

Economic Stimulus Payments

Overview

In an effort to jump start the economy, the government is giving out money to over 130 million American households starting in May, 2008.

These one-time economic recovery payments to American households are being administered by the IRS. Those who are eligible to receive the payments will get at least \$300 (\$600 if filing a joint return), but not more than \$600 (\$1200 if filing a joint return). An additional \$300 will be provided for each child under the age of 17 listed on the return. The payments will be in the form of paper checks unless you include direct deposit information so that they may be sent directly to your checking or savings accounts.

The payments will be treated as tax refunds. As refunds, these economic stimulus payments will not in turn be treated as income in 2008 nor will they be taxable in 2008. Likewise, the stimulus payments will not affect any other government program or benefit, such as Social Security benefits or food stamps.

As with any tax refunds, these payments will be subject to offsets against current or prior year outstanding tax and non-tax liabilities, such as past due student loans, child support, federal and state taxes, and other government agency debts. Thus, for some taxpayers, the payments may be reduced or totally eliminated.

Eligibility – Who Can Get the Stimulus Checks?

The stimulus payments are available to two groups of individual taxpayers: (i) those who are required to file tax returns for 2007 (and do so) and (ii) those individuals who otherwise are not required to file a tax return for 2007 but who have at least \$3000 of “qualified” income as described below.

Taxpayers in the first group will not have to do anything other than file their 2007 tax returns to receive their stimulus payments. The IRS will determine their eligibility, figure the amount, and issue the payment automatically.

Individuals in the second group – those whose income is too low or whose income is otherwise tax-free – will have to file a stimulus return solely to inform the IRS of their eligibility for the stimulus payments. This group of taxpayers includes low-income workers, the elderly, veterans and combat pay recipients (details below).

It is important to note that individuals in this second group, who otherwise are not required to file a tax return to pay taxes, are filing an information return (a stimulus return) with the IRS solely to qualify for the economic stimulus payment and that, in doing so, will not get a tax bill and will not owe money to the IRS because of the stimulus payment.

Individuals in this second group should file a stimulus return if they have at least \$3,000 in any combination from any of the following sources:

- Social Security benefits, such as monthly retirement, survivor and disability benefits (as shown on 2007 Form SSA – 1999); individuals who do not have the Form 1099 are allowed to estimate their annual Social Security benefits for purpose of determining their eligibility. NOTE – Supplemental Security Income (SSI) does not count for purposes of this stimulus payment determination.
- Tier 1 Railroad Retirement benefits (as shown on 2007 Form RRB -1099).
- Veteran’s disability compensation, disability pension or death benefits received from the Department of Veterans’ Affairs in 2007; again, individuals are allowed to estimate their annual benefit in filing this information return.
- Earned income (such as wages and net income from self-employment)
- Combat pay treated as earned income.

Income and benefits that do not count toward the \$3,000 threshold include: dividends, interest, capital gains, Supplemental Security Income (SSI), Tier 2 Railroad Retirement benefits and non-Veterans or non-Social Security pension income.

Valid Social Security Number

To be eligible for the stimulus payment, individual taxpayers must have a valid Social Security number issued to them by the Social Security Administration. Taxpayers with ITINs and ATINs issued by the IRS do not count for this purpose.

If an individual is filing jointly with his or her spouse, both individuals listed on the married filing jointly return must have a valid Social Security number. If only one of the taxpayers on a joint return has a valid social security number, then only the person with the valid number should file the stimulus return and should select “single” as the filing status. This election is available only if the taxpayers are filing a stimulus return – it is not available when filing a return for all other tax purposes.

Who Will NOT Get the Stimulus Payment?

The following individuals will not be eligible for the stimulus payment, either at all or in part:

- Individuals who do not file a return in 2007 (either a tax return or a stimulus return)
- Individuals who can be claimed as dependents on someone else’s return (such as students)

- Individuals who pay no tax and who have less than \$3,000 in qualifying income
- Individuals who do not have a valid Social Security number
- Individuals who are nonresident aliens (filing 1040NR, 1040PR or 1040SS returns. Residents of U.S. Possessions will be receiving their rebates directly from the possessions)
- Individuals with adjusted gross income above \$75,000 (\$150,000 in the case of a joint return)

What Is the Amount of the Stimulus Payment?

Taxpayers without taxable income for tax year 2007, or taxpayers who do not file a 2007 tax return are not eligible to receive a stimulus payment. As explained above, the minimum that an individual taxpayer will receive is \$300, and married filing jointly taxpayers can receive a minimum of \$600. The maximum amount a single taxpayer will receive is \$600, and the maximum married filing jointly taxpayers will receive is \$1200. For taxpayer's with tax liability between these minimums and maximums, the amount they receive will be equal to their tax liability.

Taxpayers with children are also eligible to receive an additional \$300 per child if their children meet a series of requirements. The child must:

- be a son, daughter, stepchild, foster child, brother, sister, stepbrother, stepsister, or a child of any of them, such as a grandchild or nephew;
- have lived with the taxpayer for more than half of 2007;
- did not provide half of his or her own support during 2007;
- be under age 17 as of the end of 2007; and
- be a U.S. citizen, U.S. national, or U.S. resident alien.

The rebate will be phased out for higher-income individuals with adjusted gross income starting at \$75,000 for single taxpayers, and \$150,000 for married (filing jointly) taxpayers. The payment will be reduced by five percent of the amount of income in excess of the phase-out amounts.

How Will Taxpayers Receive the Stimulus Payments?

Taxpayers need only to file their 2007 tax return to receive the rebate. The payment will be sent to the address on the return in the amount based on the figures on the return. The return must be filed by October 15, 2008. Because a 2007 tax return must be filed to receive payment, a taxpayer who does not usually file a tax return but who is eligible for a stimulus payment should file a form 1040 or 1040A with IRS to receive the payment. IRS will begin sending payments via direct deposit to taxpayers based on the last two digits of taxpayer's SSN beginning May 2, and they will be mailed starting May 16. *IRS cannot issue rebates beyond December 31, 2008, so taxpayers must file their returns early enough for IRS to issue rebates before that date.*

Additional Information about the 2008 Stimulus Payments

IRS Information Center: Economic Stimulus Payments:

<http://www.irs.gov/newsroom/article/0,,id=177937,00.html>

Special filing information for those who do not normally fill out a return:

<http://www.irs.gov/pub/irs-pdf/k1040a3.pdf>