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INSIGHT

# COVID-19 and Direct Payments to Individuals: Frequently Asked Questions (FAQs) about the Second Round of "Stimulus Checks" in P.L. 116-260

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In response to the continued economic weakness from the COVID-19 pandemic, Congress passed a second round of direct payments as part of the Consolidated Appropriations Act, 2021 (P.L. 116-260). The first round of direct payments were included in the CARES Act (P.L. 116-136). This Insight provides a brief overview of the second round of payments—often referred to as "stimulus checks." (The statute refers to the first and second round of payments as recovery rebates, while the IRS refers to them as economic impact payments or EIPs.) A comparison of major provisions of the first and second round of payments can be found here.

## How much are the payments?

Payments are generally issued *per household* with the total payment amount based primarily on a household's income and size. Specifically, the payment equals a maximum of $600 per eligible individual ($1,200 for most married couples) plus an additional $600 for each qualifying child under 17 years old. The maximum payment amount phases down for higher-income households at a rate of 5 cents for every dollar over $75,000 if single, $112,500 if single with dependents (i.e., head of household), or $150,000 for most married couples (i.e., married joint filers) as illustrated in the figure below. For example, a married couple with two eligible children and income below $150,000 are to receive $2,400. For a married couple with two eligible children and income over $150,000, the payment amount is reduced and is zero when their income is $198,000 or greater.

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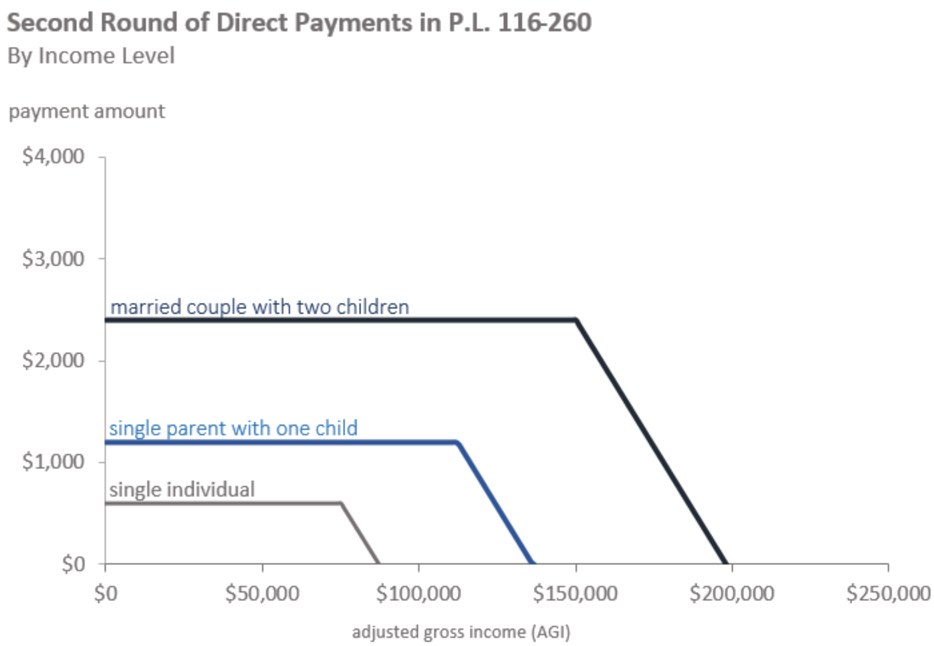


**Source:** CRS analysis of P.L. 116-260.
**Note:** This is a stylized example. Receipt of the payment automatically is generally based on information from 2019 income tax returns, although households who receive less automatically than they otherwise would, based on information on their 2020 tax return, will be able to claim the difference as a tax credit on their 2020 return. Married taxpayers are assumed to be joint filers, a single parent is assumed to file as a head of household, and a single individual is assumed to file as single. For the purposes of the payment, children used in the calculation of the benefit amount are those eligible to be claimed for the child tax credit.

## Who is eligible for the payments?

Most individuals—except nonresident aliens and individuals who can be claimed as dependents by another taxpayer—are eligible. Estates and trusts are ineligible. Qualifying children are those for whom a taxpayer can claim the child tax credit—that is, dependent children under 17 years old. Older children and adult dependents are not qualifying children and thus are ineligible for these payments.

