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INSIGHT

COVID-19 and Direct Payments: Frequently Asked Questions (FAQs) About the Proposed Third Round of "Stimulus Checks" in the American Rescue Plan Act of 2021 (ARPA; H.R. 1319)

Updated March 8, 2021

Congress is considering a third round of direct payments to address the continued economic fallout from the Coronavirus Disease 2019 (COVID-19) pandemic. A first round was included in the CARES Act (P.L. 116-136). A second round was included in the Consolidated Appropriations Act, 2021 (P.L. 116-260). This Insight provides a brief overview of the proposed third round of payments—often referred to as "stimulus checks"—that are included in Title IX, Subtitle G of the American Rescue Plan Act of 2021 (ARPA; H.R. 1319) as passed by the Senate on March 6, 2021. (A similar proposal for a third round of payments passed the House on February 27, 2021. That version had different phaseouts from the Senate version discussed in this Insight.) A comparison of major provisions of the first, second, and proposed third rounds of payments can be found here.

How much are the proposed payments?

Households would generally be issued a single payment based on the household's income and size. Specifically, the payment would equal $1,400 per eligible individual ($2,800 for most married couples) plus an additional $1,400 for each dependent as defined for tax purposes. The definition of dependent would include older children and adult dependents. Households who reported income under $75,000 if single, $112,500 if single with dependents, or $150,000 for most married couples would generally be eligible for the maximum amount of the payment. In most cases, for the purposes of these payments, a *household* would be all the individuals listed on an income tax return.

How would the payments phase out?

The maximum payment amount would phase out over a range of income: $75,000-$80,000 if single, $112,500-$120,000 if single with dependents, or $150,000-$160,000 for most married couples. The

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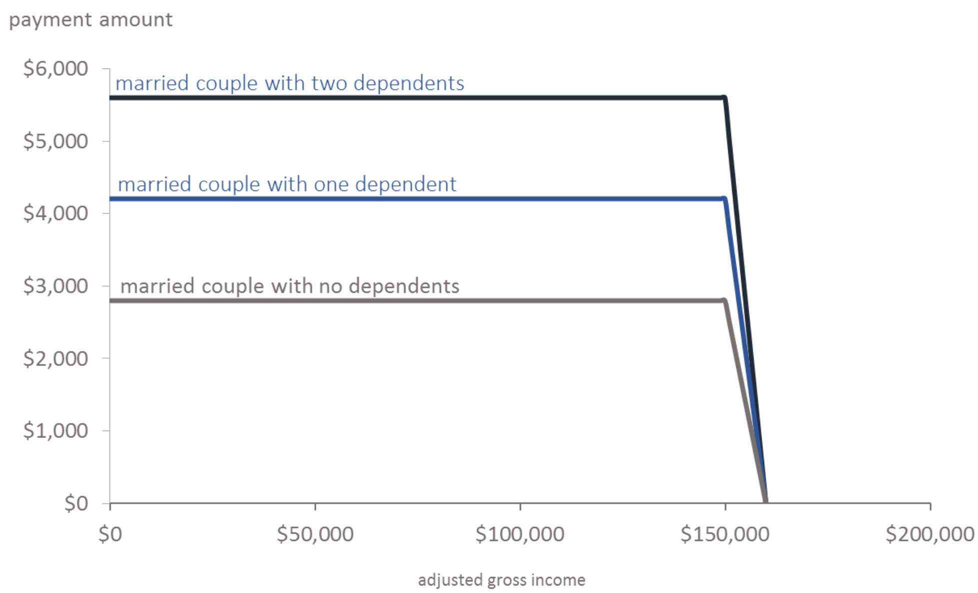
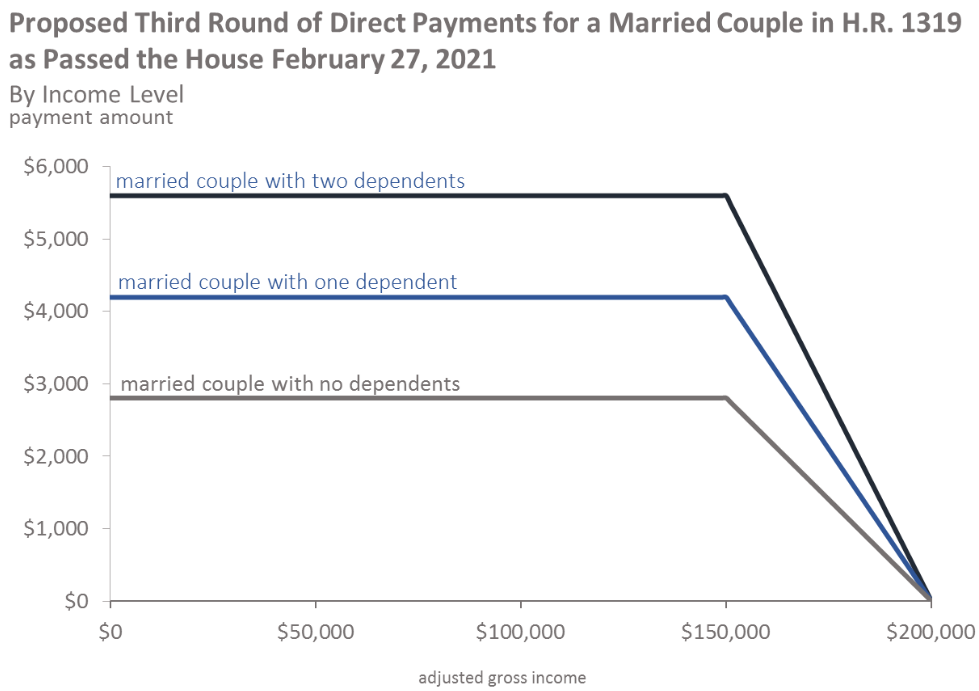
payment would be phased down proportionally (or "ratably") in relation to income in the phaseout range. For example, if a married couple with two children had $155,000 of income, which is the midpoint of the phaseout range (50%), the payment would be reduced by 50%, and thus equal $2,800. If the same family instead had income of $157,500 (75% of the phaseout range), the payment would be reduced by 75%, and thus equal $1,400. The larger the payment, all else being equal, the faster the payment would phase down by income, as illustrated below by the steeper phaseout segments of the graph.

