



# Pandemic Checks to Begin Arriving in Early January

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With the \$2.3 trillion pandemic aid and spending package now signed into law, the \$600 individual “stimulus payments” (subject to income limitations) are expected to start arriving in early January. The payments may be direct-deposited to a taxpayer’s account.

It should be noted that these payments **are really “advance payments” of a 2020 income tax credit.** Please be aware that:

1. The first payment was based on 2019 adjusted gross income (if a 2019 return was filed, or a taxpayer’s 2018 return, if the 2019 return had not yet been filed). This second payment will be based only on 2019 adjusted gross income.
2. Both payments are “advance payments” on an actual 2020 tax return credit.
3. Taxpayers will complete a schedule/form (*not yet previewed by the IRS*) to “reconcile” the credit against the payment. You will compute the “correct” amount of your 2020 credit on that schedule/form based on your 2020 Adjusted Gross Income (AGI).

The amount of the credit starts to phase out if AGI is over \$75,000 for single filers, or over \$150,000 for joint filers.

Taxpayers will list the amount(s) of any “advance payments”, which could be the full \$1,800 (more if you are filing jointly, and more if you received more due to a dependent) or it could be \$0 (if you received no payments for a variety of reasons). Other points to keep in mind:

1. A taxpayer will compute the difference.
2. If a taxpayer is “owed more,” they should expect to receive a credit on 2020 taxes.

3. A taxpayer may keep any advance payment received that exceeded what they “should have received.”

There will likely be cases where a taxpayer received no advance payment (such as a child who was claimed on another’s return as a dependent for 2018 or 2019) but may be entitled to a 2020 credit, resulting in a credit on the 2020 return for persons no longer holding dependent status. But the details are not yet clear if those individuals will have to take into account the amount their parent received.

Clients are welcome to call their Commerce Trust Company relationship manager to arrange a discussion. \*

\*Always consult with your CPA and professional advisor on matters involving taxes.

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