

AFSCME Facts

New Recovery Payments for Individuals

March 31, 2020

The CARES Act, passed in response to the coronavirus crisis, directs the federal government to make a one-time payment to most individuals. This fact sheet provides an overview of these *recovery payments*.

Who is eligible for recovery payments?

All U.S. residents, subject to the income limits described below, who are not a dependent of another taxpayer. To qualify, individuals, their spouses and children must have a Social Security number, with very limited exceptions for certain members of the military and adopted children. An individual taxpayer identification number, which is used by nonresident aliens and others, is not enough.

Are retirees eligible?

Yes, as long as they are not the dependent of another taxpayer.

How much are recovery payments?

The payment is up to \$1,200 for each adult individual (\$2,400 for joint tax filers), and \$500 per child under age 17 claimed as a dependent. For example, the maximum payment is \$3,400 for a family of four with two adults who file their taxes jointly and have two children under 17. For a single parent (filing taxes as a head of household) with one child under 17, the maximum payment is \$1,700. These payments will be less if their income is more than the dollar amounts shown below.

At what income levels do recovery payment amounts begin to phase out?

Full payments are made to everyone except those who have income above certain levels. For people with income above the levels shown in the table to the right, their payment is reduced by the amount equal to 5% of their income above the shown level. For example, a single tax filer with an \$85,000 income will get a reduced payment of \$700, not the full \$1,200 ($\$85,000 - \$75,000 = \$10,000 \times 5\% = \500)

How Taxes Are Filed	Payments Begin to Phase out at Incomes Greater Than
Single	\$75,000
Head of Household	\$112,500
Joint	\$150,000

reduction). Generally, adjusted gross income from 2019 (or 2018 if you have not already filed your 2019 tax return) is used to determine your payment amount.

At how high of an income are recovery payments completely phased out?

The income level at which someone receives no recovery rebate depends on the number of children under age 17 claimed as dependents. The following table give examples of when recovery payments are zeroed out.

Examples of Who Will Not Receive a Recovery Payment, by Income Level

How Taxes Are Filed	No Children under 17	1 Child under 17	2 Children under 17	3 Children under 17
Single	\$99,000+			
Head of Household	\$136,500+	\$146,500+	\$156,500+	\$166,500+
Joint	\$198,000+	\$208,000+	\$218,000+	\$228,000+

Who qualifies as a child for purposes of the rebate?

In general, a child is any dependent of a taxpayer who will be under age 17 throughout 2020. More specifically, this includes a child who has lived with you for more than six months and did not pay for more than 50% of half of their own support.

Do dependents, other than children under 17, qualify a taxpayer for an additional \$500 per dependent?

No, the additional \$500 per child is limited to children under 17.

Are young adults eligible for recovery payments on their own?

Generally, an older high school student (17 or older) or a college student considered a dependent of someone else will not be eligible for a recovery payment. A parent or other person claiming the young adult as a dependent will not receive a payment for that young adult either.

When will eligible individuals get their recovery payments?

The bill calls for payments to be made "as rapidly as possible." The Treasury Secretary said that the IRS would begin issuing payments within three weeks of the legislation being signed into law. This means some people should be getting their payments by April 17.

Is it necessary to apply for a payment?

The vast majority of people do not need to apply. The IRS will make payments automatically to people who filed individual federal income tax returns in 2018 or 2019. When available, electronic direct deposit to your bank will be used in place of mailing a check.

Although the new law allows IRS to make automatic payments to people who currently receive Social Security benefits but do not file a tax return, the Trump administration has suggested it may require them to take additional action.

For people who typically do not file a tax return, the IRS has stated they will need to file a 2019 tax return with simple information, including their filing status, number of dependents and direct deposit bank account information. The IRS will soon provide more information about how to do this.

Is the recovery payment taxable or will you have to pay back any amount if the rebate based on your 2019 return is larger than what it would be if based on your 2020 tax year return?

No, the rebate is not considered income. Moreover, if the credit amount you qualify based on 2020 income is less than what you qualify for based on your 2019 tax return, it does not have to be paid back.

Where can you find more information about recovery payments?

As it makes more information available, the IRS is posting it online at: www.irs.gov/coronavirus.