



CARES Act Rebate Payments “Stimulus Checks”

1. Rebate payments (many people are referring to these as stimulus checks) will be issued to **qualifying** individuals that have filed a tax return for 2019 or 2018, if their 2019 return has not been filed. (For people who do not normally file a tax return, see Number 3 below.)
 - A. Qualifying individuals means:
 - 1) An individual with a valid Social Security Number
 - 2) Children with a valid Social Security Number or ATIN
 - B. Qualifying child means a child **under age 17.**
 - C. Nonqualifying individuals are
 - 1) Individuals who are dependents of another person
 - 2) Nonresident aliens
 - D. AGI means Adjusted Gross Income
 - 1) On your 2019 return this is the amount on Line 8b of your 1040 tax return.
 - 2) On your 2018 return this is the amount on Line 7 of your 1040 tax return.
 - E. **AGI Threshold** means the Maximum AGI a taxpayer can have and still be guaranteed to receive 100% of the rebate.
 - F. **Phaseout Amount** means the amount the potential credit will be reduced because of AGI limitations.
2. Amount of Rebate Payments
 - A. Single/Married Filing Separate (“MFS”) Taxpayers
 - 1) **\$1,200** for single/MFS taxpayers **plus \$500 each qualifying child** for taxpayers with an AGI of \$75,000 or less. This is the AGI Threshold.
 - 2) The credit will be reduced by 5% for every dollar the taxpayer’s AGI exceeds the AGI Threshold.
 - 3) Single/MFS taxpayers **With No Qualifying Children**, with an AGI exceeding \$99,000 will not receive any part of this rebate.
 - 4) Single/MFS taxpayers **With Qualifying Children**, will not receive any part of this rebate when their **AGI exceeds \$99,000 plus \$10,000 for each Qualifying Child.**
 - B. Married Filing Joint (“MFJ”)
 - 1) **\$2,400** for MFJ taxpayers **plus \$500 for each qualifying child** for taxpayers with an AGI of \$150,000 or less. This is the AGI Threshold.
 - 2) The credit will be reduced by 5% for every dollar the taxpayer’s AGI exceeds the AGI Threshold.
 - 3) A married couple filing jointly **With No Qualifying Children**, with an AGI exceeding \$198,000 will not receive any part the rebate.
 - 4) A MFJ couple **With Qualifying Children**, will not receive any part of the rebate when their **AGI exceeds \$198,000 plus \$10,000 for each Qualifying Child.**

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C. Head of Household ("HOH")

- 1) **\$1,200** for HOH taxpayers **plus \$500 each qualifying child** for taxpayers with an AGI of \$112,500 or less. This is the AGI Threshold.
- 2) The credit will be reduced by 5% for every dollar the taxpayer's AGI exceeds the AGI Threshold.
- 3) A head of household taxpayer with **No Qualifying Children**, with an AGI exceeding \$136,500 will not receive any part of the rebate.
- 4) A HOH taxpayer **With Qualifying Children**, will not receive any part of the rebate when their **AGI exceeds \$136,500 plus \$10,000 for each Qualifying Child**.

D. Calculating the Phase-Out

- 1) Example 1 (Full Phase-out)
 - a. A married couple with one qualifying child has an AGI of \$210,000
 - b. Their AGI Threshold is \$150,000.
 - c. Potential Rebate would be \$2,900 (\$2,400 + \$500 for the qualifying child).
 - d. The phaseout amount would be \$2,900(AGI of \$210,000 minus their AGI Threshold of \$150,000 = \$60,000. $\$60,000 \times 5\% = \$3,000$ capped at the amount of your potential rebate (\$2,900 in this example)).
 - e. Rebate Amount is \$0. (Potential Rebate of \$2,900, less the Phaseout Amount of \$2,900 = \$0 Rebate Amount).
- 2) Example 2 (Partial Phase-out)
 - a. A head of household taxpayer with two qualifying children has an AGI of \$150,000.
 - b. Their AGI Threshold is \$112,500.
 - c. Potential Rebate would be \$2,200 (\$1,200 + \$1,000 (\$500 for each qualifying child)).
 - d. The Phaseout Amount would be \$875 (AGI of \$150,000 minus AGI Threshold Amount of \$112,50 = \$37,500. $\$37,500 \times 5\% = \$1,875$).
 - e. Rebate is \$325 (Potential Rebate of \$2,200 less Phaseout Amount of \$1,875 = \$325).

