



¶ 320,070 Client Letter: 2021 Recovery Rebate Tax Credits (Stimulus Checks)

Dear [client name],

With the recent enactment of the \$1.9 trillion American Rescue Plan Act, the IRS will soon be sending a third round of recovery rebate tax credits (i.e., "stimulus checks") to individuals with income under a certain level. An eligible individual (meaning any individual other than a nonresident alien, a dependent of another taxpayer, or an estate or trust) can expect to receive a payment of \$1,400 (\$2,800 for married couples filing jointly), plus \$1,400 for each dependent (including children and adult dependents) with a valid social security number.

This \$1,400 rebate is in addition to the \$1,200 (plus \$500 for each qualifying child) rebate previously provided under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and the \$600 payment (plus \$600 for each qualifying child) previously provided under the COVID-related Tax Relief Act of 2020, enacted at the end of December as part of the Consolidated Appropriations Act, 2021.

The 2021 rebate payments, like the previous rebates, are phased out when an individual's adjusted gross income (AGI) exceeds a certain amount. The phase outs begin for individuals with AGI over to \$75,000, heads of household with AGI over \$112,500, and married couples with AGI over \$150,000. The rebates are completely phased out when AGI reaches \$80,000 for individuals, \$112,500 for heads of households, and \$160,000 for married couples.

Rebates will be issued based on 2019 income tax returns, unless a 2020 tax return has been filed before the time the IRS makes the eligibility determination, in which case eligibility will be determined based on the taxpayer's 2020 AGI. If you file your 2020 tax return before the earlier of (1) 90 days after the 2020 filing deadline (July 14, 2021, if the April 15, 2021 deadline is not extended) or (2) September 1, 2021, the IRS will make an additional payment equal to the excess (if any) of the amount to which you are entitled based on your 2020 return over the stimulus check already issued.

Example: For 2019, Bob and Mary filed jointly, had adjusted gross income under \$150,000, and did not have any children. Bob and Mary have a child in 2020. Their 2020 adjusted gross income is under \$150,000. Based on their 2019 return, the IRS determines that Bob and Mary are eligible for a rebate payment of \$2,800 and

issues a payment to them in that amount. Assuming Bob and Mary file their 2020 tax return in time, and their child's social security number is included on their return, the IRS will issue an additional payment of \$1,400 to them for a total recovery rebate of \$4,200.

The IRS has been directed to issue these stimulus checks as quickly as possible. They will be issued by direct deposit to any account to which the payee authorized the delivery of a tax refund, a federal tax payment, or through which federal retirement benefits are received, as long as the authorization was made in 2019 or later. Other payments will be made by check and sent by mail.

Please contact me if you have any questions about the 2021 recovery rebates.

Sincerely,

[Your Name, Your Firm

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