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WOMEN'S
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Updated: COVID-19 “Recovery Rebates” in the CARES Act

The Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) provides relief to individuals and families in a number of forms: Unemployment Insurance, loans to small businesses, funding for housing assistance and aid for the homeless, and assistance to states. (The CARES Act *does not include* improvements to refundable tax credits like the Earned Income Tax Credit, Child Tax Credit, or the Child and Dependent Care Tax Credit.)

In addition, the legislation provides for direct payments to individuals, called “recovery rebates.” The IRS is calling these payments “Economic Impact Payments.”

How much are the recovery rebates worth?

The rebates are worth a maximum of \$1,200 per person (\$2,400 for a married couple filing a joint tax return), with an additional \$500 per dependent child age 16 or under.

The full rebate will be available to individuals with 2020 income of \$75,000 or less (\$112,500 for people filing as “head of household” and \$150,000 for married couples filing jointly). People with incomes above those amounts will receive smaller rebates. The rebates phase out altogether for individuals with incomes above \$99,000 (\$136,500 for heads of household and \$198,000 for married couples). 2019 income is used to determine the payment amounts.

Who is eligible to receive recovery rebates?

People are eligible for the rebates even if they have no income, or if their income is only from benefits like Social Security, Supplemental Security Income (SSI), or veterans’ benefits. To receive the rebates, people must either (1) file a tax return for tax years 2018, 2019, or 2020, (2) complete an online form provided by the IRS if they don’t need to file a tax return, or (3) receive SSI, Social Security or Railroad Retirement benefits in 2019.

Who is left out?

First, people must file a tax return for tax years 2018, 2019, or 2020. Tax returns are not required for people whose incomes fall below a certain threshold, including people who receive SSI or veterans’ benefits, and these “non-filer” households can fill out a simplified form, which is available at <https://www.irs.gov/coronavirus/economic-impact-payments>. But some people with very low incomes who usually do not file tax returns— who desperately need cash rebates — will not receive them because they don’t know about the payments, or don’t have internet access.

Second, most people who file tax returns but do not have a Social Security Number (SSN) for each member of their family cannot receive a rebate (there is an exception for military spouses and for adoption tax identification numbers). Some immigrants who do not have SSNs file tax returns using an Individual Tax Identification Number (ITIN); they are excluded, despite the fact that they need the rebates as much as anyone else.

Third, people who can be claimed by another person as a dependent cannot receive a rebate. This may include adults with disabilities, who likewise would greatly benefit from the rebates. This also includes older children, such as college students.

How will the rebates be issued?

The IRS will automatically issue payments starting in April to people who filed 2018 or 2019 tax returns or who receive SSI, Social Security, or Railroad Retirement benefits. They will issue direct deposits to people who provided bank account information on their 2018 or 2019 tax returns, and paper checks to people for whom they don't have that information.

People who do not need to file a tax return can enter information online at www.irs.gov/coronavirus-economic-impact-payments to claim the rebates. This includes SSI and Social Security beneficiaries who have children age 16 and under, for example. People who filed 2018 or 2019 tax returns can provide bank account information through an IRS website so they can receive their rebates through direct deposit.

Otherwise people will receive the rebates when they file their tax year 2020 returns (in 2021).

Again, SSI, Social Security and Railroad Retirement beneficiaries do not need to have filed a tax return in order to receive a recovery rebate, unless they are claiming children.

What else should people know about rebates?

The recovery rebates will *not* count as "income" for federal means-tested programs (like SNAP).

The recovery rebate payments will not be reduced or offset (either for federal taxes due or for debt to federal agencies, like defaulted student loans).

The IRS will send a letter to a person's last known address to inform them that a recovery rebate has been issued (either by direct deposit or paper check).

Some Volunteer Income Tax Assistance (VITA) sites will be able to prepare tax returns remotely. Check www.irs.gov/individuals/free-tax-return-preparation-for-you-by-volunteers to find a site near you.

Beware of **fraud**: the IRS will never call, text, or reach out over social media and ask you for bank account information or personal information like your SSN in connection with the rebates.

What's next?

Another round of direct payments is a possibility: Congressional leaders are already talking about a fourth relief package.

Resources:

IRS webpage (keep checking back here): www.irs.gov/coronavirus/economic-impact-payments

CFPB guidance: <https://www.consumerfinance.gov/about-us/blog/guide-covid-19-economic-stimulus-checks/>