



## HOUSE COMMITTEE ON WAYS & MEANS

CHAIRMAN RICHARD E. NEAL

### **Update on Stimulus Payments and Unemployment Compensation Tax Relief**

*April 14, 2021*

As a result of pandemic-relief legislation, certain individuals and families could receive at least three pandemic-relief payments from the Internal Revenue Service (IRS) in 2021 related to the American Rescue Plan Act (ARPA)—a stimulus payment, a supplemental stimulus payment, and a refund for taxes paid on certain unemployment compensation.

#### **Initial Stimulus Payments**

In March 2021, Congress passed ARPA, which authorized an additional round of stimulus payments, called “Economic Impact Payments” or “EIPs,” of \$1,400 for eligible individuals, plus an additional \$1,400 for each dependent. As of April 9 (less than one month after ARPA became law), the IRS had issued approximately 156 million of these payments, totaling \$372 billion. These payments are ongoing and will continue through December. The initial payments are made to eligible taxpayers based on their most recent tax return (2019 or 2020). An eligible taxpayer who has not yet received an EIP should expect to receive one shortly after their 2019 or 2020 return has been processed.

#### **Supplemental Stimulus Payments**

ARPA also authorized supplemental stimulus payments to certain taxpayers during 2021 if they are owed a larger EIP based on newly processed IRS tax information.

As the IRS continues to process 2020 tax returns, the agency will make supplemental payments to taxpayers who are entitled to additional EIP amounts. A taxpayer may be entitled to a supplemental payment if, for example, the IRS initially calculated their EIP based on their 2019 return and their 2020 return entitles them to a larger payment. Shortly after the IRS has processed the taxpayer’s 2020 return, the IRS will issue a supplemental payment for the unpaid amount. Similarly, if a taxpayer’s 2019 return made them ineligible for an EIP, but they subsequently are deemed eligible based on a 2020 return, the IRS will issue an EIP shortly after the 2020 return has been processed.

As of April 9, the IRS had issued approximately 3 million supplemental payments, totaling \$7.5 billion. (These payments are included in the 156 million total reported above.) Supplemental payments will continue through December on a weekly basis.

#### **Unemployment Compensation Refunds**

ARPA excluded from 2020 income the first \$10,200 in unemployment compensation for individuals making less than \$150,000. Because the filing season was underway when ARPA was passed, some taxpayers had already filed returns on which they reported this compensation. Fortunately, the IRS recently announced that it will not require these taxpayers to amend their returns, as the agency will automatically recalculate the taxpayer’s correct tax liability and issue any refunds owed. However, taxpayers who are newly eligible for a refundable tax credit (like the Earned Income Tax Credit) after the exclusion would need to file amended returns to provide information needed by the IRS to calculate the credit.

The IRS estimates that, as of February 28, approximately 5.4 million taxpayers will be eligible for the recalculation. Taxpayers who are owed refunds can expect to receive checks in the mail beginning in May. These payments will be recalculated and mailed on a monthly basis through December.