

Questions & Answers About The Economic Stimulus Act of 2008

On February 13, 2008, President George W. Bush signed into law the Economic Stimulus Act of 2008 which, among others things, authorized the IRS to send out economic stimulus payments – commonly known as rebates.

This Question and Answer piece is intended to provide information to those seniors who have low income, receive only Social Security benefits, Railroad Retirement benefits, or certain veterans benefits, **and who ordinarily would not file a Federal income tax return** and yet are entitled by law to receive a rebate.

IRS Announcement

The Internal Revenue Service (IRS) announced on Friday, February 15, 2008, that the only way to receive a rebate from the economic stimulus package is to file a tax return. The IRS noted that some people who do not normally need to file returns, such as Social Security recipients, veterans' benefits recipients, and those with low income, will be eligible to receive payments. But to do so they must file a tax return. The IRS has also made available online instructions, including a sample Form 1040A, on its website for these special groups on how to fill out the form. This piece follows the instructions made available by the IRS and answers many of the questions raised there and in other forums. However, our primary focus here is providing information for Older New Yorkers with low-income or whose sole source of income is Social Security and/or veteran's benefits. You may find the IRS information on rebates by visiting www.irs.ustreas.gov.

Rebate Q & A

Q: Who is eligible for the rebate payments?

A: Anyone who received qualifying income of \$3,000 or more will be eligible to receive a payment.

Q: What is qualifying income?

A: Qualifying income is any combination of the following that totals at least \$3,000:

- Earned income, such as wages from a job or net self-employment income;
- Social Security benefits;
- Railroad Retirement benefits; and,
- Veterans' disability compensation, pension or survivors' benefits received from the Department of Veterans Affairs in 2007.

Q: Does Supplemental Security Income (SSI) count as qualifying income?

A: SSI does not count as qualifying income for the stimulus payment.

Q: How do I get my payment?

A: Most taxpayers do not need to take any extra steps to receive the payment. However, those who with low income, or who receive Social Security benefits, Railroad Retirement benefits, or Veteran's benefits will need to file a Federal income tax return even if they did not have to file one in the past.

Q: Will the rebate affect my eligibility for Federal benefits such as Food Stamps, Medicaid, Social Security, or temporary assistance for needy families (TANF)?

A: For purposes of determining eligibility for any Federal benefit, the rebate payments will not count as income for the month in which it is received. It also will not be considered a resource for the following two months. At the end of this period, any amount of the rebate left unspent will be considered a countable resource.

Q: I am in a nursing home and on Medicaid; will I have to spend my rebate payment toward my nursing home?

A: For the month in which the rebate is received, and the two months thereafter, the rebate will not have to be spent toward the cost of nursing home care. Only countable income and resources have to be spent down toward the cost of care when you are on Medicaid. It also would not count toward your personal needs allowance for the same reason. Again, however, at the end of this period, any amount of the rebate left unspent will be considered a countable resource and available to use toward the cost of care.

Q: What is the deadline for filing?

A: Your Federal tax return should be postmarked no later than April 15, 2008.

Q: When will I receive my payment?

A: The IRS expects to start sending out payments in May.

Q: What form do I have to file?

A: You will have to file either a Form 1040 or a Form 1040A. For most low income filers, or for those whose sole source of income is Social Security, Form 1040A will do.

Q: I haven't filled out one of these forms in years. What information do I need?

A: Depending on your source of income, you will need:

- A W-2 form from any employment you may have had during calendar year 2007, if any.
- The net amount of income you received from self-employment, if any.
- The 2007 Form 1099-SSA for Social Security benefits which you should have received in January 2008.
- The 2007 Form 1099-RRB for Railroad Retirement benefits which you should have received in January 2008.
- The sum of veterans' disability compensation, pension or survivors' benefits received from the Department of Veterans Affairs in 2007.

People who do not have a Form 1099 may estimate their annual benefit by taking their monthly benefit, multiplying it by the number of months during the year they received the benefits, and entering the number on Line 20a of Form 1040 or Line 14a of the Form 1040A. Again, Supplemental Security Income (SSI) does not count as qualifying income for the stimulus payment.

Q: Where do I get a Form 1040A?

A: You can obtain a Form 1040A from your local post office or from many Federal Offices. You may also visit www.irs.gov/formspubs to download forms and publications, or call 1-800-829-3676 to request a form, or write to the National Distribution Center, P.O. Box 8903, Bloomington, IL 61702-8903 and receive a response within 10 days after your request is received.

Q: How do I fill out Form 1040A if I am just filing to receive a rebate?

A: It is very simple. All you need to do is:

1040a Step-By-Step - See Sample Form 1040A

At the top of the form: Write the words "Stimulus Payments".

In the "Label" section: Fill in your name, address, and Social Security Number where requested. Fill in the same information for your spouse if you are married and wish to file a joint return.

Line 7: Enter wages, salaries, and other income reported on a W-2, if any. Also, if you were self-employed, enter the net amount of income received.

Line 14a: Enter the amount of Social Security benefits received here. The IRS also instructs you to enter the amount of Railroad Retirement Benefits and qualifying Veteran's benefits here.

For Direct Deposit: If you want your payment deposited directly into your bank

account, specify the routing number, type of account, and account number where requested on Lines 44b, 44c, and 44d.

Signature: You and your spouse, if applicable, should sign and date the form where indicated at the bottom of page 2.

Q: What if I need help filling out the form?

A: According to the IRS, individuals who need to file a return this year to receive a stimulus payment may be able to take advantage of thousands of free tax preparation sites nationwide for low-income and elderly taxpayers.

The **Volunteer Income Tax Assistance (VITA)** program provides help to low- and moderate-income taxpayers. Call 1-800-906-9887 to locate the nearest VITA site. The **Tax Counseling for the Elderly (TCE)** Program provides free tax help to people age 60 and older. As part of the IRS-sponsored TCE Program, AARP offers the Tax-Aide counseling program at more than 7,000 sites nationwide during the filing season. To find an AARP Tax Aide site call 1-888-227-7669 or visit the AARP Web site at www.aarp.org.

Q: How much will I receive?

A: If you have the necessary minimum qualifying income of \$3,000 you will receive at least \$300, \$600 for taxpayers who file a joint return. The maximum amount will be \$600 for individuals and \$1200 for taxpayers who file a joint return. The official IRS web site, www.irs.gov, will soon have an online tool which will allow taxpayers to calculate the amount of their advance payment and to check on the status of their specific payment.

Q: What if I am custodian or guardian of a child?

A: Anyone else eligible for a stimulus payment will also receive an additional \$300 for each qualifying child. To qualify, a child must be eligible under the Child Tax Credit and have a valid Social Security Number.

Q. Is my stimulus payment taxable?

A. No. You will not owe tax on your payment when you file your 2008 federal income tax return. But you should keep a copy of the IRS letter you receive later this year listing the amount of your payment. In the event you do not qualify for the full amount this year but you do next year, you will need to have the letter as a record of the amount you previously received.

Q. Will the payment I receive in 2008 reduce my 2008 refund or increase the

amount I owe for 2008?

A: No, the stimulus payment will not reduce your refund or increase the amount you owe when you file your 2008 return.

Q: Where can I get additional information?

A: The best source of information is the IRS. You can visit their web site at www.irs.gov or call 1-800-829-1040. The information provided in this technical assistance piece was obtained from the Internal Revenue Service's web site.