



Facts about the 2008 Stimulus Payments

FS-2008-15, February 2008

Starting in May, the Treasury will begin sending economic stimulus payments to more than 130 million individuals. The stimulus payments will go out through the late spring and summer.

The vast majority of Americans who qualify for an economic stimulus payment will not have to do anything other than file their 2007 individual income tax return to receive their payment this year. They will not have to complete applications, file any extra forms or call the Internal Revenue Service to request the payment, which is automatic. The IRS will determine eligibility, figure the amount and issue the payment.

Stimulus payments will be direct deposited for taxpayers selecting that option when filing their 2007 tax returns. Taxpayers who have already filed with direct deposit won't need to do anything else to receive the stimulus payment. For taxpayers who haven't filed their 2007 returns yet, the IRS reminds them that direct deposit is the fastest way to get both regular refunds and stimulus payments.

Basic Eligibility

The IRS will use the 2007 tax return to determine eligibility and calculate the basic amount of the payment. In most cases, the payment will equal the amount of tax liability on the return with a maximum amount of \$600 for individuals (\$1,200 for taxpayers who file a joint return) and a minimum of \$300 for individuals (\$600 for taxpayers who file a joint return).

Even those who have little or no tax liability may qualify for a minimum payment of \$300 (\$600 if filing a joint return) if their tax return reflects \$3,000 or more in qualifying income. For the purpose of the stimulus payments, qualifying income consists of earned income such as wages and net self-employment income as well as Social Security or certain Railroad Retirement benefits and veterans' disability compensation, pension or survivors' benefits received from the Department of Veterans Affairs in 2007. However, Supplemental Security Income (SSI) does not count as qualifying income for the stimulus payment.

Low-income workers who have earned income above \$3,000 but do not have a regular filing requirement must file a 2007 tax return to receive the minimum stimulus payment. Similarly, Social Security recipients, certain Railroad retirees, and those who receive the veterans' benefits mentioned above must file a 2007 return in order to notify the IRS of their qualifying income.

The IRS emphasized that people with no filing requirement who turn in a tax return to qualify for the economic stimulus payment will not get a tax bill. People in this category will not owe money because of the stimulus payment.

Limitation

To be eligible for a stimulus payment, taxpayers must have valid Social Security Numbers. Anyone who does not have a valid Social Security Number, including those who file using an Individual Taxpayer Identification Number (ITIN), an Adoption Taxpayer Identification Number (ATIN) or any other identification number issued by the IRS is not eligible for this payment. Both individuals listed on a married filing jointly return must have valid Social Security Numbers to qualify for a stimulus payment.

Eligibility for the advance payment is subject to maximum income limits. The payment amounts will be reduced by 5 percent of the amount of income in excess of \$75,000 for individuals and \$150,000 for those with a Married Filing Jointly filing status. Individuals who pay no tax and who have less than \$3,000 of qualifying income will not be eligible for the stimulus payment.

Additional Payments for Parents and Others with Qualifying Children

Parents and anyone else eligible for a stimulus payment will also receive an additional \$300 for each qualifying child (subject to income phase-outs). To qualify, a child must be eligible under the Child Tax Credit and have a valid Social Security Number.

Anyone who is not eligible for the basic payment amount due to the phase-out provision or

any other exception will not be eligible for this additional amount for children.

Special Circumstances for Recipients of Social Security, Railroad Retirement and Certain Veterans Benefits

Individuals who receive Social Security benefits, Railroad Retirement benefits and certain veterans' benefits may have to follow special filing requirements in order to receive the basic amount:

- Those who have already filed a 2007 return reflecting qualifying income of \$3,000 or more do not have any additional filing requirements and do not need to do anything more to receive their payment.
- Those who have already filed a 2007 return showing less than \$3,000 in qualifying income and did not list their Social Security, Railroad Retirement or certain veterans benefits should file a Form 1040X to list those non-taxable benefits and qualify for a payment.
- Those who are not required to file a 2007 return but whose total qualifying income including Social Security, certain Railroad Retirement and certain Veterans benefits would equal or exceed \$3,000 should file a return reporting these benefits on Line 14a of Form 1040A or Line 20a of Form 1040 to establish their eligibility. Please note the form lines just mention Social Security, but use these lines even if your only benefits were Railroad Retirement or veterans' benefits.

