



FAQs: What You Need to Know About the Second Round of Stimulus Checks

On December 27, 2020, President Trump signed the Consolidated Appropriations Act, 2021, into law. In addition to funding the U.S. government through September 2021, the Act provides additional relief for Americans who have been struggling since the first COVID-19 stimulus package was passed in March. The new law provides \$900 billion in assistance to individuals and businesses, as well as funding for testing, tracing, and vaccine distribution. One of its most notable aspects is a second round of stimulus checks that will be sent to many Americans. Below are the answers to frequently asked questions about these checks.

Q: Who is eligible to receive a stimulus check? How much will it be for?

A: Individuals and families with incomes below certain thresholds can expect to receive a check (or direct deposit), known as a “recovery rebate,” from the government. The amount will generally be based on your adjusted gross income (AGI) on your 2019 income tax return. Households that would qualify for a larger payment based on their 2020 income will be able to claim any additional rebate when they file their taxes, which they can typically begin doing in late January. Most individuals can find their AGI on Line 8B of their 2019 Form 1040. For 2020, AGI will likely be listed on Line 11, based on the draft version of the 1040.

The table below shows how much individuals can expect to receive, depending on their AGI and tax-filing status.

Filing Status	AGI Less Than . . .	Payment Amount
Individual	\$75,000	\$600
Head of household	\$112,500	\$600
Married filing jointly	\$150,000	\$1,200

In addition, families will receive an extra \$600 per child younger than 17.

Taxpayers with AGI above established thresholds will see their payment amount reduced by 5 percent of the income exceeding the threshold (\$5 for every \$100 in income), which means certain individuals will be phased out of receiving a stimulus check.

Q: How does the phaseout apply?

A: If your income exceeds the thresholds above, you can use this formula to determine the amount of your check:

$$(AGI - \text{Threshold Amount}) \times 5\% = \text{Amount of Reduction}$$



(Rebate Amount Based on Filing Status + \$600 per Child Younger Than 17) – Amount of Reduction = Amount of Check

Let's walk through some examples:

Married couple with one child. Anna and Nick are married and have a 10-year-old son named Yogi. They had an AGI of \$158,000 in 2019. Because Anna and Nick file jointly, the income threshold applied to them is \$150,000. The following steps break down how the amount Anna and Nick will receive is determined:

1. Take their AGI of \$158,000 and subtract the threshold amount of \$150,000 for an excess of \$8,000.
2. Multiply that \$8,000 by 5 percent for a total reduction of \$400. (They are eligible for a rebate of \$1,200, plus \$600 for Yogi, for a total of \$1,800.)
3. Subtract their reduction of \$400 from \$1,800 for a check in the amount of \$1,400.

Married couple with multiple children. Mike and Chelsea are married and have three children: Hugo (6), Gwynn (9), and Monty (17). They, too, had an AGI of \$158,000 in 2019.

The income threshold applied to Mike and Chelsea is \$150,000. So, as with Anna and Nick, the threshold amount of \$150,000 is subtracted from their AGI of \$158,000 for an excess of \$8,000. Then, that \$8,000 is multiplied by 5 percent for a total reduction of \$400. In this case, Mike and Chelsea are eligible for a rebate of \$1,200, plus \$600 each for Hugo and Gwynn (Monty is 17 and therefore does not qualify) for a total of \$2,400. Their reduction amount of \$400 is subtracted from \$2,400, leaving Mike and Chelsea with a rebate check of \$2,000.

From this example, you can see that the flat reduction of 5 percent of excess income means the total phaseout range will be much higher for families with more children.

Head of household with a dependent. Keven files as head of household and claims his brother Augie (age 20) as a dependent. Keven had an AGI of \$136,500 in 2019. He was out of work for a period in 2020 due to COVID-19 and expects to have an AGI of roughly \$100,000. The income threshold applied to Keven is \$112,500.

The income threshold of \$112,500 is subtracted from his 2019 AGI of \$136,500 for an excess of \$24,000. That \$24,000 is multiplied by 5 percent for a total reduction of \$1,200. Keven is only eligible for a \$600 rebate—because his dependent is a sibling, rather than a child, he cannot receive the additional \$600 rebate. In addition, because Augie is being claimed as a dependent on Keven's return, he is not eligible for a rebate on his own. As such, Keven will not receive a stimulus check based on his 2019 income, nor will Augie.

When Keven files his 2020 tax return in early 2021, because his AGI will be lower than the threshold of \$112,500, he will be eligible to receive the full \$600 rebate when his return is processed.



Q: How and when will I receive the funds?

A: On Monday, December 21, Treasury Secretary Steven Mnuchin said rebates could begin paying out within days of the bill's passage. The Act specifies that the IRS make these payments by January 15, 2021. Individuals who have their bank information on file with the IRS for refunds or payments or for the initial round of rebates from March 2020 will receive their stimulus checks via direct deposit, as will those individuals who receive a social security payment via direct deposit. For all others, checks will be sent via mail, or the individual may provide direct deposit information via the [IRS website](#).

Q: What if I am retired and all of my income is from social security?

A: For individuals who receive social security benefits and do not file taxes, the government will use information from their social security statement to determine eligibility.

Q: What if my income is low enough that I do not typically file taxes?

A: For many Americans not on social security who also do not file income tax returns, the IRS has established a [website](#) that allows individuals to provide their payment information.

Q: What if a member of my household do not have a valid social security number?

A: Individuals without social security numbers (SSNs), such as unauthorized immigrants, are not eligible for a rebate. Unlike the first round of rebates, however, a "mixed-status household," or one with at least one individual with an SSN, will be eligible for a rebate based on the total number of eligible individuals in the household. In addition, this new provision is retroactive, so if you were unable to get a rebate in the first round of payments because of a mixed-status household, you will be able to claim the first rebate when you file your 2020 tax return.

Q: My family member passed away in 2020; will they still receive a rebate?

A: Any eligible individual who was living on or after January 1, 2020, will receive a rebate.

Q: Will I owe income taxes on my stimulus check?

A: No.

Q: If I have an unpaid tax bill, will I still be able to receive a check?

A: Yes.

Q: If my income tax refunds are being garnished for a student loan payment, will I still receive a check?

A: Yes.

Q: If I owe child support, will I receive a check?

A: You may not. If you have past-due child support payments and your state has reported those past-due payments to the Treasury Department, you will not receive a stimulus check.

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The stimulus bill provides wide-ranging assistance to individuals and businesses that have been or will be negatively affected by the COVID-19 pandemic. This crisis is causing unprecedented interruption in people's lives and the economy, so it's possible further legislative action and government intervention may be forthcoming. Be sure to connect with your tax professional for a greater understanding of how the Consolidated Appropriations Act, 2021, may affect you.

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