

**CORONAVIRUS AND YOUR MONEY**

# How Filing Your Tax Return Early (or Late) Could Boost Your Third Stimulus Check

You can start filing tax returns on February 12. But waiting to file could mean a bigger third stimulus check.

by: **Rocky Mengle** - February 11, 2021



Getty Images

There are plenty of good reasons to file your tax return early this year. You'll get your refund faster, it cuts down on tax identity theft, and there's one less thing to worry about for the next few months. Plus, for some people, it could also mean a **bigger** third stimulus check! But before you rush out to [find a CPA](#) or [buy tax prep software](#), there's another side to this story. For other people, filing early could result in a *lower* stimulus check – and you don't want that.

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## Democrats (mostly) Reject Targeting of \$1,400 Stimulus Checks

When the IRS is ready to calculate the amount of your third stimulus check, they will need to know your tax filing status, how many dependents you have, and your adjusted gross income (AGI). If you file early this year, the IRS will be able to get that information from your 2020 tax return. If you file later, that information will mostly likely be pulled from your 2019 return. Depending on your situation, that could give you an opportunity to alter the amount of your next stimulus check by timing the filing of this year's tax return.

*[Stay on top of all the new stimulus bill developments – [Sign up for the Kiplinger Today E-Newsletter](#). It's FREE!]*

## When Can You File Your Taxes and When Will Stimulus Checks Arrive

Before getting into the nuts and bolts of how you might be able to impact the amount of your third stimulus check, it's important to understand when tax return filing season begins and ends, and when stimulus checks are expected to arrive.

### 20 Most-Overlooked Tax Breaks and Deductions

The IRS will [start accepting federal income tax returns](#) for the 2020 tax year on February 12. That's a few weeks later than normal, because the tax agency had to do some unexpected computer programming after the December tax law changes that authorized the second

round of stimulus checks and other benefits. You will then have until [April 15 to file your tax return](#), unless you request an extension. (Last year, the deadline was pushed back to July 15, but there's no indication at this point that the due date will be changed this year.)

Based on the latest estimates, the IRS probably won't start processing third-round stimulus checks until at least the second week of March, at the earliest. Congress is working on a huge budget reconciliation bill to carry [President Biden's \\$1.9 trillion stimulus plan](#), and it will take some time to pull that together and get it passed. Unless something unexpected happens, provisions authorizing another round of stimulus checks will be included in the reconciliation bill. We also believe the reconciliation bill will be enacted.

Since stimulus checks won't start arriving in mailboxes until weeks after the tax return filing season begins,

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processed by the time the IRS starts processing your payment, the tax agency will use your 2019 tax return. If your 2020 return is already filed and processed, then your stimulus check will be based on your 2020 return. If your 2020 return is filed and/or processed after the IRS sends you a stimulus check, but before July 15, 2021 (or September 1 if the April 15 filing deadline is pushed back), the IRS will send you a second payment for the difference between what your payment should have been if based on your 2020 return and any payment actually sent based on your 2019 return. Although this is subject to change, that's the plan at this point.

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**House Democrats Propose Monthly Payments of Up to \$300 Per Child**

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*[See the **tables below** to estimate how much your third stimulus check would be under the plan currently being considered by Congress. That plan would authorize \$1,400 payments to each eligible American (\$2,800 for married couples filing a joint tax return), plus an*

*additional \$1,400 for each dependent in the family (regardless of the dependent's age). However, payments would be gradually phased-out for singles with an AGI between \$75,000 and \$100,000, head-of-household filers with an AGI between \$112,500 and \$150,000, and joint filers with an AGI between \$150,000 and \$200,000.]*

## Who Should File Taxes Early to Get a Larger Stimulus Check?

If you expect your third stimulus check to be higher if it's based on your 2020 tax return (instead of your 2019 return), then you want to file your 2020 return as soon as possible. That way, there's time for it to be processed before the IRS starts sending out stimulus payments. Some of the things that could make your stimulus check higher if it's based on your 2020 return include:

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- Your income was lower in 2020;
- You had a child in 2020;
- You got married in 2020 (especially if there's a wide gap between each spouse's income); or
- You could be claimed as a dependent on someone's 2019 tax return, but not on anyone's 2020 return.

