



COVID-19 “Recovery Rebates” in the CARES Act

The House is poised to pass H.R. 748, the “Coronavirus Aid, Relief, and Economic Security Act” (the “CARES Act”). This bill 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.”

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).

Some [analysts have estimated](#) that families will, on average, receive a rebate of approximately \$1,720.

Who is eligible to receive recovery rebates?

People must either (1) file a tax return for tax years 2018, 2019, or 2020, or (2) receive Social Security benefits in 2019.

Note that people file tax returns for the previous year, so right now, people have either filed or are currently preparing to file their tax return for tax year 2019. Social Security beneficiaries do not need to have filed a tax return in order to receive a recovery rebate.

Who is left out?

First, people who did not file a tax return for tax year 2018 or who do not file a tax return for tax years 2019 or 2020 will not be able to receive a rebate. Tax returns are not required for people whose incomes fall below a certain threshold, so the concern is that some people with very low incomes – who desperately need cash rebates – will not receive them.

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 are 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.

How will the rebates be issued?

The IRS will automatically issue payments “as soon as possible” to people who filed 2018 or 2019 tax returns or who receive Social Security 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.

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

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 notice to a person’s last known address to inform them that a recovery rebate has been issued.

People need to be alert to [fraud](#): the IRS will never send a person to your house or ask you for bank account information or personal information like your SSN over the phone.

What's next?

The recovery rebates will provide individuals and families with a welcome infusion of cash as people are starting to see their paychecks shrink or disappear altogether. The hope is that, along with other supports like UI, food and housing assistance, the rebates will help families weather the immediate economic shocks caused by COVID-19. Another round of direct payments is a possibility: Congressional leaders are already talking about a fourth relief package.

Resources:

IRS Coronavirus Tax Relief (keep checking back here): <https://www.irs.gov/coronavirus>

Washington Post recovery rebate calculator: <https://www.washingtonpost.com/graphics/business/coronavirus-stimulus-check-calculator/>