

Questions and Answers on Recently Passed Stimulus Bill

The Stimulus bill passed by Congress and signed by the President on March 27, 2020 contains many provisions affecting every American. The official name of the law is the Coronavirus Aid, Relief, and Economic Security Act" or the "CARES Act". Set forth below are some common question that you may have or may be asked by our clients.

This Question & Answers is based on the current information available, and every effort has been made to ensure its accuracy. However, the IRS and Treasury Department will need to clarify many aspects of the legislation as they attempt to implement this massive economic stimulus package. The law gives Treasury a good deal of latitude to implement these payments so this may be fluid.

Question: How can I access the details of the bill?

The bill can be accessed by clicking the link below.

<https://www.congress.gov/116/bills/hr748/BILLS-116hr748enr.pdf>

Question: What are the payments that individuals will receive?

The payments that are authorized to individuals are a refundable credit against the 2020 Individual Tax Return. Specifically, the bill states that they are to be treated as a credit under Sub-part C of sub-chapter A of Chapter 1 of the Internal Revenue Code. These payments are referred to in the bill as "2020 recovery rebates for individuals" or "recovery rebates".

The recovery rebate that a taxpayer receives will be recorded on their 2020 tax return as an advance credit and it will be reconciled against what they are entitled to receive.

The reporting of these advance payments should be in the same section of the 2020 tax return as other payments such as Earned Income Credit and Tax Withholding.

These recovery rebate payments are not considered taxable or earned income.

Question: Which individuals are eligible to receive a recovery rebate payment?

Only U.S citizens and Resident Aliens with a Green Card are eligible for this refundable credit. To qualify you must have a valid **Social Security Number**.

Question: Which individuals are NOT eligible to receive a recovery rebate payment?

Nonresidents and ITIN holders are not eligible for the credit.

Anyone that is claimed on another taxpayer's tax return as a dependent is also not eligible for the credit. If a person was a dependent in 2019 on another taxpayer's return but files their own 2020 tax return, they should be able to receive the credit on the 2020 tax return.

Question: What are the income requirements for a taxpayer(s) to receive a recovery rebate payment?

In order to remain eligible for any recovery rebate payment a taxpayer will need to have either (1) \$2,500 in Qualifying Income or (2) a Net Tax Liability in 2020 or income in excess of the standard deduction amount.

- **Qualifying Income** is Earned Income, Social Security Benefits or Pension Benefits.
- **Net Tax Liability** is the taxpayer's regular tax (which includes any Alternative Minimum Tax) less any non-refundable credits.

Question: What is the maximum amount that a taxpayer can receive in recovery rebates?

The maximum recovery rebate amounts are \$1,200 each for a taxpayer and for the spouse, for a total of \$2,400 for a married couple. The recovery rebates also include an additional \$500 for each child that is eligible for the Child Tax Credit.

For purposes of the advance recovery rebate payments, the child must be age 16 or under, have a valid social security number and was claimed on the taxpayer's most recently filed tax return (2019 or 2018). **The child will need to be claimed on the recipient's the tax return in 2020 as a Qualifying Child as defined is this law.**

A child that otherwise would qualify but has an or an Adoption Taxpayer Identification Number (ATIN) will also

qualify.

Question: When the taxpayer reconciles the advance recovery rebates on their 2020 tax return will the advanced payment amount be reduced?

If the 2020 Net Tax Liability is less than the advance recovery rebate received by the taxpayer, the rebate will be reduced to the Net Tax Liability. However, the recovery rebates will not be reduced to less than \$600 (\$1,200 on a joint return) plus \$500 for each Qualifying Child on the tax return.

Question: What are the income thresholds for a taxpayer(s) to receive a recovery rebate?

The AGI income thresholds are \$150,000 for MFJ, \$112,500 for HOH and \$75,000 for all other filing statuses. The advance refundable credit will be reduced by 5% by the amount the taxpayer is over the thresholds. In the case of joint returns, \$1,200 is the credit for each party.

The recovery rebate payments are based on the 2019 tax return, but there is a provision to send out the payments based on the 2018 tax returns if the taxpayer(s) has not yet filed their 2019 return.

In the event, an individual(s) is not eligible for a payment or the payment is reduced because of the 2019 Adjusted Gross Income, they will be able to recalculate the payment based on their 2020 AGI and receive the credit.

In the event, the payment that is based on the 2019 AGI (or 2018) is greater than what the taxpayer would receive if the payment was based on the taxpayer's 2020 AGI, the taxpayer will not have to repay the excess payment amount.

Question: Will individuals that currently have a delinquent tax obligation or other refund offset item have their advance recovery rebates held or used to offset their obligations?

The payments being sent are not to be used to offset any current obligation by the IRS. As a result, all individuals otherwise entitled to receive the payments will get them.

Question: Will individuals have to file a 2019 tax return to get an advance recovery rebate payment?

Many individuals do not currently file a federal tax return because their income is below the filing threshold. This is most common for recipients of Social Security payments or Railroad Retirement benefits because only a

percentage of this income is taxable and many of these individuals have Adjusted Gross Income that is below the filing threshold.

Individuals that are currently receiving an SSA-1099 or RRA-1099, should receive advance recovery rebate payments by direct deposit without having to file a 2019 (or 2018) tax return.

Question: What is the process for sending out the advance recovery rebate payments?

The Treasury Department officials are claiming that payments that can be sent electronically because the IRS has current direct deposit information will start to be sent out in approximately two to three weeks which would be a Mid-April time frame. This timeline is totally speculative at this time and everyone will have to wait and see. Historically when the IRS has had to send stimulus payments to taxpayers it took much longer than what currently is being proposed. However electronic banking is much more common and sophisticated since the last time that Government sent payments like this, so the Mid-April timeline may or may not be realistic.

A provision in this law authorizes the Treasury Department to **use the information that the IRS has on file from the 2019 tax return for direct deposit** of the payments being made under this stimulus program. If the 2019 tax return does not have direct deposit information, the payments are expected to be mailed to the address on the tax return.

The Treasury Department is also **authorized to use the information that Social Security and the Railroad Retirement Board** has for deposit information for recipients of those benefits to process payment.

For individuals that have not filed their 2019 return, the Treasury is authorized to use the 2018 tax return after first determining that the other sources of information are not available and that the information contained in the 2018 return remains viable (such as taxpayer / spouse / qualifying child still have active social security numbers and that some of the people on the 2018 return have not otherwise filed a 2019 return or been claimed on another tax return).

Question: How will taxpayers that used a bank product receive their advance recovery rebate payments?

It is anticipated that unless the taxpayer is receiving Social Security or Railroad Retirement benefits, taxpayers that used bank products will be mailed checks at the address on their 2019 tax return.

Question: How will taxpayers that have changed addresses, bank accounts, etc., notify the IRS or Treasury of the change?

Currently the customer support phone lines for the IRS are not a viable option for any taxpayer or preparer assistance because of the limited availability of these services. At this time the IRS has not provided any additional guidance on how to expedite any change of information since the filing of the last tax return.

The Treasury Department has indicated that an expedited procedure may be forthcoming in a few weeks that will allow taxpayers that do not receive direct deposits of the recovery rebates in mid-April to submit this information. Yet, until instructed otherwise, a taxpayer can use Form 8822 – Change of Address to notify the IRS of an address change but it is unclear how quickly this form will be processed at the current time by the IRS.

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