



Michigan League FOR Human Services

FACT SHEET ON THE ECONOMIC STIMULUS REBATE

On February 7, 2008, Congress passed a stimulus package that includes rebates for adult residents of the United States with a Social Security number and qualifying household income of at least \$3,000. Individuals with income of less than \$75,000 will get between \$300 and \$600 based on income; married couples filing jointly with income less than \$150,000 will get between \$600 and \$1,200 based on income. In addition, parents eligible for the stimulus payment will also receive up to \$300 for each qualifying child. The rebates will be issued in a similar manner as federal tax refunds and will be calculated using the 2007 federal tax forms.

How does one qualify for the Economic Stimulus rebate?

To qualify for the rebate, an individual must:

- File a federal tax return, even if he or she would not normally file a tax return because of owing no tax and expecting no tax refund.
- Have a valid Social Security number. If filing a joint tax return, both individuals listed on the return must have a valid Social Security number as must any qualifying children listed. An Individual Taxpayer Identification Number (ITIN) cannot be used in place of a Social Security number.
- Have qualifying income of at least \$3,000. Individuals or couples filing jointly who have less than this amount will not get a rebate. Qualifying income includes:
 - earned income;
 - Social Security benefits;
 - veterans' benefits (specifically pension, disability benefits or survivors' benefits); and
 - certain Railroad Retirement benefits.

Of the four categories listed above, only earned income is subject to federal income tax. Therefore, if the filer earns too little to pay federal income tax but has income from one of the other three sources, the filer can still qualify for the stimulus rebate if the total qualifying income is \$3,000 or more.

An individual is ineligible if he or she is a resident of a U.S. possession (Puerto Rico, Virgin Islands, Guam, American Samoa, or the Northern Mariana Islands), is a Nonresident Alien, or can be claimed as a dependent on someone else's tax return.

What must a person do in order to receive the stimulus payment?

In most cases, the only thing that must be done is to file a tax return. If a filer has already filed taxes for Tax Year 2007, nothing more needs to be done. The IRS will use the information on the 2007 tax return to determine eligibility and to calculate the amount of the stimulus payment.

Some filers with earned income of less than \$3,000 may have already filed their tax forms, but did not report Social Security or qualifying railroad or veterans benefits because they are non-taxable. Those taxpayers are eligible for the rebate if their total qualifying income adds up to \$3,000 or more. To receive the rebate, these filers should file an amended return using Form 1040X.

Most taxpayers will receive two notices from the IRS. The first will explain the stimulus payment program, and the second will confirm the filer's eligibility, payment amount, and approximate timetable for receiving payment. Taxpayers should save the second notice as it may be useful in preparing the 2008 tax returns the following year. If a filer experiences changes in 2008 making him or her eligible for a higher rebate (i.e. had a decrease in household income or had another child), U.S. Treasury will pay the difference as part of the filer's Tax Year 2008 refund. However, if the filer experiences changes that would have reduced the rebate amount, the filer will not have to pay the difference and does not need to do anything

How will the filer receive the stimulus payment?

The stimulus payment will be paid in the same way that the filer's tax refund (if applicable) is paid. If the filer has indicated on the tax form that he or she would like the refund direct deposited, then the stimulus payment will be deposited to the same account, while filers who receive their refund in the form of a mailed check will also receive their stimulus payment in the form of a mailed check. While the method of payment will be the same, the two payments will be made separately. The IRS will begin sending taxpayers the payments in early May and will continue to do so over the spring and summer.

How much will the filer receive?

There are two components to this rebate: the basic rebate and the child rebate. All qualifying filers will receive the basic rebate, and all who qualify for the basic rebate and have qualifying children will receive the basic rebate and the child rebate.

Basic Rebate: Individuals with qualifying income of \$75,000 or less will receive between \$300 and \$600, and married couples filing a joint return with qualifying income of \$150,000 or less will

receive between \$600 and \$1,200. The amount that a filer receives is based on his or her federal income tax.

- Individuals with no federal income tax or with tax of less than \$300 will get a rebate of \$300.
- Couples filing jointly with no federal income tax or with tax of less than \$600 will get a rebate of \$600.
- Individuals with federal income tax between \$300 and \$600 will get a rebate that is equal to their income tax amount.
- Couples filing jointly with federal income tax between \$600 and \$1,200 will get a rebate that is equal to their income tax amount.
- Individuals with federal income tax of \$600 or more will get a rebate of \$600.
- Couples filing jointly with federal income tax of \$1,200 or more will get a rebate of \$1,200.

Child Rebate: Any filer who qualifies for the basic rebate and has a child or children who qualify for the Child Tax Credit will get an additional \$300 per child.

Income Phaseout: Both the basic and the child rebates are subject to the income phaseout. The rebates for individual with income above \$75,000 and couples with income beyond \$150,000 will decrease in proportion to the amount of their household income. Specifically, the total rebate amount will be reduced by 5 percent of the amount of income that is above these levels.