Notices

Most taxpayers will receive two notices from the IRS. The first general notice from the IRS will explain the stimulus payment program. The second notice will confirm the recipients' eligibility, the payment amount and the approximate time table for the payment. Taxpayers will need to save this notice to assist them when they prepare their 2008 tax return next year.

Anyone who moves after they have filed their 2007 tax return should notify the IRS by filing Form 8822, Change of Address, and also notify the Post Office.

Exclusions

Individuals who file Form 1040NR, 1040PR or 1040SS are not eligible for the stimulus payments. These returns are normally filed by Nonresident Aliens, residents of Puerto Rico and residents of the U.S. Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands (CNMI). Residents of U.S. possessions will be receiving their rebates directly from the possessions.

Also ineligible are individuals who can be claimed as dependents on someone else's return.

Dividends, interest and capital gains income is not included when determining qualifying income. Supplemental Security Income (SSI) does not count as qualifying income for the stimulus payment. Also not included in qualifying income are non-veterans or non-Social Security pension income (such as those from Individual Retirement Accounts).

Stimulus payments will be subject to offset against outstanding tax and non-tax liabilities in the same fashion as regular tax refunds.

In addition, the IRS emphasizes the stimulus payments will not count toward or negatively impact any other income-based government benefits, such as Social Security benefits, food stamps and other programs.

Free Tax Help Available

Low- and moderate-income workers, including veterans, can get free tax help through the Volunteer Income Tax Assistance (VITA) program. Call 1-800-906-9887 to locate the nearest VITA site.

The Tax Counseling for the Elderly (TCE) Program provides free tax help to people age 60 and older. As part of the IRS-sponsored TCE Program, AARP offers the Tax-Aide counseling program at more than 7,000 sites nationwide during the filing season. To find an AARP Tax Aide site, call 1-888-227-7669 or visit the AARP Web site.

For Additional Information

The IRS.gov Web site is the best source for additional information and answers to questions regarding the stimulus payments. The site will soon have an online tool which will allow taxpayers to calculate the amount of their advance payment and to check on the status of their specific payment.

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Rebates: What you need to know

The lowdown on Washington's new tax rebates: Who qualifies and how much will you get? What do you have to do? And most importantly: When will you see a check?

By **Jeanne Sahadi**, CNNMoney.com senior writer

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NEW YORK (CNNMoney.com) -- Lawmakers have given their final seal of approval to a \$170 billion plan intended to spark the slowing economy.

The plan's centerpiece: tax rebates.

But questions remain about how the program will work, and officials at the Treasury Department and IRS are scurrying to work out the details.

In the meantime, here are some answers based on currently available government information and experts' analysis.

Do I qualify for a rebate and how much can I expect?

One-time rebates will be sent to at least 117 million low- and middle-income households, 20 million senior citizens living off of Social Security, and 250,000 disabled veterans.

To be eligible for a full rebate, single tax filers must have 2007 adjusted gross income (AGI) below \$75,000 and joint filers must have AGI below \$150,000.

Adjusted gross income is not your annual salary. It's equal to gross income minus "above the line deductions," which are reported on page 1 of the 1040 tax form. Above-the-line deductions include deductible IRA contributions, alimony paid and, for the self-employed, some portion of money spent on health insurance or Social Security.

Single filers with AGI below \$75,000 will get rebates of as much as \$600. Couples with AGI below \$150,000 will receive rebates of up to \$1,200.

In addition, parents will also receive \$300 rebates per dependent child; there is no cap on the number of children eligible.

