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Professionals

IAAI NEWS FLASH

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2020 Emergency Stimulus Payment

The recently passed 3rd Coronavirus stimulus bill includes a provision to send stimulus payments to most Americans. The IRS has been tasked with sending payments out beginning “as rapidly as possible” according to the language in the law. The funds taxpayers receive are not taxable to the recipients since they are considered an advanced payment of a new 2020 tax credit.

How much will the checks be? It depends on information the IRS currently has about the taxpayer. They will first look to see if a 2019 tax return has been filed and if was the 2019 return will be used to determine the payment amount. If a taxpayer has not filed a 2019 return the information from their 2018 return will be used. The base amount of the stimulus is \$1200 per taxpayer but not everyone will get that amount.

Payment amounts will be phased out for people above certain income levels. Phase out levels for AGI for taxpayers whose filing status is single, married filing separately or a qualifying widow(er) is \$75,000. For taxpayers filing a joint return the phase out begins at an AGI of \$150,000. Head of household filers begin losing funds if AGI is above \$112,500. There is an additional \$500 credit for each child who qualifies for the child tax credit in 2019 also subject to the phase out for higher income taxpayers.

In other words, a married couple with 2 children under 17 years old on December 31, 2019 with AGI under \$150,000 will receive a payment of \$3400. A married couple with no qualifying children with AGI below the threshold will receive \$2400. People with incomes between \$150,000 and \$198,000 will receive smaller payments and joint filers with incomes over \$200,000 will receive nothing.

Some people were not required to file a 2018 or 2019 return because their taxable income was below the filing threshold. If the IRS doesn't have a return for an individual, they will pull information about them from the 2019 SSA-1099 or RRB-1099 to calculate their stimulus amount. If a person didn't file a 2018 and 2019 return and are not receiving SSA or RRB benefits, the chances are they will not receive a stimulus payment. However, since this is a prepayment of a tax credit, people who do not receive stimulus payments will be able to claim the credit on their 2020 return when they file it in 2021. For these individuals to get the payment now, they should file a 2019 return quickly. If the return is processed before the IRS starts processing payments, tentatively scheduled for “as rapidly as possible”, they should receive their funds.

The IRS is planning to make electronic payments to people who asked for 2019 or 2018 refunds to be directly deposited into their bank accounts. If the deposit is rejected, the IRS will receive a rejection

notice and at that point will issue a paper check to the address on the last return received or if the taxpayer filed a change of address request before the processing of payments are started, to the current address on file with the agency.

To be eligible for the stimulus payment the taxpayers must have a social security number. An ITIN is not good enough. For children under 17 years old, a social security number or an ATIN for an adopted child qualify for the \$500 payment. Older children and young adults and other relatives who were claimed as a dependent on another taxpayer's returns are also not eligible to receive the stimulus payment.

The stimulus payment is not subject to reduction or offset to pay back taxes or other debts owed to the government but taxpayers can voluntarily use the funds to pay down debt owed to the IRS.

Once the payment is issued, within 15 days of mailing a check or directly depositing it into a taxpayer's account, the IRS will send a notice by mail indicating the method of payment, the amount of the payment and an IRS phone number to call if the check or direct deposit is not received. Both the IRS check and notice will be mailed to the last known address the IRS has on file. If a taxpayer has recently moved, they need to file a Form 8822 with the IRS and a change of address notice with the U.S. postal service.

There are still several questions that need to be answered. How will the IRS know if a taxpayer passed away after filing their 2018 or 2019 return? What if a taxpayer had a baby in 2019 and had not yet filed a 2019 return with the baby claimed as a dependent? What if the IRS issues a payment based on 2018 AGI being under the threshold and the taxpayer's 2019 AGI is over the threshold or even over the phase out level? How will the IRS check when taxpayers claim they have not received their stimulus payment and how long will it take to resolve the many claims expected? Most likely the IRS will have a reconciliation schedule to be filed with the taxpayer's 2020 return next year to account for any differences between what the taxpayer should have received compared to what they actually received. Any amounts not received would be added to the 2020 withholding and estimated tax payments the taxpayer made and any amounts received in excess of what the taxpayer should have gotten will be deducted from any refund due the taxpayer or added to any balance due to the IRS.

As a value added service to your clients you should have them make sure the IRS has their current mailing address and if there are past clients who have not filed returns in 2018 and 2019 you should be contacting them to file a 2019 return even if their income is below the filing threshold for their filing status so they will get the stimulus payment now rather than a year from now when they file their 2020 return or even later if they do not file a 2020 return.

Caution: This information is for tax professionals only. It is not intended as specific advice for taxpayers.

2020 Emergency Stimulus Payment Chart

*This information is based on available information.
Information may change after more details emerge.
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Filing Status	Single	Head of Household	Married	Married Filing Separately	Qualifying Widow(er)
Basic Amount	1,200	1,200	2,400	1,200	1,200

Add for each dependent child under 17	500	500	500	500	500
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No additional for dependent child or parent age 17 or over.

Full payout for Adjusted Gross Income up to	75,000	112,500	150,000	75,000	75,000
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No payout for Adjusted Gross Income above this amount	99,000	148,500	198,000	75,000	75,000
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No payout for individuals and dependents without Social Security Numbers, nor for resident aliens, trusts and estates.

Payout based on latest filed tax return for 2019 or 2018.

If no 2019 or 2018 return was filed, IRS will send a check based on Social Security records. Payouts include green card holders.

Direct deposit to latest bank account on record.

If no bank account, IRS will mail a paper check or debit card at a later date. (Check or debit card is not yet determined by IRS.)

IRS will have an internet link for "Where's my stimulus check?"