



COVID-19 and Stimulus Payments to Individuals: How the 2009 Economic Recovery Payment Worked

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In response to concerns about an economic slowdown due to the Coronavirus Disease 2019 (COVID-19) outbreak, [some lawmakers](#) have expressed interest in providing direct cash payments to Americans. One option to provide such payments would be to establish a new advanced refundable tax credit, as was done in 2008 with “[recovery rebates](#).” Although this option would disburse payments to the vast majority of Americans relatively quickly, it would not directly help those who do not file a federal income tax return. A [2017 study](#) found that “nonfilers” were more likely to be seniors or recipients of public assistance than those who filed a tax return.

To provide direct cash payments to nonfilers, lawmakers could consider providing such payments through existing programs for certain vulnerable populations. To assist lawmakers in assessing the merits of such a proposal, this Insight examines the [2009 Economic Recovery Payment \(ERP\)](#), which was a one-time \$250 payment made to most individuals who received recurring cash benefits from the Social Security Administration (SSA), the Railroad Retirement Board (RRB), or the Department of Veterans Affairs (VA).

Overview

The ERP was established as part of the American Recovery and Reinvestment Act of 2009 (ARRA; P.L. 111-5). [Section 2201](#) of ARRA provided a one-time payment of \$250 to the following groups:

- Adult Social Security beneficiaries;
- Supplemental Security Income (SSI) recipients of all ages;
- Adult railroad retirement annuitants; and
- Adult VA disability compensation or pension recipients.

The ERP was not available to dependent minor or student children who might otherwise receive benefits under Social Security, railroad retirement, or VA’s programs, nor was it available to SSI recipients who received a [personal needs allowance](#).

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To qualify, an individual must have been eligible for benefits under one of the aforementioned programs for at least one month during the three-month period prior to ARRA's enactment (i.e., eligible for benefits between November 2008 and January 2009). Individuals were ineligible for the ERP if they resided outside of the [United States](#) or had their benefits suspended during the qualifying month prior to ARRA's enactment because they were (1) incarcerated, (2) a fugitive felon, (3) a probation or parole violator, (4) not lawfully present in the United States, or (5) found to have committed fraud.

Each eligible individual received the ERP. Thus, a married couple composed of two eligible individuals received \$500 in combined payments (\$250 each). However, ARRA specified that no eligible individual could receive more than one payment, even if he or she were eligible for benefits under multiple programs (e.g., Social Security and VA disability compensation). In addition, the ERP [reduced](#) the amount of the [Making Work Pay tax credit](#), which was another stimulus measure in ARRA.

ARRA specified that the ERP was not subject to federal income tax, and it provided the ERP with certain garnishment protections, although the ERP was still subject to the [Treasury Offset Program](#). ARRA also provided that the ERP could not be treated as income, or as a resource for the month of receipt and the following nine months, in determining the individual's eligibility or assistance amount under any federally funded public program. ERPs and administrative costs were financed by general revenues.

Legislative History and Rationale

The House version of ARRA would have provided for a one-time payment to SSI recipients equal to the average monthly SSI payment. In justifying the payment, Representative Carolyn Kilpatrick [noted](#) that ARRA "focuses on addressing the needs of those who need assistance most" and SSI recipients would be more likely to spend the payment quickly because they have "very low incomes."

The Senate version of ARRA would have set the one-time payment equal to \$300 and extended it to Social Security, RRB, and VA beneficiaries. Then-Senate Finance Committee chairman Max Baucus [said](#) the provisions in ARRA (including the one-time payment) were designed to "counteract weak consumer demand and spending slowdowns."

The [conference agreement](#) followed the Senate version but set the payment level at \$250. Representative Paul Kanjorski [remarked](#) that by providing the ERP to retirees and disabled individuals, the payment was designed to "help more people without jobs." Meanwhile, Senator Sheldon Whitehouse [noted](#) that the ERP provided "extra help from the Federal Government" for vulnerable seniors.

Implementation

ARRA required [SSA](#), [RRB](#), and [VA](#) to work with [Treasury](#) to coordinate and certify the eligibility of each ERP recipient. Administering agencies sent out notices to identified individuals in advance of receiving the ERP, as well as provided [FAQs](#) on their websites.

Treasury was required to start disbursing ERPs no later than 120 days (4 months) after enactment of ARRA (February 17, 2009), and no payments were to be made after 2010. Treasury disbursed most ERPs in May 2009, as well as a "catch-up" payment in December 2010 for individuals identified as eligible after the initial disbursement date ([Table 1](#)). SSA considered the May 2009 timeframe to be "[a major accomplishment](#)," given the short statutory deadline for initial payments. Treasury ultimately issued more than [55.2 million ERPs, totaling over \\$13.8 billion](#).

Table I. Economic Recovery Payment (ERP) Schedule

Milestone	Completion Date	Days Since Enactment of ARRA (Feb. 17, 2009)
First Social Security payments	05/07/2009	79
SSI payments	05/18/2009	90
Last Social Security payments	05/28/2009	100
RRB payments	05/29/2009	101
VA payments	06/30/2009	133
“Catch-up” payments	12/31/2010	682

Source: U.S. Department of the Treasury.

Discussion

The congressional rationale for the ERP was twofold: (1) to provide assistance to certain vulnerable populations and (2) to stimulate economic activity through consumer spending. A [2012 study](#) analyzed the answers to a 2009 household survey on certain stimulus measures created in 2008 and 2009. It found that most ERP recipients were aged 65 or older, had household income at or below \$35,000, and had little or no wealth in stocks. With respect to how recipients used the ERP, the study found that 30% mostly spent it, 29% mostly saved it, and 41% mostly paid down debt with it.

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