



COVID-19 and Stimulus Payments to Individuals: How Did the 2008 Recovery Rebates Work?

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In response to [concerns about an economic slowdown stemming from the COVID-19 pandemic](#), policymakers have been considering a broad array of policy options. Some are targeted directly toward [individuals](#) and [industries](#) that may be most affected. Others would [more broadly seek to stimulate the economy](#). Among this latter category of policies, some have [proposed direct cash payments](#) sent to virtually all U.S. households.

In 2008 Congress enacted direct cash payments—[the 2008 recovery rebates](#)—that were tax credits advanced to households that had filed an income tax return. A portion of these credits were refundable and hence available to taxpayers with little to no income tax liability, including many low-income filers. (For answers to some common questions about advanced refundable tax credits, see [CRS Insight IN11247](#)). This Insight provides a brief overview of how those 2008 recovery rebates worked.

2008 Recovery Rebates

On January 28, 2008, the House introduced H.R. 5140, which was enacted into law as P.L. 110-185 two weeks later. The law included 2008 recovery rebates for individuals that were credits against 2008 income taxes. [The recovery rebate for a given taxpayer was equal to \(1\) a \\$300-\\$600 basic credit amount per individual, plus \(2\) an additional \\$300 per-child credit amount](#). These credit amounts were phased out for higher-income taxpayers.

Calculating the Credit Amount

The basic credit was equal to the greater of the following:

- (1) the taxpayer's *net income tax liability* up to \$600 (\$1,200 for married joint filers). Net income tax liability was effectively pre-EITC and pre-child tax credit income tax liability—or

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- (2) \$300 (\$600 for married joint filers) if the taxpayer had *qualifying income*. For the purposes of the basic credit, qualifying income was either (a) at least \$3,000 in total of some combination of earned income, social security income, or veterans' benefits, or (b) gross income above the taxpayer's standard deduction plus a personal exemption (two personal exemptions for married joint filers) and \$1 of net income tax liability.

The child credit was \$300 for each of the taxpayer's children that qualified for the permanent child tax credit. Taxpayers could only receive the supplementary child credit if they were eligible to receive the basic credit.

The total credit—basic credit plus child credit—was phased out at a rate of 5% of adjusted gross income (AGI) above \$75,000 (\$150,000 for married joint returns). Higher-income taxpayers not subject to the phaseout would tend to receive a larger basic credit, while lower-income taxpayers would tend to receive a smaller basic credit.

Other Provisions of the 2008 Recovery Rebates

- **SSN Requirement:** Taxpayers had to provide social security numbers (SSN) for themselves, their spouse (if married filing jointly), and any child for whom they claimed the supplementary child credit. Taxpayers who [provided an individual taxpayer identification number \(ITIN\)](#) were ineligible for the credit.
- **Nonresident Aliens:** The credit was not available to [nonresident aliens](#).
- **Territories:** The law included a provision requiring the U.S. Treasury to make payments to [territories \(mirror code and non-mirror code\)](#) equal to the aggregate amount of credits claimed by their residents.
- **Interaction with Means-Tested Programs:** 2008 recovery rebates were not included in income (for the month they were received and the following two months) in determining eligibility for, or the amount of, any federally funded public benefit program. (A [similar provision](#) is now permanent law for all refundable credits.)
- **Subject to Offset for Past-Due Debts:** All or part of an economic stimulus payment [could be applied to back taxes or certain other debts of the taxpayer](#), such as delinquent child support and student loans.

Advancing the 2008 Recovery Rebates

The law also included a provision to [advance the credit during 2008](#). Without this advancing provision, taxpayers would have received the recovery rebates when they filed their 2008 income tax returns in early 2009.

The advanced credit amount was estimated using the same formula as the 2008 recovery rebates, but based on taxpayers' 2007 income tax return information. Hence, the IRS evaluated information on taxpayers' 2007 returns, determined the credit amount as described above, and began to [advance the recovery rebate by the end of April 2008](#). Taxpayers that had filed their 2007 tax returns and received a refund via direct deposit also received the 2008 recovery rebates via direct deposit. (They also generally [received their advanced recovery rebate within two weeks](#) of payments going out.) Otherwise, paper checks were mailed out to taxpayers using address information collected from their 2007 income tax returns. In other words, taxpayers had to file a 2007 income tax return in order to receive the recovery rebate check in 2008.

However, taxpayers that did not receive the advanced credit, perhaps because they did not file a 2007 income tax return, [could receive it when they filed their 2008 income tax return](#) at the beginning of 2009.

According to the Treasury Inspector General for Tax Administration (TIGTA), “The IRS issued more than \$96 billion in advanced economic stimulus payments to more than 119 million individuals in Calendar Year 2008 and approximately \$8.5 billion in recovery rebate credits to almost 21 million taxpayers as of April 17, 2009.”

If taxpayers received a larger advanced credit in 2008 than they were eligible for, they *were not* required to repay the excess credit. For example, if a single parent had \$600 in net income tax liability and one qualifying child in 2007, the IRS would advance the taxpayer a \$900 recovery rebate (\$600 basic credit plus the \$300 supplemental child credit). If, in 2008, the taxpayer’s income tax liability remained the same, but their child actually ended up living with their ex-spouse—and therefore was not the taxpayer’s qualifying child for the \$300 supplementary child credit in 2008—their actual recovery rebate would have been \$600, a \$300 difference. However, under the law, the taxpayer would not need to pay back this excess amount.

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