COVID-19 and Direct Payments: Frequently Asked Questions (FAQs) About the Third Round of "Stimulus Checks" in the American Rescue Plan Act of 2021 (ARPA; P.L. 117-2)

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Congress included a third round of direct payments in the American Rescue Plan Act of 2021 (ARPA; P.L. 117-2) to address the continued economic fallout from the Coronavirus Disease 2019 (COVID-19) pandemic. The first round was included in the CARES Act (P.L. 116-136). The second round was included in the Consolidated Appropriations Act, 2021 (P.L. 116-260). This Insight provides a brief overview of the third round of payments—often referred to as "stimulus checks". (A similar proposal for a third round of payments passed the House on February 27, 2021. That version had different phaseouts from the third round ultimately included in P.L. 117-2 and discussed in this Insight.) A comparison of major provisions of the first, second, and third rounds of payments can be found here.

How much are the payments?

Households will generally be issued a single payment based on the household's income and size. Specifically, the payment equals $1,400 per eligible individual ($2,800 for most married couples) plus an additional $1,400 for each dependent as defined for tax purposes. The definition of dependent includes older children and adult dependents. Households with income under $75,000 if single, $112,500 if single with dependents, or $150,000 for most married couples are generally eligible for the maximum amount of the payment. In most cases, for the purposes of these payments, a *household* is all the individuals listed on an income tax return.

How do the payments phase out?

The maximum payment amount phases out over a range of income: $75,000-$80,000 if single, $112,500-$120,000 if single with dependents, or $150,000-$160,000 for most married couples. The payment phases down proportionally (or "ratably") in relation to income in the phaseout range. For example, if a married couple with two children has $155,000 of income, which is the midpoint of the phaseout range (50%), the payment is reduced by 50%, and thus equal to $2,800. If the same family instead has income of $157,500
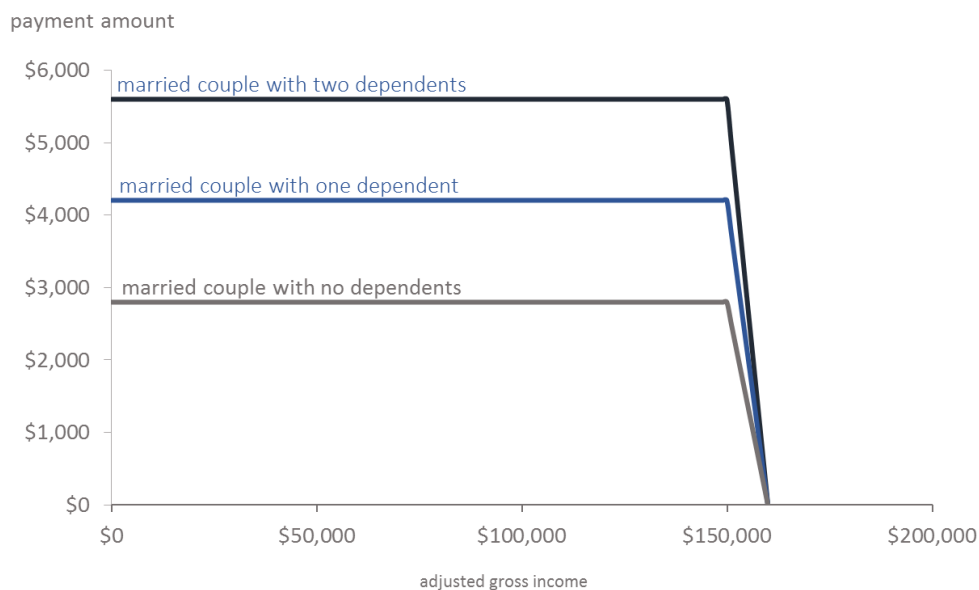
(75% of the phaseout range), the payment is reduced by 75%, and thus equal to $1,400. The larger the payment, all else being equal, the faster the payment phases down by income, as illustrated below by the steeper phaseout segments of the graph.

