

2020 Recovery Rebates for Individuals

(CARES Act Sec 2201)

Revised 4/18/20

The recovery rebates are actually refundable tax credits allowed on a taxpayer's 2020 tax return and then paid out in advance by the Treasury, similar to the advance premium tax credit, and must be reconciled on the 2020 tax return. Of note, the CARES Act refers to these payments as "rebates" but the Treasury has taken the liberty to rename them "economic impact payments." We shall stick with rebates since it is shorter .

- Maximum Credit Amounts:
 - Each eligible individual: \$1,200
 - Married couple (both eligible) filing Jointly: \$2,400
 - Each qualifying child (as defined by IRC Sec 24(c) (under age 17 at close of year): \$500
- Credit Phase-out – The credit is phased out by 5% of the taxpayer's AGI that exceeds the filing status threshold.

RECOVERY REBATE CREDIT AGI PHASEOUTS		
	Threshold	Complete Phase Out
Unmarried Taxpayers (as well as Married Filing Separately)	\$75,000	\$99,000
Head of Household	\$112,500	\$136,500
Married Taxpayer Filing Joint	\$150,000	\$198,000

- Credit Reconciliation:
 - **Excessive Advance Payment** – If the advance payment made during 2020 exceeds what is determined using the 2020 tax return filing status, dependents and AGI, the excess is forgiven and does not have to be repaid.

Example: Shelly, a single parent files her 2019 return claiming her 15-year old daughter Whitney as a dependent. Shelly's AGI is below \$75,000, so Shelly will receive a rebate of \$1,700 (\$1,200 for herself and \$500 for Whitney). In 2020 Whitney goes to live with her dad, and so when Shelly files her 2020 tax return she no longer has a dependent child under age 17. Thus, the credit computed on her 2020 return is only \$1,200. However, Shelly does not have to pay back the difference.

- **Underpaid Advance Payment** – If the advance payment is less than the credit determined on the 2020 tax return, then the excess will become a refundable credit on the 2020 return.

Example: Don and Shirley, whose AGI is less than \$150,000, are newlyweds with no children and file a joint return in 2019. They receive a rebate of \$2,400. In 2020 they have a baby and when their credit is determined on the 2020 return, it is \$2,900 (\$1,200 + \$1,200 + \$500). Since they only received a \$2,400 rebate, they will be entitled to a \$500 refundable credit on their 2020 return.

- Eligible Taxpayer – An eligible taxpayer is anyone **OTHER** than:
 - (A) a non-resident alien individual,
 - (B) a dependent, or
 - (C) an estate or trust

CAUTION - Before anyone gets any bright ideas: Sec 6428(d)(2) says among those not eligible for the rebate is any individual with respect to whom a deduction under section 151 is allowable to another taxpayer for a taxable year beginning in the calendar year in which the individual's taxable year begins. So, it is a facts-based issue - if the parents **could** qualify to claim a child as a dependent, then the child isn't eligible for the rebate payment, even if the parents don't claim him.

Also note on Form 1040, page 1, for Standard Deduction, the box "someone can claim you as a dependent" - says **can** claim, not **did** claim. So, if the son were to file his own return and NOT mark the box, but the parents could claim him, then he's filed an erroneous (some might say, fraudulent) return.

- Social Security Number (SSN) – No credit shall be allowed to an individual without an SSN.
- Adopted children - In the case of a qualifying child who is adopted, an adoption identification number (ATIN) qualifies in place of an SSN.
- Military (Special Rule) – Where one spouse has an SSN, the other is not required to have one.
- Credit Against Possession Tax – Credit is not allowed against the taxes imposed by a possession of the U.S., including Puerto Rico and the Commonwealth of the Northern Mariana Islands.
- Advance Payment – Those eligible for an advance payment include those that:

1. Filed a 2019 tax return. If none, then if,
2. Filed a 2018 tax return. If none, then if,
3. Recipients of 2019 Social Security retirement, disability (SSDI), survivors benefits, Railroad Retirement or veteran's benefits.

No advance credits or refunds will be issued after December 31, 2020 (although the credit will be allowed on the 2020 tax return).

NON-FILERS - The IRS has launched a new free and easy to use [online tool](#) that enables those who don't normally file a tax return (non-filers), except, or have too little income to file, to register for Economic Impact Payments (aka recovery rebates or stimulus payments) so they can receive their payments faster.

The online site also provides the ability for those who have changed addresses since they last filed a tax return to provide the IRS with their current address.

GET MY PAYMENT - on the same online site, taxpayers have the ability to check on the status of their rebate and whether it was issued by check or direct deposit using the "Get My Payment" tool.

DIRECT DEPOSIT INFORMATION - Taxpayers will also be able to provide the IRS with their direct deposit information on the same IRS site.

A Few Words of Caution – No doubt scammers will come up with an IRS look-alike website in an attempt to steal taxpayers' direct deposit info, which can also be used for direct withdrawals. When visiting the IRS website always make sure you are on IRS.gov before entering any personal or financial information. And don't fall for solicitations from scammers who want to charge you a fee to help you apply for the rebate payment; there are no fees required by the IRS, and in most cases, an individual's Economic Impact Payment will come automatically from the IRS.

Who Should Use the [Non-filer Tool](#)?

You should only use the tool if you did not file a tax return for 2018 or 2019 or didn't receive Social Security retirement or disability benefits or Railroad Retirement benefits.

Those who should consider using the tool include:

- **Lower Income Individuals:** This group is made up of individuals who were not required to file a tax return for 2018 or 2019 because their income is under the normal threshold for filing a tax return.
- **Students and others:** If someone else claimed you on their tax return, you will not be eligible for the Economic Impact Payment and cannot use the *Non-Filer* tool.

REBATE Q&A: The IRS also provides an [extensive Q&A](#) related to rebate issues.