



HOUSE COMMITTEE ON WAYS & MEANS

CHAIRMAN RICHARD E. NEAL

Economic Impact Payments

January 29, 2021

First Round of EIPs

In March 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which authorized economic impact payments (EIPs) of \$1,200 for eligible individuals (\$2,400 for joint filers), plus an additional \$500 for each child under the age of 17. The Internal Revenue Service (IRS) used 2019 tax return information to determine a taxpayer's income and family size (or 2018 tax return information if a taxpayer had not yet filed for 2019). For individuals who are not required to file tax returns, the IRS (a) established a portal for non-filers to register and (b) paid certain government beneficiaries automatically. The Department of the Treasury (Treasury) issued approximately 160 million EIPs in this round. Eligible individuals who did not receive an EIP in the first round (or received less than they are entitled to) will have to claim a Recovery Rebate Credit on their 2020 tax return.

Second Round of EIPs

In December 2020, Congress authorized a second round of EIPs of \$600 (\$1,200 for joint filers), plus an additional \$600 for each child under the age of 17. The IRS used 2019 tax return information (including information previously collected through the non-filer portal) and paid certain government beneficiaries automatically.

Treasury has reported issuing nearly 150 million EIPs in the second round, broken out as follows:

Electronic Funds Transfer	114 million
Paper Check	27.3 million
EIP Debit Card	8.1 million

Second round payments began on December 29 and are completed, except for two million payments that will be reissued (by check or direct deposit) within the week to individuals who initially had bank account issues. All debit cards have been issued to date (although some may still be in the mail). Eligible individuals who do not receive a second EIP in the next few weeks (or who receive less than they are entitled to) will have to claim a Recovery Rebate Credit on their 2020 tax return.

Recovery Rebate Credit

Both rounds of EIPs were structured as advance payments of a 2020 tax credit, the Recovery Rebate Credit. Eligible individuals who either (a) did not receive one or both EIPs or (b) received only a portion of the full amount to which they would be entitled will be able to claim a credit on their 2020 tax return to receive the unpaid amount. Taxpayers may be entitled to a larger amount based on, among other things, their 2020 income, an increase in the number of qualifying children, or changes to the CARES Act's requirements. The unpaid amount will be included in a taxpayer's general income tax refund and will be subject to the garnishment and offset rules that generally apply to federal income tax refunds.

The filing season opens on February 12, 2021. Taxpayers are encouraged to prepare their returns early, file them electronically as soon as possible, and elect to receive their refund through direct deposit.