

# COVID-19 and Direct Payments to Individuals: Historical Precedents

March 19, 2020

Members of Congress and the Trump Administration have signaled their support for making direct payments to individuals to address the economic fallout from the COVID-19 outbreak. In current discussions, these payments are sometimes framed in terms of “universal basic income” or UBI proposals. In the past when these proposals were made—and sometimes enacted—they were framed in terms of providing economic stimulus.

## Historical Precedents

There are historical precedents for such payments; most of these were done through the federal income tax code. The Internal Revenue Service (IRS) sent checks to taxpayers in 1975, 2001, and 2008. An issue with using the IRS to make payments to individuals is that payments generally have been restricted to those who file federal income tax returns. Those who **do not file tax returns** generally include populations such as retirees, disabled individuals, and low-income individuals who have no earnings. The 1975 legislation included direct payments to retirees receiving Social Security and Railroad Retirement. In 2009, direct payments were also made to retirees, recipients of Supplemental Security Income (SSI), and recipients of certain veterans’ benefits.

**Table 1** provides an overview of laws enacted since 1975 that provided for one-time payments to individuals to address economic downturns.

**Table 1. Selected Law Providing Direct Payments to Individuals: 1975 to Present**

Law	Description	CRS Products
Tax Reduction Act of 1975 (P.L. 94-12)	<p>Tax rebate: 10% of taxes paid in 1974. Maximum payment of \$200 (phased down to \$100 for higher income taxpayers).</p> <p>Direct payment: \$50 for Social Security and Railroad Retirees and recipients of Supplemental Security Income (SSI).</p>	CRS Report 92-20E (available to congressional clients upon request).

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IN11256

Law	Description	CRS Products
The Economic Growth and Tax Relief Reconciliation Act of 2001 (P.L. 107-16)	Advance payment of a tax rate reduction. Maximum credit of \$600 for married couples filing jointly and \$300 for others.	CRS Report RS21171, <i>The Rate Reduction Tax Credit - "The Tax Rebate"</i> - in the <i>Economic Growth and Tax Relief Reconciliation Act of 2001: A Brief Explanation</i>
Economic Stimulus Act of 2008 (P.L. 110-185)	Advance payment of a refundable tax credit. Maximum credit of \$1,200 for joint filers, \$600 for others, and an additional \$300 per dependent. Credits phased out for higher income taxpayers.	CRS Insight IN11255, <i>COVID-19 and Stimulus Payments to Individuals: How Did the 2008 Recovery Rebates Work?</i>
American Recovery and Reinvestment Act of 2009 (P.L. 111-5)	Payment of \$250 for certain recipients of Social Security, Supplemental Security Income (SSI), Railroad Retirement, and veterans' compensation or pensions.	CRS Insight IN11254, <i>COVID-19 and Stimulus Payments to Individuals: How the 2009 Economic Recovery Payment Worked.</i>

**Source:** Congressional Research Service (CRS).

The economic effects of past direct tax payments have been studied (see summaries [here](#) and [here](#)). Also see [here](#) for a discussion of how direct payments may compare with an alternative to provide payroll tax relief.

## Relationship to Universal Basic Income and Automatic Payments

The current discussions about these payments are sometimes framed as a “universal basic income” or [UBI](#). UBI is a form of guaranteed income that would provide a payment to individuals or families at regular intervals. The United States does not have an income guarantee other than the [Supplemental Security Income](#) program (SSI), which is restricted to the needy aged, blind, and disabled. SSI was created in 1972 in legislation related to President Nixon’s proposal to create a guaranteed income for families with children, his [Family Assistance Plan \(FAP\)](#).

[Social insurance](#) benefits—particularly unemployment compensation—provides partial wage replacement for some workers who lose their jobs. Need-tested programs provide benefits to low-income individuals and families, though [benefits are restricted to certain categories of low-income persons, and not all persons who are eligible receive aid](#). The programs that aid the largest number of low-income persons—the Supplemental Nutrition Assistance Program (SNAP) and Medicaid—provide in-kind rather than cash aid. Cash aid provides families and individuals with the greatest flexibility to address their individual circumstances, whether that is paying rent, bills, child care, or other necessities.

Prior to the current situation, Claudia Sahm, formerly an economist at the Federal Reserve Board, proposed in May 2019 automatic direct payment in the event of a recession. She [proposed](#) that direct payments be triggered by a rise in the unemployment rate by a sufficient amount.

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