

KENNETH F. KANDEFER

Certified Public Accountant
2262 Gulf Gate Drive
Sarasota, FL 34231
(941) 921-3221 ~ Fax: (941) 924-1774
E-Mail Ken@KFKCPA.Com

CLIENT LETTER – STIMULUS PAYMENT

The Coronavirus has infected our life in many ways. Family and friends are sick, quarantined or under a stay-in-place order. The stock market has crashed. The kids are out of school. Restaurants and shopping malls are closed. More than three million unemployment claims were filed in one week. Enough of the cable news...If you were laid off or you have closed your business, you know the details.

After a lot of talk, Congress did something. President Trump signed into law the Coronavirus Aid, Relief, and Economic Act, (CARES Act), a \$2 trillion stimulus package to mitigate the impact of the Coronavirus pandemic.

The CARES Act includes stimulus payments of \$1,200 for each individual and \$500 for each dependent child, defined by the child tax credit rules as under age 17.

Who and How Much?

Individuals with adjusted gross income (AGI) up to \$75,000 a year are eligible for the full \$1,200 payment. The payment is reduced by \$5 for every \$100 in income above \$75,000. The payment amount is entirely phased out at an AGI of \$99,000.

Married filing joint couples with AGIs up to \$150,000 a year are eligible for a \$2,400 payment. The payment is reduced by \$5 for every \$100 in income above \$150,000. The payment amount is entirely phased out at an AGI of \$198,000 (if the taxpayers have no dependent children). Married couples also will receive an additional \$500 for every dependent child under 17.

Example – MFJ with no children. Keith and Norma are married filing joint. They have no dependent children. If they have AGI of \$150,000 or less, they are eligible for a \$2,400 payment. If they have AGI about \$150,000, their rebate will be reduced and finally phased out at an AGI of \$198,000.

Example – MFJ with two children. Chris and Pat are married filing joint. They have two dependent children under age 17. If they have AGI of \$150,000 or less, they are eligible for a \$3,400 payment. If they have AGI above \$150,000, their rebate will be reduced and finally phased out if their income hits the top of the threshold amount.

Head of Household filers with AGIs up to \$112,500 a year are eligible for the full \$1,200 payment and an additional payment of \$500 for each dependent child under age 17. The payment is reduced by \$5 for every \$100 in income about \$112,500. Head of household taxpayers will also receive an additional \$500 per dependent child under age 17. With no eligible children, a head of household filer is phased out at AGI of \$137,000. With one eligible dependent child, a head of household filer is entirely phased out of the rebate payment at AGI of \$146,400.

Example – Head of Household – no children under 17. Heather has an 18-year-old high school senior living with her and qualifies as a head of household filer. If her AGI is \$100,000, Heather's payment is \$1,200. Her dependent child does not qualify her for the additional \$500 payment because the child is not under age 17. If Heather's dependent child is under age 17, her payment is \$1,700.

What needs to be done to get the Stimulus Rebate?

Nothing. The IRS will deposit the calculated amount directly into your bank account, using the AGI and the bank information on your 2019 tax return. If your 2019 return hasn't been filed, the IRS will use the AGI and the bank information from your 2018 tax return. If there is no bank information on the return, the IRS will mail a check.

When Will the Payments Arrive?

Paper checks are now being distributed, but you may have to wait months for a check. The IRS is now sending checks (or in some cases a debit card) to those who did not receive a direct deposit. They are sending out checks at a rate of 5 million checks per week. Taxpayers with lowest adjusted gross income will receive their checks first, and checks will be sent out in ascending order.

Debit Card Payments

Some payments may be sent on a prepaid debit card known as The Economic Impact Payment Card. The Economic Impact Payment Card is sponsored by the Treasury Department's Bureau of the Fiscal Service, managed by Money Network Financial, LLC and issued by Treasury's financial agent, MetaBank®, N.A.

If you receive an Economic Impact Payment Card, it will arrive in a plain envelope from "Money Network Cardholder Services." The Visa name will appear on the front of the Card; the back of the Card has the name of the issuing bank, MetaBank®, N.A. Information included with the Card will explain that the card is your Economic Impact Payment Card. Please go to [EIPcard.com](https://www.irs.gov/efile/eipcard) for more information.

You may not request this feature at this time, this is at the discretion of the Treasury.

Deceased Taxpayers

Deceased taxpayers are not eligible for an economic impact payment (stimulus). If you are married and filing jointly for 2019 and your spouse has passed away, you should only return your deceased spouse's portion of the payment. If you spouse has passed away after you receive the payment, you do not have to return any portion of it.

Please see the IRS site here for more about how to return a payment:

<https://www.irs.gov/coronavirus/economic-impact-payment-information-center#more>

2020 Tax Return

Technically, the stimulus rebate is a 2020 refundable tax credit. The payment received in the next few weeks is an IRS advance. If you have less income in 2020 than in 2019 because of layoffs, reduced hours and closed businesses, and your rebate payment was reduced by the income threshold, you will receive a credit for the difference on your 2020 return. If for some reason, you receive too much of an advanced payment, you do not have to pay back the excess.

IRS Site

Here is the IRS information center regarding payments:

<https://www.irs.gov/coronavirus/economic-impact-payment-information-center>

Contact us if you have questions and stay safe.