



## HOUSE COMMITTEE ON WAYS & MEANS

CHAIRMAN RICHARD E. NEAL

### Frequently Asked Questions

Economic Impact Payments (EIPs) Under the *American Rescue Plan*  
March 26, 2021

#### **How large are the EIPs for the third round?**

The size of your EIP depends on your adjusted gross income (AGI) and family size. The maximum payment amount is \$1,400 for each taxpayer (\$2,800 for joint filers), plus an additional \$1,400 for each dependent. There is no limit on the number of dependents that can be taken into account, and, unlike in the last rounds, there is no age limit for dependents.

Taxpayers at or below the following AGI thresholds should expect to receive the maximum payment amount: \$75,000 for single filers, \$112,500 for head of household filers, and \$150,000 for joint filers. For taxpayers above those thresholds, the EIP payment is phased out for taxpayers with an AGI up to: \$80,000 for single filers, \$120,000 for head of household filers, and \$160,000 for joint filers. The phaseout applies to the entire EIP amount, including any portion attributable to dependents.

#### **How will my payment be calculated?**

If your 2020 tax return has been filed with and processed by the Internal Revenue Service (IRS), your EIP will be calculated based on that return.

If your 2020 tax return has not been both filed and processed, the IRS will use your 2019 tax return, if available.

If you typically do not file tax returns, you may receive your EIP automatically based on information available to the IRS:

- If you used the Non-Filer Portal last year to register for your first EIP, the IRS will use that information to calculate your payment.
- If you receive Social Security, Supplemental Security Income (SSI), Railroad Retirement Board (RRB), or Veterans Affairs (VA) benefits, the IRS will issue your payment automatically using information received from the Social Security Administration, the RRB, or VA.

If you do not fit into one of these categories, you should file a 2020 tax return as soon as possible (even if you do not meet the income thresholds to file a return). We strongly encourage you to file electronically and to provide direct deposit information on your return.

### **What if my 2019 return has not been processed and I have not yet filed a 2020 return?**

If your 2019 tax return was filed but not processed and you have not filed your 2020 return, the IRS will not have a return to use for calculation of your EIP. When your 2019 return is processed, the IRS will calculate your payment based on that return. If your 2020 return is filed and processed before your 2019 return is processed, the IRS will calculate your payment based on your 2020 return.

### **What if I made less money in 2020 than in 2019?**

If the IRS used your 2019 return to calculate your EIP and you had a drop in AGI in 2020, you may not immediately receive the EIP for which you are eligible. Americans who experienced a drop in AGI between 2019 and 2020 should file a 2020 tax return as soon as possible, preferably electronically. Shortly after your 2020 return is processed, the IRS will issue you a supplemental payment if your 2020 return entitles you to a larger EIP than what you were paid.

*Example 1:* A taxpayer's 2019 return (single filer) shows an adjusted gross income of \$76,000. Using the 2019 return, the IRS issues the taxpayer an EIP of \$1,120. Then, the taxpayer's 2020 return is filed and shows an AGI of \$75,000. After the 2020 return has been processed, the IRS will issue the taxpayer a supplemental payment of \$280. In total, the taxpayer will have received \$1,400.

*Example 2:* A taxpayer's 2019 return (single filer) shows an adjusted gross income of \$85,000. Using the 2019 return, the IRS determines the taxpayer is not eligible for an EIP. Then, the taxpayer's 2020 return is filed and shows an AGI of \$75,000. After the 2020 return has been processed, the IRS will issue the taxpayer a payment of \$1,400.

*Example 3:* A taxpayer's 2019 return (single filer) shows an adjusted gross income of \$75,000. Using the 2019 return, the IRS issues the taxpayer an EIP of \$1,400. Then, the taxpayer's 2020 return is filed and shows an AGI of \$70,000. Because the taxpayer already received the maximum EIP amount, the taxpayer will not receive a supplemental payment.

### **What if I gained a dependent in 2020?**

If the IRS used your 2019 return to calculate your EIP, you may not immediately receive the EIP for which you are eligible. Americans who gained a dependent in 2020 should file a 2020 tax return as soon as possible, preferably electronically. Shortly after your 2020 return is processed, the IRS will issue you a supplemental payment if your 2020 return entitles you to a larger EIP than what you were paid.

*Example 1:* A couple's 2019 joint return shows an adjusted gross income of \$150,000 and no dependents. Using the 2019 return, the IRS issues the couple an EIP of \$2,800. The couple had a baby in 2020 and experienced no change in income. The couple's 2020 return is filed and shows an AGI of \$150,000 and one dependent. After their 2020 return has been processed, the IRS will issue the couple a supplemental payment of \$1,400. In total, the taxpayer will have received \$4,200 (3 x \$1,400).