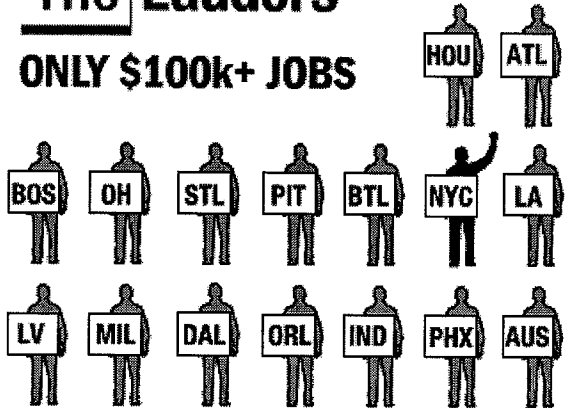
An example: A couple with one child and \$100,000 in AGI will get a rebate of \$1,500 (\$1,200 + \$300). If they have two children, they will get \$1,800 (\$1,200 + \$600).

Tax filers who do not owe income taxes because of various credits and deductions but have at least \$3,000 in income - which

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can include Social Security and disability payments - will get \$300 rebates per person or \$600 per couple.

I make more than the income caps. What about me?

You might get a partial rebate. It depends on how much your income exceeds the caps.

The stimulus legislation allows for a 5% phaseout rate for households above the income caps of \$75,000 for single filers and \$150,000 for joint filers.

That means that for every dollar a tax filer earns above those caps, he or she will lose 5 cents of the rebate, said Jason Furman, senior fellow at the Brookings Institution.

Put another way, the rebates of those taxpayers will be reduced by the amount of income above the cap multiplied by 5%, said Mark Luscombe, principal analyst at tax information publisher CCH.

Take a couple with two children. If they make less than the income cap, they will likely get an \$1,800 rebate. If they make \$15,000 more than the cap, they will see their \$1,800 rebate reduced by \$750 ($\$15,000 \times 0.05$). So instead they will receive a check for \$1,050 ($\$1,800 - \750).

A childless couple whose AGI falls below the cap will likely get a \$1,200 rebate. But if their AGI exceeds the cap by \$15,000, their rebate will be reduced by \$750. So they'd get a check for \$450.

Single filers with no kids and an income below \$75,000 will likely get a \$600 rebate. But if they made \$80,000, their rebate will be reduced by \$250 ($\$5,000 \times 0.05$). So they will get a check for \$350 ($\$600 - \250).

The point at which the rebate gets phased out entirely will vary. For example, a single filer with no kids whose income exceeds the cap by \$12,000 or more will get no rebate, because it will be reduced by an amount equal to or greater than the \$600 ($\$12,000 \times 0.05 = \600).

Do I have to pay the rebate back?

No. And here's why.

Your rebate is a one-time tax cut - an advance on a credit you'll receive on your 2008 return.

It's based on your 2007 income initially. If it turns out that your 2008 income and number of children would have qualified you for a larger rebate than the one you received, you'll be sent the difference. If it turns out your 2008 income was lower than in 2007 and you should have gotten a lower rebate, you get to keep the difference.

"If you were supposed to receive a larger payment than you did, you will get the extra money," said Treasury spokesman Andrew DeSouza. "If you received more than what you should have gotten, you will not be penalized."

What do I have to do to get one?

You must file a 1040 or 1040-EZ federal tax return for 2007.

Some people are normally not required to file a return. To get the rebate, however, they have to file a federal tax return.

So when will I get a check?

Treasury Secretary Henry Paulson said Thursday night that the IRS will start sending out checks in early May. Last month, he said it should take about 10 weeks to crank out all the checks. In all likelihood then, you'll see the money sometime between May and early July.

That assumes, of course, that you hit the IRS deadline and file by April 15.

If you're a laggard and have to file for an extension, you'll still get a check but it may not come until the end of the year - probably

in time for Christmas shopping. ■

Congress seals the deal on rebates

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