

## Tax rebates, 2008 style

The recently enacted Economic Stimulus Act of 2008 will put money in the pockets of over 130 million households. The following information should answer some of the questions that you may have about your rebate.

### GENERAL INFORMATION

- If you are eligible to receive a check, all that you have to do is file a 2007 tax return.

If you file your return late, or apply for an extension, your payment will be delayed. No checks will be issued after December 31, 2008.

- The IRS said on February 15 that it expects to begin mailing checks in May (although there is still some debate over whether that date can be met). Payments will continue over several weeks during late spring and summer. A schedule of when payments will be sent will be announced in the near future.

- The IRS will use your 2007 tax return to determine your eligibility for a payment and to calculate the amount. Next year your 2008 tax return will include a worksheet that will reconcile what you received with what you should have received. In most cases the amounts will be the same. If not, and your check wasn't for the maximum credit, it's possible that you may be entitled to an additional amount (though no one will have to give back anything to the IRS).

- If you selected a direct deposit option for a refund of your 2007 taxes, your rebate check will be deposited to the same account. If you haven't filed your return, you still can choose that option. Direct deposit, says the IRS, is the

fastest way to get both regular refunds and your rebate check.

### THE AMOUNT OF YOUR REBATE

- In most cases your credit will equal the amount of your income tax liability for 2007, up to a maximum amount of \$600 for individuals (\$1,200 for marrieds filing a joint return).

- There's an additional \$300 credit for each of your dependent children who are under the age of 17 at the end of this year. (There is no cap on the number of child-generated credits.)

- Some individuals who don't usually have to file a tax return may be entitled to payments. This group includes some recipients of Social Security, Railroad Retirement or veterans' benefits, as well as taxpayers who do not make enough money to have to file a return. These individuals will be eligible to receive a payment of \$300 (\$600 for marrieds filing jointly) if they had at least \$3,000 of qualifying income in 2007. Qualifying income includes income from wages and the sources mentioned above. However, they must file a 2007 tax return to receive their checks.

- Your credit will be reduced by 5% of the amount that your adjusted gross income (AGI) exceeds \$75,000 (singles) or \$150,000 (marrieds filing jointly). If you file as a single taxpayer, have no children and are entitled to the maximum \$600 credit, you lose the credit entirely when your AGI reaches \$87,000. For marrieds filing a joint return and who have no children, the credit is lost when AGI reaches \$174,000.

- Here are two examples of how the phaseout works:

1. Single Taxpayer has an AGI of \$80,000 and would qualify for a rebate of \$600. But because her AGI exceeds \$75,000, her rebate is reduced by \$250, determined by multiplying the amount of her AGI over \$75,000—\$5,000—by 5%. Single Taxpayer will receive a check for \$350.

2. Married Couple has two dependent children under the age of 17 and an AGI of \$160,000. They would qualify for a check for \$1,800 (\$1,200 for them and an additional \$600 for their two children). But because Married Couple's AGI exceeds \$150,000, the rebate is reduced by \$500 (the amount of AGI over \$150,000—\$10,000 multiplied by 5%.) Married Couple will receive a check for \$1,300.

#### **A WARNING FROM IRS**

The IRS will mail two informational notices to you about your rebate. Any other communication is likely to be a scam. The IRS never will call or send an e-mail that asks about anything that might put your identity at risk.

(March 2008)

© 2008 M.A. Co. All rights reserved.