Third Round of Direct Payments for a Married Couple
By Income Level

payment amount

[Graph showing payment amount on the y-axis ($0 to $6,000) versus adjusted gross income on the x-axis ($0 to $200,000). Three lines are shown: "married couple with two dependents" (starting near $5,600), "married couple with one dependent" (starting near $4,200), and "married couple with no dependents" (starting near $2,800). All lines remain flat until approximately $150,000 then phase down steeply to $0 around $160,000.]

Source: CRS analysis of P.L. 117-2.
Note: This is a stylized example. Married taxpayers are assumed to be joint filers.

Who is eligible for the payments?

Most individuals—except nonresident aliens and individuals who can be claimed as dependents by another taxpayer—are eligible to receive these payments. In contrast to the first and second rounds of payments, all dependents are included when calculating the maximum payment amount for the household. Dependents generally include both children (including dependent children in college) and older adults.

Individuals who died before January 1, 2021, are not eligible for payments. For married couples in which one spouse died before January 1, 2021, the maximum payment amount is halved (i.e., $1,400).

Will households that include individuals who do not have Social Security numbers (SSNs) receive the payments?

Yes, as long as either an eligible individual or their dependent has a Social Security number (SSN). Generally, only eligible individuals and dependents who have SSNs are included in the calculation of the payment amount. For example, married couples in which only one spouse has an SSN (e.g., the other has an individual taxpayer identification number, or ITIN) are eligible to receive up to $1,400 (instead of $2,800). Similarly, if both spouses have ITINs but their dependent has an SSN, the household will receive $1,400 for the dependent. ITINs are issued by the Internal Revenue Service (IRS) to taxpayers who are not eligible for an SSN so that they can comply with federal tax law. ITIN users include many noncitizens who are unlawfully present or unauthorized to work in the United States. SSNs, for the purposes of this

provision, include any issued by the Social Security Administration, including those associated with claiming a public benefit.

These taxpayer ID requirements are relaxed for married joint filers in which at least one spouse is a member of the Armed Forces. In those cases, if one spouse has an SSN, the married couple can receive up to $2,800.

How would the payments be automatically issued?

Similar to the first and second rounds of direct payments, the third round of payments is structured as a new one-time refundable tax credit, in this case against 2021 income taxes. Households do not need to wait until they file their 2021 income tax returns in early 2022 to receive the payment. Instead, the payments will be automatically issued (i.e., the credit is "advanced") to eligible households, generally based on information from their 2020 or 2019 income tax returns (i.e., income, number of eligible individuals and dependents, and taxpayer IDs). If a payment issued in 2021 based on 2019 tax data would be *larger based on 2020 tax data*, the IRS is directed to issue a supplementary top-up payment within 90 days of the 2020 tax filing deadline or September 1, 2021, whichever is earlier.

For eligible individuals who do not file a 2020 or 2019 income tax return (including those who, as a result of their low incomes, are not required to file a tax return, like low-income Social Security beneficiaries), the IRS is given broad authority to make payments based on information available to the Treasury.

Generally, these payments will be automatically issued to eligible households until December 31, 2021. Eligible households who do not receive the payment (or who receive less than they would have if the payment amount were based on their 2021 income and family size) will be able to receive the payment (or receive an additional payment) as a refundable credit on their 2021 tax return. In contrast, if a household receives more than they are eligible for, the difference does not need to be paid back.

Are the payments taxable and do they affect eligibility for other programs?

No, the payments are not be taxable. In addition, like other tax credits, the payments do not count as income or resources for a 12-month period in determining eligibility for, or the amount of assistance provided by, any federally funded public benefit program.

Can the payments be reduced for child support or other debts?

The advanced payment of the credit is generally exempt from offset by Treasury for certain past-due debts the recipient owes (including past-due child support). In other words, the payment issued in 2021 will not be reduced for these debts. However, any amount of the payment that the taxpayer does not receive in 2021 (i.e., does not receive as an advanced payment) and instead claims as a credit on their 2021 tax returns is subject to offset. Third-round payments are not exempt from garnishment.

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