

Calculation of Recovery Rebate

This worksheet can help you calculate the ballpark amount that taxpayers can expect to receive as a recovery rebate:

- **Step #1:** Ask whether the taxpayer has a positive income tax liability. A positive income tax liability is the amount of income tax that a taxpayer owes to the federal government after subtracting all of their deductions (e.g., standard deduction/itemized deductions and deduction for personal exemptions) from their income and taking into account non-refundable tax credits (other than the child tax credit).

For example, if a married couple filing jointly with two children receives \$26,000 of income and takes the standard deduction of \$10,900 as well as the deduction for personal exemptions of \$13,600, their taxable income would be \$1,500. Based on this taxable income, their positive income tax liability would be \$150.

- **Step #2:** If the taxpayer has positive income tax liability under Step #1, they will receive a rebate check equal to the lesser of their positive income tax liability and \$600 (\$1,200 for married couples filing jointly. This rebate check will be at least \$300 (\$600 for married couples filing jointly). In addition to this rebate, the family will also receive a \$300 rebate for each child under the age of 17.

For example, the family of four described above would receive \$600 because they have a positive income tax liability and are a married couple filing jointly plus \$600 for their two children (total of \$1,200).

- **Step #3:** If the taxpayer does not have a positive income tax liability under Step #1, they will receive a rebate check of \$300 (\$600 for married couples filing jointly) if they have \$3,000 of earned income. In addition to this rebate, this taxpayer will receive a \$300 rebate for each child under the age of 17. In general, earned income is income received from wages, salaries and tips.

If a retired worker receives Social Security and works at a part-time job earning \$3,500 in wages, this worker will still receive a rebate check of \$300 (\$600 if the taxpayer files a joint return) even though they may not have a positive income tax liability (i.e., because their income may not exceed their standard deduction and deductions for personal exemptions).