Here are a few examples using the stimulus check plan currently being considered in Congress:

**Lower Income in 2020** – Nicholas was furloughed for several months in 2020. As a result, his AGI dropped from \$95,000 in 2019 to \$70,000 in 2020. Since Nicholas is single and doesn't have any dependents, he would get a \$1,400 third stimulus check if it's based on his 2020 tax return. That's because his payment wouldn't be reduced at all, since his 2019 AGI is below the phase-out threshold (\$75,000). On the other hand, since his 2019 AGI was above the phase-out threshold, Nicholas would only get a \$280 stimulus check if it's based on his 2019 return. Therefore, Nicholas's stimulus check will be \$1,120 higher if he files his 2020 return early.

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#### **Taxes in Retirement: How All 50 States Tax Retirees**

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**Child Born in 2020** – Andrew and Becky had their first child in 2020. They file a joint return each year, and their AGI was \$80,000 in 2019 and \$90,000 in 2020, which are both well below the phase-out threshold for joint filers (\$150,000). However, if the IRS uses their 2020 tax return

to calculate their third stimulus check, Andrew and Becky's new bundle of joy will be counted as a dependent. That won't happen if the IRS uses their 2019 return. So, by filing their 2020 return early, Andrew and Becky can boost their stimulus check by \$1,400 – the additional amount allowed for one dependent.

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**Married in 2020** – Josh and Samantha were married in 2020. They had a combined AGI of \$160,000 in 2020, which is the same total AGI they had for 2019 as separate single filers. Since they have no kids and will be filing a joint return this year, they would get a \$2,240 stimulus check based on their 2020 return. Using their separate 2019 returns, when Josh had an AGI of \$100,000 and Samantha had an AGI of \$60,000, Samantha would get a \$1,400 check, but Josh wouldn't get anything at all because his 2019 AGI was too high. So, if they file their joint 2020 return quickly enough, their stimulus check will be \$840 higher.

**No Longer a Dependent in 2020** – Charlie turned 24 and graduated from college in 2020. He filed his own tax return in 2019 and will file one in 2020, too. His AGI was \$15,000 in 2019 and \$18,000 in 2020, and he has no dependents. Because Charlie was a student age 23 or younger in 2019, his parents claimed him as a dependent on their 2019 tax return. They can't claim him as a dependent on their 2020 return, though. If the IRS uses Charlie's 2019 tax return to determine his eligibility for a stimulus check, he will not get a payment. That's because anyone who can be claimed as a dependent on another person's tax return is not eligible. However, if Charlie files his 2020 tax return early, he'll get a \$1,400 stimulus check.

## Who Should Wait to File Taxes to Increase Their Stimulus Check?

If you flip the script on some of the examples above, you can see how some people could benefit by waiting to file their 2020 tax return. Depending on the exact timing, this could force the IRS to use your 2019 tax return to process your third stimulus check. So, for example, you might want to delay filing your tax return this year if:

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- You can't claim your child as a dependent anymore starting in 2020.

Again, here are some examples based on the stimulus check plan currently before Congress:

**Higher Income in 2020** – Cheri got a promotion and a big raise last year. As a result, her AGI jumped from \$80,000 in 2019 to \$95,000 in 2020. She is single with no children. Using her 2019 return, Cheri would get a \$1,120 third stimulus check. However, if the IRS used her 2020 return, she would only get \$280. By waiting to file her 2020 return, Cheri could increase her stimulus check by \$840.

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### 12 Ways the Biden Stimulus Package Could Put (or Keep) Money in Your Pocket

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**Death of a Dependent in 2020** – Harold's elderly and disabled mother, Maude, lived with him since 2015 since she couldn't care for herself. Unfortunately, Maude died late in 2019, but Harold was still able to claim her as a dependent on his 2019 tax return. However, Harold can't claim Maude as a dependent on his 2020 return. Harold's

AGI for both 2019 and 2020 was \$50,000. He is single and has no other dependents. If the IRS uses his 2019 tax return to process his third stimulus check, Harold will get a \$2,800 stimulus payment. Since he won't get the extra amount for a dependent, his payment will drop to \$1,400 if his 2020 return is used. So, by filing his 2020 tax return later, Harold could boost his stimulus check by \$1,400.

