



Coronavirus Aid, Relief, and Economic Security Act (CARES) Tax Rebates

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Introduction

The federal government has enacted several stimulus bills in an effort to help offset some of the negative financial effects many households are facing due to the Covid-19 virus. The purpose of this publication is to help consumers understand how the CARES Act tax rebate will affect them. Before getting into the CARES Act, it is important to note changes in the Federal Income Tax filing and payment date.

Federal Income Tax Deadlines

The income tax filing deadline for 2019 tax returns is now July 15, 2020. This new deadline replaces the original tax filing date of April 15, 2020.

Tax payers should still be motivated to file taxes as early as possible to minimize potential tax scams and identity theft threats. Search online for “IRS dirty dozen” for potential tax scams.

Some tax filers delay filing their taxes because they know they will owe federal taxes afterwards. Regardless of when you file your taxes, the payment is not due until July 15, 2020.

Individual Retirement account and Health Savings Account contribution deadlines have also been pushed back from April 15, 2020 to July 15, 2020.

Virginia Income Tax Deadlines

The state of Virginia has not changed the individual tax filing deadline of May 1, 2020. The state has pushed back the date where late penalties would start to accrue 30 days to June 1, 2020. While no penalty is owed if you pay Virginia income taxes by June 1, interest will accrue on this amount between May 1st and your payment date. For state update see: <https://www.tax.virginia.gov/news/coronavirus-updates>

CARES Act

Coronavirus Aid, Relief, and Economic Security Act (CARES) was passed by the Senate March 25, 2020.

Most American households will receive a direct payment of \$1,200 per adult and \$500 per child. For a married household, each spouse will receive \$1,200, for a total of \$2,400. In order for a child to qualify for the \$500 payment, they must be under the age of 17, not provide more than half of their own expenses, and have lived with the taxpayer more than six months in the most recent tax year. Thus, if you have a dependent child over the age of 16 (such as a college student), they do not qualify for this \$500 payment.

What are the Income Limits for this Payment?

The payment amount will be reduced for higher income households. The Income reported on line 8b on your 2019 1040 tax return or line 7 on your 2018 tax return is your adjusted gross

income (AGI). This AGI is the dollar amount that will determine your payment amount.

Individual tax filers whose AGI is less than \$75,000 will receive the full \$1,200 payment. Joint filers (married households), whose AGI is less than \$150,000 will receive the full \$2,400 payment. Those filing as Head of Household whose AGI is less than \$112,500 will receive the full rebate payment amount. For filers making more than these amounts, payments will be reduced by \$5 for every \$100 over the threshold amount. Individual filers with an AGI of at least \$99,000, married filers with an AGI of at least \$198,000, and head of household filers with an AGI of at least \$136,500 will not receive a rebate payment.

For example, a single filer whose AGI is \$76,000, would receive \$1,150, a \$50 reduction in payment due to having an AGI that is \$1,000 over \$75,000. See Table 1 for more details.

Table 1. CARES Act Rebate Amount

	Filing Single	Filing Jointly
AGI less than:	\$75,000	\$150,000
Adult payment	\$1,200	\$1,200 each (\$2,400 total)
Dependent child rebate	\$500	\$500
AGI between	\$75,000 and \$98,999	\$150,000 and \$197,999
Adult rebate	Decreases 5% for each \$100 in AGI	Decreases 5% for each \$100 in AGI
Dependent child rebate	Decreases 5% for each \$100 in AGI	Decreases 5% for each \$100 in AGI
AGI more than:	\$98,999	\$197,999
Adult rebate	\$0	\$0
Dependent child rebate	\$0	\$0

Source: United States Senate

What Tax Year will be Used to Determine Payment Eligibility?

If you have already filed your 2019 federal income taxes, then the information on your 2019 taxes will be used. If you have not yet filed your 2019 federal income taxes, your 2018 tax information will be used.

Is This Income a Rebate, Taxable, or something I Will Need to Pay Back?

This payment is a refundable tax credit for tax year 2020. You will not owe taxes on this money and it is not something that you have to repay or pay back when you file your taxes in 2021.

A refundable tax credit means you get a refund, even if is more than you owe. For example, in 2021 when you file your 2020 taxes it is determined that you owed \$1,000 in federal taxes. You also received a \$1,200 payment due to the CARES act. Because the CARES Act credit is refundable, you get to keep the entire \$1,200. If congress instead chose to make the credit nonrefundable, you would have only been able to keep \$1,000 of the credit and would have needed to pay \$200 back.

What Happens if My Tax Situation for 2020 is Different than in 2019 or 2018, the Year Used to Determine My Eligibility?

In short, you can only be helped, not hurt, by changes in your tax situation.

For example, you filed a joint tax return for 2019 tax year and had an AGI of \$100,000, making you eligible for a \$2,400 payment. However, in 2021 when you file your 2020 taxes, you have an AGI over the payment limit of \$198,000. You will not have to repay your \$2,400.

Another example: you had your first child in 2020. Since CARES Act payments were based

on either 2019 or 2018, when you did not have a child, you did not receive a \$500 child payment. When you file your 2020 taxes in 2021, you will receive an additional credit of \$500.

Another example: On your 2019 taxes you had a 16-year-old dependent child who would be eligible for the \$500 CARES child credit. When you file your 2020 taxes, this dependent child is now 17 years old and would not be eligible for the \$500 CARES child credit. You will not have to repay this \$500 child credit.

What Happens if I have not Filed Taxes for Several Years?

If you received Social Security payments, the IRS announced on April 1st that CARES payments will be sent directly to the bank account associated with these benefits

For anyone else who has not filed taxes due to low income in either 2018 or 2019, the IRS has set up a web portal to submit required information in order to receive your payment.

Here is the link to enter information <https://www.irs.gov/coronavirus/non-filers-enter-payment-info-here>

When Will I Receive My Payment?

Many households started receiving payments via direct deposit in April 2020 if the IRS already had their banking information on file.

If you did not receive a federal tax refund in your most recent tax filing (either 2019 or 2018) or do not receive Social Security benefits, you will not automatically receive a direct deposit into your bank account. To set up a direct deposit, see directions on the “get my payment” link at

<https://www.irs.gov/coronavirus/economic-impact-payments>. Once set up, you can also use that same link to check on the status of your payment.

If you do not receive a payment through direct deposit, you will receive your check by mail delivered by the United States Postal Service.

The timing of this is a bit of an uncertainty. Due to the anticipated amount of checks that will need to be mailed, it could take up to five months for everyone to receive their check. On this timeline, you may not receive your check until September.

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