Delivery of Economic Impact Payments (EIPs)

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To mitigate the financial hardship many Americans are experiencing during the Coronavirus Disease (COVID-19) pandemic, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136). A critical element of the aid package is direct payments to certain individuals in 2020. The payments are referred to as “recovery rebates” in Section 2201 of the act, but the Internal Revenue Service (IRS) refers to them as “economic impact payments” (EIPs) in the information about the payments it sends to the general public.

(For more information on these payments, see CRS Insight IN11282, COVID-19 and Direct Payments to Individuals: Summary of the 2020 Recovery Rebates/Economic Impact Payments in the CARES Act (P.L. 116-136).)

This Insight summarizes the delivery of EIPs so far and identifies issues that have delayed the delivery of payments to certain low-income individuals.

Delivery of Payments

The IRS is administering the EIP program, with assistance from the Treasury Department’s Bureau of the Fiscal Service, which is issuing the payments. In doing so, the IRS has drawn on its experience in administering a similar payment program established by the Economic Stimulus Act of 2008 (ESA, P.L. 110-185).

The CARES Act provided the IRS with $500.7 million to implement the program; the funds are available for obligation until September 30, 2021. Congress appropriated $270 million for the IRS to implement the 2008 stimulus payments.

EIPs have been distributed to three groups of taxpayers:

- eligible individuals who filed a return in 2019 (or in 2018 if no 2019 return is filed before payments are disbursed);
- eligible individuals who were not required to file a return for either year and who received Social Security (SS) benefits, Railroad Retirement (RR) benefits, Supplemental Security Income (SSI), or certain Veterans Administration (VA) benefits in 2019; and
• all other eligible individuals who filed no return for 2018 and 2019 and received none of the benefits listed in the previous category; these individuals are often referred to as nonfilers.

Taxpayers in the first group were automatically issued a payment. Those who provided bank account information to the IRS in 2018 or 2019 to receive a refund were issued a payment via direct deposit. Some individuals who filed their 2018 or 2019 return with the help of a tax return preparation firm may have experienced a delay in receiving their payment.

Taxpayers in the first group who did not provide bank account information for those years were sent a check in the mail, unless they used an online application from the IRS called Get My Payment to provide direct deposit information. Taxpayers had until May 13, 2020, to do so.

Taxpayers in the second group (i.e., recipients of SS benefits, RR benefits, SSI, or certain VA benefits in 2019) also automatically were issued a payment. They did not have to file a return for 2018 or 2019 or provide information to the IRS. But in order to receive a $500 payment for a qualifying child, recipients of SS benefits, SSI, and certain VA benefits had to provide information through an online tool for nonfilers (Nonfilers: Enter Payment Info Here page at IRS.gov) by May 5, 2020, originally. The deadline has been extended to September 30, 2020.

Taxpayers in the third group must register with the IRS to get a payment, since the IRS would otherwise have no accurate contact information. This group encompasses an estimated 12 million people who were not required to file in 2018 and 2019 because their income was below the filing threshold for their filing status. To expedite the registration process, the IRS has encouraged nonfilers to use the same online tool for nonfilers in the second category. The deadline for registering has been extended to November 21, 2020. On September 17, 2020, the IRS announced that it was sending letters to 8.9 million persons who usually do not file a tax return and who may be eligible for an EIP providing instructions on how to claim the payment.

It took the IRS about 10 weeks to start distributing the 2008 ESA stimulus payments after enactment of the ESA. By the end of 2008, the IRS had issued nearly 143 million payments worth a total of $107.3 billion.

By contrast, the IRS began delivering the first round of EIPs 15 days after enactment of the CARES Act. As of May 31, the IRS had issued 160.4 million payments worth $269 billion; 120 million payments (or 75%) were delivered via direct deposit, 35 million (or 22%) as paper checks, and 3.7 million as prepaid debit cards. When the EIP program began, the Ways and Means Committee estimated that between 150 million and 170 million taxpayers would receive payments, and that the IRS would need to obtain information from 90 million to 110 million taxpayers to issue payments to them.

Several glitches have marred the delivery of EIPs. Prepaid debit cards have been sent to persons not expecting them who discarded the plain, white envelope containing them, thinking it was junk mail. An estimated 365,000 persons have not received payments for dependent children, even though they had provided the IRS with the required information; the IRS has announced that it began distributing those payments in early August. And many individuals have had difficulty getting their questions about missing or incorrect payments answered by the IRS.

Factors That May Affect the Delivery of EIPs

There are several factors that may have affected the timing and accuracy of the IRS’s distribution of EIPs. One factor is the size of IRS’s workforce. It is 20% smaller today than it was when the IRS administered the 2008 stimulus payments. With this reduced workforce, the IRS is processing 2019 tax returns (which are due by July 15) while implementing the EIP program. Even allowing for an increase in overall
productivity between 2008 and today, the agency may find it difficult to deliver EIPs to eligible taxpayers for whom it has no bank account information or a current mailing address.

Another factor is the IRS’s seeming reliance on the internet to provide needed information and a mechanism for low-income nonfilers to receive a payment. Most EIPs have been issued, and the IRS is now focused on delivering them to nonfilers for whom the IRS has no current information. Conducting outreach through the internet may not lead to the desired results, because many of these individuals may be having trouble accessing the internet, owing to the pandemic. Places where they normally may get access, such as public libraries, community centers, and volunteer taxpayer assistance centers, remain closed in many communities. According to an estimate by the Pew Research Center, 46% of American adults with household income below $30,000 do not own a computer. Nonfilers for 2018 and 2019 who do not register with the IRS by October 15, 2020, may be able to claim an equivalent payment if they file a tax return for 2020.

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