5)(A).

### SECTION 4. 2021 EARNED INCOME CREDIT AS MODIFIED AND SUPERSEDED

#### *.01 Earned Income Credit*

(1) In general. For taxable years beginning in 2021, the following amounts are used to determine the EIC under § 32(b). The "earned income amount" is the amount of earned income at or above which the maximum amount of the earned income credit is allowed. The "threshold phaseout amount" is the amount of adjusted gross income (or, if greater, earned income) above which the maximum amount of the credit begins to phase out. The "completed phaseout amount" is the amount of adjusted gross income (or, if greater, earned income) at or above which no credit is allowed. The threshold phaseout amounts and the completed phaseout amounts shown in the table below for

married taxpayers filing a joint return include the increase provided in § 32(b)(2)(B), as adjusted for inflation for taxable years beginning in 2021.

<u>Item</u>	<u>Number of Qualifying Children</u>			
	<u>One</u>	<u>Two</u>	<u>Three or More</u>	<u>None</u>
Earned Income Amount	\$10,640	\$14,950	\$14,950	\$9,820
Maximum Amount Of Credit	\$3,618	\$ 5,980	\$6,728	\$1,502
Threshold Phaseout Amount (Single, Surviving Spouse, or Head of Household)	\$19,520	\$19,520	\$19,520	\$11,610
Complete Phaseout Amount (Single, Surviving Spouse, or Head of Household)	\$42,158	\$47,915	\$51,464	\$21,430
Threshold Phaseout Amount (Married Filing Jointly)	\$25,470	\$25,470	\$25,470	\$17,560
Completed Phaseout Amount (Married Filing Jointly)	\$48,108	\$53,865	\$57,414	\$27,380

(2) Excessive Investment Income. For taxable years beginning in 2021, the EIC is not allowed if the aggregate amount of disqualified investment income exceeds \$10,000.

## SECTION 5. APPLICABLE PERCENTAGE TABLE FOR 2021 AS MODIFIED AND SUPERSEDED

.01 *Applicable Percentage Table for 2021*. For taxable years beginning in 2021, the Applicable Percentage for purposes of § 36B(b)(3)(A)(i) and § 1.36B-3(g) of the Income Tax Regulations is:

Household income percentage of Federal poverty line:	Initial percentage	Final percentage
Less than 150%	0.00%	0.00%
At least 150% but less than 200%	0.00%	2.00%
At least 200% but less than 250%	2.00%	4.00%
At least 250% but less than 300%	4.00%	6.00%
At least 300% but less than 400%	6.00%	8.50%
At least 400% and higher	8.50%	8.50%

## SECTION 6. EFFECT ON OTHER DOCUMENTS

This revenue procedure modifies and supersedes sections 3.05 and 3.07 of Rev. Proc. 2020-45, and section 2.01 of Rev. Proc. 2020-36.

## SECTION 7. EFFECTIVE DATE

This revenue procedure applies to taxable years beginning in 2021.

## SECTION 8. DRAFTING INFORMATION

The principal author of this revenue procedure is William Ruane of the Office of Associate Chief Counsel (Income Tax & Accounting). For further information regarding this revenue procedure, contact Mr. Ruane at (202) 317-4718 (not a toll-free call).