Proposed Third Round of Direct Payments for a Married Couple
By Income Level



Source: CRS analysis of H.R. 1319, as amended by Senate Amendment 891 (passed the Senate March 6, 2021).
Note: This is a stylized example. Married taxpayers are assumed to be joint filers.

For comparison, an illustrative example of the phaseouts for the same households under the House-passed version of the American Rescue Plan Act is provided below.



Source: CRS analysis of H.R. 1319 as passed the House February 27, 2021.
Note: This is a stylized example. Married taxpayers are assumed to be joint filers.

Who would be eligible for the payments?

Most individuals—except nonresident aliens and individuals who can be claimed as dependents by another taxpayer—would be eligible to receive these payments. In contrast to the first and second rounds of payments, all dependents would be included when calculating the maximum payment amount for the household. Dependents generally include both children (including dependent children in college) and older adults.

Individuals who died before January 1, 2021, would not be eligible for payments. For married couples in which one spouse died before January 1, 2021, the maximum payment amount would be halved (i.e., $1,400).

Could households that include individuals who do not have Social Security numbers (SSNs) receive the payments?

Yes, as long as either an eligible individual or their dependent had a Social Security number (SSN). Generally, only eligible individuals and dependents who have SSNs are included in the calculation of the proposed payment amount. For example, married couples in which only one spouse had an SSN (e.g., the other had an individual taxpayer identification number, or ITIN) would be eligible to receive up to $1,400 (instead of $2,800). Similarly, if both spouses had ITINs but their dependent had an SSN, the household would receive $1,400 for the dependent. 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. SSNs, for the purposes of this provision, include any issued by the Social Security Administration, including those associated with claiming a public benefit.

These taxpayer ID requirements would be relaxed for married joint filers in which at least one spouse is a member of the Armed Forces. In those cases, if one spouse had an SSN, the married couple could receive up to $2,800.

How would the payments be automatically issued?

Similar to the first and second rounds of direct payments, the third round of payments would be structured as a new one-time refundable tax credit against 2021 income taxes. Households would not need to wait until they filed their 2021 income tax return in early 2022 to receive the payment. Instead, the payments would be automatically issued (i.e., the credit would be "advanced") to eligible households, generally based on information from 2020 or 2019 income tax returns (i.e., income, number of eligible individuals and dependents, and taxpayer IDs). If a payment issued in 2021 based on 2019 tax data would have been *larger based on 2020 tax data*, the IRS would be directed to issue a supplementary top-up payment within 90 days of the 2020 tax filing deadline or September 1, 2021, whichever is earlier.

For eligible individuals who did not file a 2020 or 2019 income tax return (including those who, as a result of their low incomes, are not required to file a tax return), the IRS would be given broad authority to make payments based on information available to the Treasury.

Generally, these payments would be automatically issued to eligible households until December 31, 2021. Eligible households who did not receive the payment (or who received less than they would have if the payment amount were based on their 2021 income and family size) would be able to receive the payment (or receive an additional payment) as a refundable credit on their 2021 tax return. In contrast, if a household received more than they were eligible for, the difference would not need to be paid back.

Would the payments be taxable and would they affect eligibility for other programs?

No, the payments would not be taxable. In addition, like other tax credits, the payments would 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.

Could the payments be reduced for child support or other debts?

The advanced payment of the credit would generally be exempt from offset by Treasury for certain past-due debts the recipient owes (including past-due child support). In other words, the payment issued in 2021 would not be reduced for these debts. However, any amount of the payment that the taxpayer did not receive in 2021 (i.e., was not received as an advanced payment) and instead claimed as a credit on their 2021 tax returns would be subject to offset.

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