**Divorced in 2020** – Randy and Beth got a divorce in 2020. For 2019, they reported an AGI of \$170,000 on their joint tax return. For 2020, they will each file their own return as a single taxpayer with no dependents. Randy has a 2020 AGI of \$100,000, while Beth's is \$70,000. If Randy and Beth both file their 2020 tax return early, Randy's won't get a stimulus check because his 2020 AGI is too high. Beth would receive a \$1,400 payment. However, if they wait to file their tax returns this year and the IRS uses their 2019 return to calculate their stimulus payment, they will get a combined total of \$1,680 – an increase of \$280 over the combined amount of their payments if their 2020 returns are used.

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the phase-out range for joint filers).

### 18 Believe It or Not Tax Breaks

Of course, there's a potential drawback to delaying your 2020 return—you also delay any refund due. Last year, the average refund was \$2,549. So, if you're expecting a 2020 refund, you have to decide if the extra money you'd get in your stimulus check by waiting to file is worth the delay in getting your refund.

## How Much Would You Get Under the Current Stimulus Check Plan

As promised, here are the tables you can use to see how much you'll get if the third stimulus check plan currently being considered by Congress is enacted.

### SINGLE PEOPLE (\$75,000 THRESHOLD)

#### *NUMBER OF DEPENDENTS IN THE FAMILY*

AGI	0	1	2	3	4	5
≤ \$75,000	\$1,400	\$2,800	\$4,200	\$5,600	\$7,000	\$8,400

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<b>\$90,000</b>	\$560	\$1,120	\$1,680	\$2,240	\$2,800	\$3,360
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<b>\$95,000</b>	\$280	\$560	\$840	\$1,120	\$1,400	\$1,680
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<b><math>\geq \\$100,000</math></b>	\$0	\$0	\$0	\$0	\$0	\$0
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#### HEAD-OF-HOUSEHOLD FILERS (\$112,500 THRESHOLD)

##### *NUMBER OF DEPENDENTS IN THE FAMILY*

<i>AGI</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
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$\leq \$112,500$	\$2,800	\$4,200	\$5,600	\$7,000	\$8,400	\$9,800
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<b>\$115,000</b>	\$2,613	\$3,920	\$5,226	\$6,533	\$7,840	\$9,146
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<b>\$120,000</b>	\$2,240	\$3,360	\$4,480	\$5,600	\$6,720	\$7,840
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<b>\$125,000</b>	\$1,867	\$2,800	\$3,734	\$4,667	\$5,600	\$6,534
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<b>\$140,000</b>	\$747	\$1,120	\$1,494	\$1,867	\$2,240	\$2,614
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<b>\$145,000</b>	\$373	\$560	\$746	\$933	\$1,117	\$1,306
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<b>≥ \$150,000</b>	\$0	\$0	\$0	\$0	\$0	\$0
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#### MARRIED COUPLES FILING A JOINT RETURN (\$150,000 THRESHOLD)

##### *NUMBER OF DEPENDENTS IN THE FAMILY*

<i>AGI</i>	<i>0</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
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<b>≤ \$150,000</b>	\$2,800	\$4,200	\$5,600	\$7,000	\$8,400	\$9,800
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<b>\$155,000</b>	\$2,520	\$3,780	\$5,040	\$6,300	\$7,560	\$8,820
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<b>\$160,000</b>	\$2,240	\$3,360	\$4,480	\$5,600	\$6,720	\$7,840
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<b>\$165,000</b>	\$1,960	\$2,940	\$3,920	\$4,900	\$5,880	\$6,860
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<b>\$180,000</b>	\$1,120	\$1,680	\$2,240	\$2,800	\$3,360	\$3,920
<b>\$185,000</b>	\$840	\$1,260	\$1,680	\$2,100	\$2,520	\$2,940
<b>\$190,000</b>	\$560	\$840	\$1,120	\$1,400	\$1,680	\$1,960
<b>\$195,000</b>	\$280	\$420	\$560	\$700	\$840	\$980
<b>≥ \$200,000</b>	\$0	\$0	\$0	\$0	\$0	\$0

## What Are the Income Tax Brackets for 2021 vs. 2020?

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