



COVID-19 and Direct Payments to Individuals: Summary of the 2020 Recovery Rebates in the CARES Act, as Circulated March 22

March 23, 2020

Legislative text of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, circulated on Sunday, March 22, 2020, proposes direct payments to individuals and families—“2020 recovery rebates.” This Insight provides a brief overview of the proposed 2020 recovery rebates included in the text circulated on [March 22](#), which differ from those included in the legislation [introduced on March 19](#).

The proposed 2020 recovery rebates equal \$1,200 per person (\$2,400 for married taxpayers filing a joint tax return) and \$500 per child. These amounts would phase down for higher-income taxpayers. These payments are structured as tax credits automatically advanced to households in 2020 if *they filed a 2019 income tax return* and would be received as a direct deposit or check by mail. If a 2019 return had not been filed, rebates would be advanced automatically based on 2018 return information.

Credit Amount

The proposed credit equals \$1,200 per person (\$2,400 for married joint filers) for eligible individuals. Generally, an eligible individual is any individual *excluding* (1) [nonresident aliens](#), (2) individuals who can be claimed as a [dependent](#) by another taxpayer, and (3) an estate or trust.

Individuals eligible for the credit would receive an additional \$500 for each child that qualifies for [the child tax credit](#).

The total proposed credit phases out at a rate of 5% of adjusted gross income (AGI) above \$75,000 (\$112,500 for head of household filers and \$150,000 for married joint returns). An illustration of the amount of the rebate by income level is provided in the figure below.

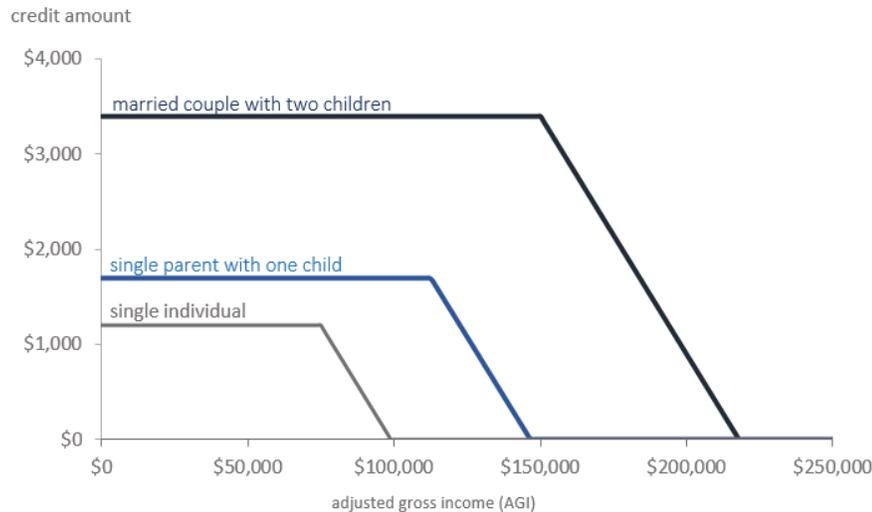
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2020 Rebates in the CARES Act by Income Level

Calculated Using 2019 Income Tax Return Information



Source: Legislative text as circulated on March 22, 2020

Note: This is a stylized example. Receipt of the recovery rebates in 2020 is based on information from 2019 income tax returns. If a taxpayer has not filed their 2019 income tax return, the credit amount can be advanced based on 2018 income tax return information. For social security recipients who did not file a 2018 or 2019 income tax return, information from their 2019 Form SSA-1099, Social Security Statement, may be used instead. Married taxpayers are assumed to be joint filers, a single parent is assumed to file as a head of household, and a single individual is assumed to file as single. For the purposes of the rebate, children used in the calculation of the benefit amount are those eligible to be claimed for the child tax credit.

As with any tax refund, these payments would [not count as income or resources](#) for a 12-month period in determining eligibility for, or the amount of assistance provided by, any federally funded public benefit program.

The proposed credit would be a fixed amount until income reaches the phaseout level. Lower-income taxpayers with little or no income tax liability would be eligible for a tax credit equal in dollar value to that received by middle-income and upper-middle-income taxpayers. Hence, as a percentage of income, this rebate would be largest for the lowest-income recipients. The tax credit would phase out at the upper end of the distribution as shown in the figure above.

Other Features of the Proposed 2020 Recovery Rebates

- SSN Requirement:** Taxpayers would be required to provide a Social Security number (SSN) for themselves, their spouse (if married filing jointly), and any child for whom they claim the \$500 child credit. Adoption taxpayer ID numbers ([ATINs](#)) are also acceptable for adopted children. Taxpayers who [provide an individual taxpayer identification number \(ITIN\)](#) would be ineligible for the credit. Hence, married couples in which one spouse has an SSN and another has an ITIN would generally be ineligible for the credit.
 - The bill would relax these ID requirements for married joint filers in which at least one spouse is a member of the Armed Forces. In those cases, only one spouse must provide an SSN.
- Public Awareness Campaign:** The bill would instruct the Treasury Secretary in coordination with the Commissioner of Social Security and the heads of other relevant

federal agencies to provide information to individuals who may not have filed a 2019 or 2018 income tax return.

- **Notice to Taxpayers:** The bill would require that individuals identified as eligible to receive a payment be sent a notice that provides them with information on the amount of the payment, how it will be delivered (direct deposit/paper check), and a phone number at the Internal Revenue Service (IRS) to call if the payment is not received.
- **Nonresident Aliens:** The credit would not be available to [nonresident aliens](#).
- **Territories:** The bill includes a provision requiring the U.S. Treasury to make payments to individuals in the [territories \(mirror code and non-mirror code\)](#) equal to the aggregate amount of credits claimed by their residents.
- **Past-Due Debts:** The credit cannot be reduced for certain unpaid debts, including debts owed to a federal agency (excluding child support), past-due state income taxes, federal taxes, or unemployment compensation debts.
- **Appropriations:** The bill would appropriate \$617.35 million in FY2020 for the administration of these payments.

Advancing the Proposed 2020 Recovery Rebates

The bill would automatically [advance the credit](#), which would be received as a direct deposit or a check by mail. Without this advancing provision, taxpayers would have to wait until they filed their 2020 income tax returns in early 2021 to claim this credit.

The advanced credit amount would be estimated by the Internal Revenue Service (IRS) using the same formula as the 2020 recovery rebates, but based on taxpayers' 2019 income tax return information (if the taxpayer did not file a 2019 income tax return, 2018 income tax return information could be used instead). For Social Security and Railroad Retirement recipients, if neither a 2019 nor a 2018 income tax return were filed, the laws would allow the IRS to use information from their 2019 Social Security or Railroad Retirement Benefit Statement ([SSA-1099](#) or [RRB-1099](#), respectively). If, when taxpayers file their 2020 income tax returns in 2021, they find that the advanced credit is greater than the actual credit, then they *would not* be required to repay the excess credit. In contrast, if the advanced credit is less than the actual credit, then taxpayers would be able to claim the difference on their 2020 income tax returns.

Nonfilers

Taxpayers with gross income less than the standard deduction amount [are not required to file a federal income tax return](#). In general, public cash assistance for low-income populations, such as [Supplemental Security Income](#), is not considered gross income under a limited [general welfare exclusion](#). Hence, many low-income individuals and families whose income is largely from public assistance may not have filed a 2018 or 2019 income tax return and as such, would not receive these rebates in 2020. A [2017 study](#) found that “nonfilers” were more likely to be either seniors or recipients of public assistance compared to those who filed a tax return.

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