

How Did Individual Arkansans Fare Under the CARES Act's First Round Economic Impact Payments?



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The Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, was enacted in March 2020 and created a refundable tax credit for individuals. The advance payments authorized by the CARES Act are referred to as the first round of economic impact payments (First Round EIPs). (This is distinct from a second round of EIPs approved by legislation enacted in December 2021 under the Coronavirus Response and Relief Supplemental Appropriations Act, 2021, which we will conveniently refer to as the Second Round EIP. We won't have data on that second stimulus until a later date.)

To refresh your recollection, Section 2201(a) of the CARES Act added section 6428 to the Internal Revenue Code. Section 6428(a) provides an eligible individual for their first taxable year beginning in 2020 a refundable tax credit of up to \$1,200 (\$2,400 for eligible individuals filing a joint tax return), plus \$500 per qualifying child of the eligible individual. The credit phases out at a rate of 5% of the taxpayer's adjusted gross income (AGI) in excess of certain thresholds. Those thresholds are \$150,000 in the case of a joint return, \$112,500 in the case of a head of household return, and \$75,000 otherwise. Some taxpayers are ineligible for the credit for reasons other than economic thresholds. Those ineligible categories are: (1) nonresident alien individuals, (2) individuals who can be claimed as a dependent by another taxpayer, and (3) an estate or trust. In addition, for joint returns, both spouses must have a valid social security number (SSN), unless either spouse is a member of the U.S. Armed Forces at any time during the taxable year. In that case, only one spouse needs to have a valid SSN to receive the credit.

That AGI determination was made by considering the taxpayer's tax year 2019 return. If a Tax Year 2019 return was not filed, then the individual's Tax Year 2018 return was considered. Eligible individuals who otherwise did not have a tax filing obligation but received Social Security benefits, Railroad Retirement benefits, compensation and pension benefit payments from the Veterans Administration, or Supplemental Security Income received a First Round EIP without having to file a return.

On January 26, 2021, the IRS released [statistics](#) which classify the stimulus plan payments in three ways, by AGI, by state, and by marital status. Turning to state first, 1,540,606 Arkansans (0.95% of the total number of recipients) received a First Round EIP, for a total of \$2,650,191. Those dollars represented just about 0.98% of the \$271,421,554 total. In making those payments, 1,160,351 payments were made electronically, 322,315 by paper check and 57,940 by debit card. Filing status was not broken out by state, but nationally 69,143,801 single filer recipients received a First Round EIP, 46,170,128 joint return filers received a First Round EIP (so by dollars, exceeding the total amount received by single filer recipients), and 21,358,414 head of household filers received a First Round EIP.

Turning to AGI, 26% of the First Round EIPs were paid to those with an AGI of less than \$20,000, 28% had an AGI between \$20,000 and \$49,999, 22% had an AGI between \$50,000 and \$99,999, and 11% had an AGI between \$100,000 and "\$200,000 or more." (I too wondered why we had AGI's exceeding \$200,000. While the EIP phased out at a rate of 5% of the taxpayer's adjusted gross income in excess of \$150,000 for taxpayers filing a joint return (reaching \$0 at \$198,000 with no qualifying children), the IRS reported that in some cases, with the additional \$500 payment for each qualifying child, an EIP was received by taxpayers with AGI greater than \$200,000.)

We'll update these figures once we have Second Round EIP figures, which are likely to come this fall.