

Stimulus Checks Are Coming for Americans: Here's What You Need to Know

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As COVID-19 continues to run rampant in the United States, individuals everywhere are experiencing emotional, physical and economical implications. In an effort to ease the pandemic's detrimental effects, the federal government has recently passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

Included in this act are hospital funds, extended unemployment insurance, extended lending for corporations and interest-free loans for small businesses. In addition, eligible individuals and families will receive stimulus checks with restrictions.¹ To better understand how this component of the CARES Act works, below we give an overview of the stimulus checks, answer key questions and look back on the 2008 and 2009 stimulus checks.

The Rundown on Stimulus Checks: Your Questions Answered

As part of the CARES Act, taxpayers who qualify will receive a direct deposit of up to \$1,200, and couples will receive \$2,400. In addition, families will receive \$500 per child under the age of 17. The payment will begin to phase out for individuals with a 2018 or 2019 adjusted gross income of \$75,000, couples with a \$150,000 income, and single parents with a \$112,500 income.¹

Important to note is that the initial amount paid will be based on either a taxpayer's 2018 or 2019 income tax return (whichever is the latest return that the IRS has on file), but it will ultimately be 'trued up' if a taxpayer is owed money based on their actual 2020 income. In other words, taxpayers will be given an estimated amount based on their 2018/2019 incomes, but could end up getting even more (albeit later) if their 2020 return shows they made less money than they made in the previous two years.

How Does the Phase-Out Work?

Individuals who make under \$75,000 and couples who make under \$150,000 are eligible for the full stimulus check.¹ For taxpayers with higher income, the amount is reduced by \$5 for each \$100 above \$75,000, or \$150,000 for couples - up to \$99,000 or \$198,000. This means that individuals with an income higher than \$99,000 are not eligible to receive a stimulus check and neither are joint filers with an income over \$198,000.²

How Will I Receive My Payment?

The IRS will use information from 2019 tax returns to calculate your payment amount and will send the payment to the bank account listed on the return. For taxpayers who have not yet filed their 2019 return, the payment will be based on their 2018 return and will be deposited to the account on file from the 2018 return.²

What if the IRS Does Not Have My Direct Deposit Information?

The U.S. Department of Treasury is planning to create an online portal where individuals can update their bank information in order to receive a quicker direct deposit, rather than a mailed check.²

If I Usually Do Not File a Tax Return, How Can I Receive a Check?

Those who usually do not file a tax return, including low-income taxpayers, senior citizens and Social Security recipients, will need to file a simple tax return (but still will not owe tax) in order to receive their check.² The [IRS has created a special page dedicated to the Coronavirus](#) and will be updating it with next steps on how to do this soon.

What Is the Difference Between a Stimulus Check and a Tax Credit?

The stimulus check is the same as a tax credit, and it is specifically an advanced refundable tax credit, meaning it is a refund allotted to you and is also sent in advance of the 2020 tax return.³ A refundable tax credit differs from a nonrefundable credit, which only applies to the amount of taxes you owe and is not available as a refund to you otherwise.³

Is the Stimulus Check Taxable?

Since the stimulus check is a tax credit, it is not income and therefore is not taxable.

A Look at 2008 and 2009

The American Recovery and Reinvestment Act of 2009

The last time the government provided stimulus checks was in 2009 as part of the ARRA in an effort to end the 2008 recession. The details of the ARRA, however, looked different than the stimulus portion of the CARES Act:

- Checks were only sent to recipients of Social Security, those who received Supplemental Security Income, veterans and railroad retirees.
- The one-time check was \$250.
- Individuals with earnings between \$6,450 and \$75,000, however, received tax credit of 6.2 percent on earned income up to \$400 (\$800 per couple) in 2009 and 2010 as part of the Making Work Pay (MWP) tax credit.⁴

The Bush Economic Stimulus Package

In response to the 2008 recession, the year prior to ARRA the George W. Bush administration also sent out stimulus checks. Highlights of this package include:

- Individuals and couples were eligible for tax rebates on the first \$6,000 or \$12,000 of income.
- Individual taxpayers received up to \$600 and couples up to \$1,200 with an extra \$300 per child. Payments phased out with incomes over \$75,000 for individuals and \$150,000 for couples.⁵

How Did the 2008 and 2009 Acts Do?

The 2008 and 2009 efforts differed. While the Bush Administration checks went out between May and December 2008, ARRA checks went out quicker, between May and October 2009. Studies show that many individuals did not spend the 2008 checks, but instead either saved the money or used it to pay off debt.⁶ On the other hand, studies show a GDP and employment increase as a result of ARRA.⁷ Unlike the 2008 efforts, however, ARRA also issued tax rebates — but since this was not a check in the mail and instead was a tax cut, many Americans may not have realized or interpreted the cut as a "bonus." As a result, it is speculated that the ARRA may not have had as robust an impact as it could have.

The CARES Act appears to be taking a streamlined approach, with components like an online portal looking to speed up the process. As is the case with the COVID-19 pandemic, the full effects will only be seen in future weeks and months, but we can expect to see the full economical effect as government action unfolds — and individuals respond to the stimulus checks.

1. <https://www.appropriations.senate.gov/imo/media/doc/FINAL%20FINAL%20CARES%20ACT.pdf>

2. <https://www.irs.gov/newsroom/economic-impact-payments-what-you-need-to-know>

3. <https://crsreports.congress.gov/product/pdf/IN/IN1247>

4. <https://www.congress.gov/bills/111/111th-congress/house-bill/1/text>

5. <https://www.irs.gov/newsroom/economic-stimulus-payment-qas-eligibility>

6. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3522430/>

7. <http://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/49958-ARRA.pdf>