

April 1, 2020

Dear Client,

You've probably heard that IRS will be making millions of "economic impact payments" (also called "recovery rebates") in the coming months to help people stay afloat during this time of economic uncertainty related to the COVID-19 crisis. Here's what you need to know about this program.

Amount of payment. IRS will soon begin making payments of up to \$1,200 to eligible taxpayers or up to \$2,400 to married couples filing joint returns. Parents will get an additional \$500 for each dependent child under age 17. Thus, the payment for a married couple with two children under 17 will be \$3,400.

Who is eligible. U.S. citizens and residents are eligible for a full payment if their adjusted gross income (AGI) is under \$75,000 (singles or marrieds filing separately), \$122,500 (heads of household), and \$150,000 (joint filers). The individual must not be the dependent of another taxpayer and must have a social security number that authorizes employment in the U.S.

Phaseout based on income. For individuals whose AGI exceeds the above thresholds, the payment amount is phased out at the rate of \$5 for each \$100 of income. Thus, the payment is completely phased out for single filers with AGI over \$99,000 and for joint filers with no children with AGI over \$198,000. For a married couple with two children, the payment will be completely phased out if their AGI exceeds \$218,000.

How to get a payment. The vast majority of people won't have to do anything in order to get an economic impact payment. IRS will calculate and send the payment automatically to those who are eligible.

If you've already filed your 2019 tax return, IRS will use the AGI and dependents from that return to calculate the payment amount. If you haven't filed for 2019 yet, information from your 2018 return will be used.

IRS will deposit the payment directly into the bank account reflected on the return. IRS plans to develop a web-based portal for individuals to provide banking information to IRS, so that payments can be received as a direct deposit rather than by check sent in the mail.

I am not typically required to file a tax return. Can I still receive my payment? Yes. The IRS will use the information on the Form SSA-1099 or Form RRB-1099 to generate Economic Impact Payments to recipients of benefits reflected in the Form SSA-1099 or Form RRB-1099 who are not required to file a tax return and did not file a return for 2018 or 2019. This includes senior citizens, Social Security recipients and railroad retirees who are not otherwise required to file a tax return.

Payments nontaxable. Economic impact payments will not be included in the recipient's income for tax purposes.

For a list of other legislative changes that may affect you, please see:

https://www.phbcpa.com/wp-content/uploads/2020/04/Coronavirus_COVID-19_Legislation_-_Individuals_2020.pdf

Please let me know if you have any questions about the economic impact payments or any other COVID-19 issues.

Very truly yours,

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