In addition, individuals who died before January 1, 2020, are not eligible for payments. For married couples in which one spouse died before January 1, 2020, the maximum payment amount is halved (i.e., $600).

The Tax Policy Center estimates that 90% of all households will receive a payment.

## Can individuals without Social Security numbers (SSNs) receive the payments?

Generally no, with some exceptions for certain mixed status couples and military families.

All eligible individuals who are unmarried (i.e., file their taxes as single or head of household) must have an SSN for the household to receive a payment, including any amounts for qualifying children. For eligible individuals who are married and who file a joint return, the maximum amount of the credit is prorated by the number of spouses with an SSN. In other words, married couples in which only one spouse has an SSN (e.g., the other has an ITIN) will be eligible to receive up to $600 (instead of $1,200). ITINs are issued by the Internal Revenue Service (IRS) to taxpayers who are not eligible for an SSN so that they can comply with federal tax law. ITIN users include many noncitizens who are unlawfully present or unauthorized to work in the United States.

These taxpayer ID requirements are relaxed for married joint filers in which at least one spouse is a member of the Armed Forces. In those cases, if one spouse provides an SSN, the married couple can receive up to $1,200.

Individuals or couples without an SSN (i.e., an unmarried taxpayer does not have an SSN or neither spouse of a married couple has an SSN) cannot receive payment for themselves or for any qualifying child with an SSN.

## How are the payments automatically issued?

As with the first round of direct payments, the second round of payments are structured as a new one-time refundable tax credit against 2020 income taxes. Households do not need to file their 2020 income tax return to receive the payment. Instead, the payments are automatically issued to eligible households, with the IRS calculating the payment amount for most households using information (i.e., income, number of eligible individuals and children, and taxpayer IDs) from 2019 income tax returns.

For eligible households who did not file a 2019 income tax return and who received Social Security, Supplemental Security Income (SSI), Railroad Retirement, or certain Department of Veterans Affairs (VA) benefits prior to enactment of P.L. 116-260, Treasury is directed to automatically issue payments based on information provided by the respective benefit-paying agencies. Other individuals who provided information to the IRS on the nonfiler portal to receive the first round of payments should also receive the second round of payments automatically.

Generally, these payments are to be automatically issued to eligible households until January 15, 2021. Eligible households who do not receive a second payment (or who receive less than they would if the payment amount were based on their 2020 income and family size) will generally be able to receive the payment (or receive an additional payment) as a refundable credit—the Recovery Rebate Credit—when they file their 2020 income tax return. In contrast, if a household receives more than they are eligible for, the difference generally does not need to be paid back.

## How many payments have been made to date?

As of January 8, 2021, over 100 million payments have been automatically issued according to the IRS. Data from the Treasury indicate that about $107 billion of the second round of stimulus checks have been issued as of January 11, 2021. The total cost of these payments is estimated to be $164 billion.

## Are the payments taxable and do they affect eligibility for other programs?

No, these payments are not taxable. In addition, like other tax credits, these payments do not count as income or resources for a 12-month period in determining eligibility for, or the amount of assistance provided by, any federally funded public benefit program.

## Can the payments be reduced for child support or other debts?

Generally no. These payments cannot be offset (reduced *before* being issued) for past-due child support or to satisfy certain debts owed to governmental agencies, such as tax debts or unemployment compensation debts. In addition, these payments generally would be exempt from debt collection actions, such as garnishment or levy, that occur after payments are issued.

## Did P.L. 116-260 modify the first round of payments?

Yes, P.L. 116-260 includes several retroactive modifications to the first round of payments. Changes include modifying the taxpayer ID requirements to conform to the requirements for the second round of payments and clarifying the treatment of representative payees for both rounds of payments. Specifically, if a direct payment for a specified Social Security, SSI, Railroad Retirement, or VA beneficiary is deposited into the account of a representative payee ("rep payee") or fiduciary, the law explicitly states that it shall be used only for the benefit of the entitled beneficiary. The payee and fiduciary enforcement provisions apply as under current law.

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