

# ECONOMIC IMPACT PAYMENTS (CARES Act and ACRRA)

## CARES Act

Under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the IRS automatically sent out economic impact payments (also called “EIPs” or “stimulus checks”) to taxpayers starting in April 2020. If the IRS had the taxpayer’s direct deposit information on file, then the payments were directly deposited into the taxpayer’s bank account.

### Payments Not Subject to Tax

Economic impact payments are treated as an advance against a 2020 federal tax credit. Therefore, they are not taxable for federal or state purposes.

### Payment Amounts

The base credit amount is:

- \$1,200 per qualifying individual (\$2,400 for married taxpayers filing jointly); plus
- \$500 per qualifying child (defined under IRC §152(c)) under the age of 17.

The amount of the credit is phased out (but not below zero) by 5% of every dollar by which the taxpayer’s AGI exceeds the AGI thresholds (or \$5 for every \$100 over the AGI threshold) in the following:

#### Economic Impact Payment AGI and Phaseout Levels

<b>Filing status</b>	<b>Phaseout begins at AGI of ...</b>	<b>Credit phased out at ...</b>
Married filing joint	\$150,000	\$198,000 if no children (add \$10,000 for each qualified child)
Head of household	\$112,500	\$146,500 if one child (add \$10,000 for each Additional qualified child)
Single and MFS	\$75,000	\$99,000

### AGI based on 2019 or 2018 Tax Return

The AGI amounts are based on a taxpayer’s 2019 income tax return. If the taxpayer’s 2019 income tax return had not yet been filed at the time the payment was made by the IRS, then the taxpayer’s 2018 AGI was used.

### Credit Reconciliation on 2020 Return

Taxpayers must reconcile the amount of the advanced credit received with the amount the taxpayer is due, based on the taxpayer’s 2020 income. This is similar to the premium tax credit reconciliation. However, unlike the premium tax credit reconciliation, no repayment is necessary. This means taxpayers will not be required to repay any credit, even if their 2020 income was higher than 2018 or 2019.

## ACRRA (December 2020)

The Additional Coronavirus Response and Relief Act (ACRRA) also provides another round of economic stimulus payments to qualified individuals in addition to those provided under the CARES Act. (ACRRA §272; IRC §6428A) However, there are some differences between payments authorized under the ACRRA and those authorized under the CARES Act as outlined in the upcoming chart.

According to Treasury Secretary Mnuchin, these payments started going out the week of December 27, 2020. If a direct deposit account is not available, the IRS will mail a paper check. If available, payments will be directly deposited into:

- Any account to which the payee authorized, on or after January 1, 2019, payments of tax refunds;
- Any account belonging to a payee from which that individual, on or after January 1, 2019, made a payment of income taxes; or
- Any Treasury-sponsored account (as defined in Sec. 208.2 of title 31 of the Code of Federal Regulations).

## **Notices**

The ACRRRA does require the IRS to send another notice notifying taxpayers of the amount of their additional stimulus payment. After the first round of stimulus payments authorized by the CARES Act, the IRS sent Notice 1444 to taxpayers within 15 days of issuing their payment. The notice notified the taxpayer of the amount they received and the method of delivery (direct deposit or paper check). The ACRRRA requires the same information for the new round of notices.

## **“Second round” EIPs are a Separate Credit**

Because the authorizations for the EIPs are made under different sections of the Internal Revenue Code, each round of EIPs is treated as its own separate credit. This means that the income thresholds apply separately to each credit, not on a cumulative basis.

### Differences in EIP Payments Authorized Under CARES Act and ACRRRA

Issue	CARES Act	ACRRRA
Amount of payment	\$1,200 per qualifying individual plus \$500 per qualifying child who is under age 17 at the end of 2020	\$600 per taxpayer (\$1,200 for MFJ) plus \$600 per dependent who is under age 17 at the end of 2020
Based on AGI	From 2018 or 2019 (depending on whether the taxpayer's 2019 tax return was filed prior to payments being issued)	From 2019
AGI limits	<p>Full payments for taxpayers with AGI as follows:</p> <ul style="list-style-type: none"> <li>• \$75,000 single taxpayers</li> <li>• \$112,500 HOH</li> <li>• \$150,000 MFJ</li> </ul> <p>Payment phased out by \$5 for every \$100 (or 5%) over the AGI threshold and completely phased out at:</p> <ul style="list-style-type: none"> <li>• \$99,000 single taxpayers</li> <li>• \$146,500 HOH</li> <li>• \$198,000 MFJ if no children</li> <li>• Add \$10,000 for each qualified child</li> </ul>	<p>Full payments for taxpayers with AGI as follows:</p> <ul style="list-style-type: none"> <li>• \$75,000 single taxpayers</li> <li>• \$112,500 HOH</li> <li>• \$150,000 MFJ</li> </ul> <p>Payment phased out by \$5 for every \$100 (or 5%) over the AGI threshold and completely phased out at:</p> <ul style="list-style-type: none"> <li>• \$87,000 single taxpayers</li> <li>• \$136,500 HOH</li> <li>• \$174,000 MFJ if no children</li> <li>• Add \$12,000 for each qualified child</li> </ul>
Nonfilers	Payments made to Social Security recipients, Social Security disability recipients, VA disability recipients	Same as CARES Act
Social Security number requirements	<p>To receive the payment, the Social Security numbers for the taxpayer, spouse, and qualifying dependent must be included on their tax return. The only exceptions are:</p> <ul style="list-style-type: none"> <li>• If one spouse is a member of the Armed Forces, then a Social Security number need only be provided for one of the spouses; and</li> <li>• If the credit is taken for a qualifying child who is adopted or placed for adoption, the adoption taxpayer identification number should be used</li> </ul>	<p>U.S. citizens and their children are eligible even if they are married to noncitizens. In other words, the U.S. citizen parent with an SSN will receive \$600, plus \$600 for each child under the age of 17, as long the child has an SSN</p> <p>This expansion would be retroactive and would apply to first round EIPs authorized under CARES Act. However, additional first round EIPs won't be sent if a taxpayer didn't qualify under the original CARES Act, but they do under the ACRRRA. Taxpayers in this situation will receive their additional EIP when they reconcile their credit on their 2020 income tax return</p>
Ineligible taxpayers	<p>The credit is not available to:</p> <ul style="list-style-type: none"> <li>• Nonresident aliens;</li> <li>• Individuals who may be claimed as a dependent on another person's tax return (even if they are not actually claimed); and</li> <li>• Estates or trusts</li> </ul>	Same as CARES Act. ACRRRA also disallows credit for individuals who were deceased prior to January 1, 2020, (the deceased individual is treated as if his or her valid identification number was not included on the return) (IRC §6428A(e))