*Example 2:* A couple's 2019 joint return shows an adjusted gross income of \$150,000 and no dependents. Using the 2019 return, the IRS issues the couple an EIP of \$2,800. The couple had a baby in 2020 but experienced a rise in income, so their 2020 return shows an AGI of \$170,000 and one dependent. Because the couple's AGI is now above the relevant AGI threshold, they will not receive a supplemental payment.

### **What if I was claimed as a dependent in 2019 but not in 2020?**

If you are not claimed as a dependent in 2020 and are otherwise eligible under the American Rescue Plan, you are entitled to receive your EIP. (You are entitled even if you were claimed as a dependent on a 2019 tax return on which an EIP was calculated.) To receive your EIP, you should file a 2020 tax return as soon as possible, preferably electronically. Shortly after your 2020 return is processed, the IRS will issue you an EIP.

*Example:* A daughter was claimed as a dependent by her parents in 2019, but, for 2020, they are no longer claiming her as a dependent. In mid-March, the parents received an EIP calculated using their 2019 return. Because the IRS used their 2019 return, the parents' EIP included \$1,400 for their daughter. The daughter files a 2020 return. After her 2020 return has been processed, the IRS will issue her a payment of \$1,400, notwithstanding that her parents already received payment on her behalf.

### **What if I make less money in 2021 than in 2020?**

Your EIP is an advance payment of a 2021 tax credit. If you experience a drop in AGI in 2021, you can claim a Recovery Rebate Credit (RRC) for additional money when you file your 2021 tax return next year. The RRC will allow you to receive the difference between (i) what you are entitled to based on your 2021 AGI and family size and (ii) the amount you received as an advance payment this year.

### **What if I gain a new dependent in 2021?**

Your EIP is an advance payment of a 2021 tax credit. If you have an increase in family size in 2021, you may be able to claim the RRC for additional money when you file your 2021 tax return next year. The RRC will allow you to receive the difference between (i) what you are entitled to based on your 2021 AGI and family size and (ii) the amount you received as an advance payment this year.

**Many individuals are not required to file an income tax return each year. Are non-filers eligible for EIPs?**

Yes. There is no earned income requirement. Individuals who typically do not file tax returns are eligible to receive EIPs. Many (but not all) non-filers should receive their payments automatically, as described in the next question.

**Do I need to do anything to receive my EIP?**

The IRS is working to deliver EIPs quickly and automatically to most eligible Americans. In fact, on March 24, 2021, the IRS reported that it had already distributed 127 million EIPs.

Eligible individuals can expect to receive their payments automatically if they: (a) filed a federal individual income tax return for 2019 or 2020 and their return has been processed, (b) previously registered for the first EIP through the IRS’s non-filer portal, or (c) receive Social Security, SSI, RRB, or VA benefits. If you do not fit into one of these 3 categories, you should file a 2020 tax return as soon as possible (even if you do not meet the income thresholds to file a return). We strongly encourage you to file electronically and to provide direct deposit information on your return.

**Should I expect my payment electronically or in the mail?**

The IRS is striving to issue payments electronically to the extent possible. When available, electronic direct deposit information will be used in place of mailing a paper check or EIP debit card. If you provided bank account information on your processed 2019 or 2020 return, you should expect to receive your EIP by direct deposit to the account. Similarly, if you provided bank account information to the IRS last year through the non-filer portal, you should expect to receive your EIP by direct deposit to that account.

Recipients of Social Security, SSI, RRB, or VA benefits should expect to receive payment the same way they receive their benefits.

If the IRS issues a direct deposit to a bank account that is now closed, the payment will bounce back to the IRS. You subsequently will be mailed a paper check or EIP debit card.

Generally, you cannot change the direct deposit information you previously provided to the IRS or that is used for benefit payments.

**What if I moved recently?**

As discussed above, the IRS is endeavoring to issue payments electronically to the extent possible. However, if you are expecting your EIP in the mail and have moved recently, please refer to the IRS’s website for guidance.

**What are the identification requirements to receive an EIP?**

A taxpayer must provide a Social Security numbers (SSN) in order to receive an EIP and must provide SSNs for any dependent in order to receive a payment for them.

**What if some, but not all, of my family members have SSNs?**

Individual(s) with SSNs are eligible for EIPs. For couples filing jointly, if one spouse has an SSN and the other spouse does not, a \$1,400 payment is allowed. If a dependent has an SSN and the taxpayer does not, a \$1,400 payment will be allowed on behalf of the dependent.

**Are EIPs subject to federal income tax?**

No. The EIPs are federal income tax refunds and therefore are not subject to federal income tax.

**Will the EIP affect my eligibility for federal income-targeted programs?**

No, the EIP is considered a tax refund and is not counted towards eligibility for federal programs.

**Is my EIP subject to offset or garnishment?**

This EIP is subject to garnishment since protections applicable to prior EIPs could not be included in the reconciliation legislation. However, this EIP is not subject to offset for overdue federal debts, including past due child support.