


MEMORANDUM

TO: OUR CLIENTS AND PROFESSIONAL COLLEAGUES
FROM: EUGENE GORRIN, ESQ. 
RE: RECOVERY REBATE TAX CREDITS (STIMULUS CHECKS)
DATE: APRIL 22, 2020

In late March, Congress passed and the President signed the CARES Act - a massive economic relief package with numerous tax breaks. For individuals, the most important form of tax-related relief may be the recovery rebate tax credits, which are direct payments ("stimulus checks") the government is making to those with income under a certain level.

Single individuals and joint filers can expect to receive a payment of \$1,200 or \$2,400, respectively, plus \$500 for each qualifying child. For this purpose, a qualifying child has the same meaning that it does for the Child Tax Credit, including the rule that the child can be no older than 16 on the last day of the tax year (December 31, 2020).

Recovery rebates are subject to phaseout. The rebate is reduced by 5 percent of the amount by which the taxpayer's adjusted gross income exceeds (1) \$150,000 in the case of a joint return; (2) \$112,500 in the case of a head of household; and (3) \$75,000 in the case of a single taxpayer or a taxpayer with a filing status of married filing separately.

Rebates will be issued based on 2019 income tax returns, or 2018 returns for individuals who haven't yet filed for 2019. If your 2020 tax return (which we'll file next year) indicates a rebate larger than your stimulus check (because, for example, your income went down or you

had another child), you'll be able to claim any additional amount due as a credit against your 2020 tax bill.

Example: Bob and Mary, who file jointly and have no qualifying children, filed a 2019 income tax return reporting adjusted gross income above the level where the recovery rebate is completely phased out (\$198,000 for joint filers with no children). Accordingly, they did not receive a stimulus check. On their 2020 tax return (filed in 2021), they report adjusted gross income below the \$150,000 threshold where the phaseout begins for joint filers. Based on their 2020 tax information, Bob and Mary qualify for a \$2,400 recovery rebate, which they can claim as a tax credit on their 2020 return.

The rebates are eligible for direct deposit to any account to which the payee authorized the delivery of a tax refund, a federal tax payment, or through which federal retirement benefits are received, as long as the authorization was made in 2018 or later. Other rebates will be made by check and sent by mail. Check rebates will be sent on a rolling basis over a period of several months.

To facilitate faster processing of rebates, the IRS is allowing taxpayers who do not have current direct deposit information on file with the IRS, to provide it through their website (at irs.gov/coronavirus/get-my-payment).

Please contact me if you have any questions about recovery rebates.