3. Individuals that do not typically file a return such as

- low-income taxpayers
- senior citizens
- some veterans
- individuals with disabilities

who are not normally required to file a tax return, will not owe tax if they file in order to receive the rebate. The IRS is developing a **"simple"** method for these groups to file a tax return in order to receive their rebates.

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Note: Social Security recipients who are not required to file a tax return will receive their rebate payments without having to file a tax return per the IRS.

4. How and when will taxpayers receive their rebate payments?
- A. The CARES Act instruct the IRS to issue the payment to individuals as soon as possible.
 - B. Based on preliminary information from the IRS, it appears, these payments may not go out until the middle of May.
 - C. The IRS will direct deposit rebates to taxpayers' accounts based on bank information provided on either a 2018 or 2019 income tax return for direct deposit of refunds or authorized bank draft for balance due returns.

For taxpayers where the IRS does not have direct deposit information, the IRS plans to develop an online system for taxpayers to provide their direct deposit information rather than waiting on paper checks in the mail.

5. Notification of Rebate Payments by the IRS.
- Within 15 days of distribution of payments, the IRS is required to notify taxpayers of the payment by mail to the last known address for the individual.
6. Can I get my payment later?
- Answer: Yes.
- The payments will be available to be sent to taxpayers through the remainder of 2020.
 - Taxpayers who may qualify for the rebate but will not receive it initially because they have not filed a 2019 return are urged to file as soon as possible in order to receive their rebates. See number 8 below, as you may want to wait and let them base your payment on your 2018 return.
7. What effect does the rebate have on my 2020 tax return?

Answer: This law was written making this a tax credit applicable to your 2020 tax return. Therefore, if:

- A. If you did not qualify for the rebate based on your 2018 or 2019 tax return but you would qualify based on your 2020 tax return, you will receive the rebate as a refund when you file your 2020 tax return.
 - B. If you receive the rebate based on your 2018 or 2019 tax return but you do not qualify for the rebate when you file your 2020 tax return, **you are not required to repay any of the rebate previously received.**
8. If you have not filed your 2019 tax return, consider this:
- A. If you would not qualify for the rebate based on your 2019 tax return, you may want to delay filing your 2019 tax return until you have received your rebate. Remember, once you receive the rebate based on a qualifying return, you do not have to repay the rebate (See Number 7 above).



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- B. If you do not qualify for the rebate based on your 2018 tax return, but would qualify based on your 2019 tax return, then you should file as soon as possible, so you can receive your rebate.
- 9. The downside to the structure of the Rebate Payments
 - A. Taxpayers who have filed their 2018 and/or their 2019 return may not qualify because their income levels were too high. However, this is a credit that they may ultimately qualify for when they file their 2020 return because of the changes in our current economic environment due to business operations having slowed or shut down, employees laid off or furloughed, etc. These individuals may desperately need their rebate checks now but be unable to receive them because of the data on their prior filed tax returns.
 - B. Family situations may have changed because due to marriage, divorce, births and/or deaths. Taxpayers may receive less of a credit than they are entitled to, based on their 2018 or 2019 tax return because of one or more of these situations.
 - C. These taxpayers will not receive the entire rebate they are entitled to until they file their 2020 tax return.
 - D. Conversely, taxpayers may get more than they are entitled to because their income in 2020 is higher than the eligibility thresholds. However, under the provisions of the law they are not required to repay excess rebates received.
 - E. The IRS may not have current addresses for taxpayers who have moved since filing their most recent return.
 - F. Taxpayers that have closed their bank accounts reflected on their applicable prior year return will not receive their rebates. (See item G below.)
 - G. The IRS is setting up a designated phone number for taxpayers to call regarding their “lost” rebate payments. At this time, there is no other guidance on actions a taxpayer can take to receive their payment because their information on file with the IRS is no longer valid.