

ECONOMY

Third Stimulus Check: When Are the \$1,400 Payments Coming and Who Is Eligible?

Key details on income, dependent eligibility for new round of relief payments in newly enacted relief package

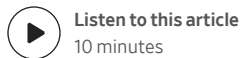


The latest payments are \$1,400 per household member, including adults, children and adult dependents.

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WASHINGTON—Another round of stimulus checks is coming soon now that President Biden has [signed the coronavirus relief legislation into law](#), and money could start reaching people's bank accounts as soon as this weekend.

When are the payments coming?

White House Press Secretary Jen Psaki said direct deposits could begin reaching bank accounts as soon as this weekend. The Internal Revenue Service might release more information soon about the schedule.

The IRS has recent experience sending out payments, and that is a good guide for what to expect now. Last year, when former President Donald Trump signed the first big relief bill in March, the bulk of direct deposits arrived within about two weeks. The second round of payments, approved in December, hit bank accounts within a few days after Mr. Trump signed them into law.

How big are the payments?

The latest payments are \$1,400 per household member, including adults, children and adult dependents such as college students and elderly relatives. Adult dependents were ineligible for prior rounds of payments.

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The \$1,400 comes on top of the \$600 approved in December, so people will be receiving a total of \$2,000 between the two rounds of payments, fulfilling a Democratic promise.

A married couple with two children will receive up to \$5,600. That is more than the \$3,400 maximum payment in last year's first round for that household and the \$2,400 maximum from the second round.

How will the payments arrive?

The IRS will send payments using the direct deposit information it has on file and will try to provide as many people as possible with these faster electronic payments. If it doesn't have that information, it will send paper checks or debit cards, which will take longer to arrive.

Are there income limits?

Yes. Individuals with adjusted gross income up to \$75,000, heads of household with AGI up to \$112,500 and married couples with AGI up to \$150,000 will get the full payments. Above that, the payments phase out.

Unlike in prior rounds, households just above the limits for full payments will see sharp declines in how much they receive. Individuals with AGI of \$80,000, heads of household with AGI of \$120,000 and married couples with AGI of \$160,000 will get nothing.

What information will the IRS use to determine the size of payments?

The government will use the information it has on file from the 2020 tax return if that has been processed. It will use information from the 2019 tax return if that is the only one available to the government.

Even people who don't file tax returns or have no income are eligible. The IRS will use information from the non-filers internet portal that the government operated last year to determine eligibility for payments, said White House press secretary Jen Psaki.

What if my 2019 income was too high to qualify but I haven't filed my lower-income 2020 return yet?

You can try to file your 2020 return quickly to qualify for the larger amount. However, even if you don't get your tax return in before the payments go out, you aren't out of luck. The bill authorizes the IRS to use 2020 returns and top up any payments if necessary later this year.

For example, if your 2019 income as an individual was \$85,000 and your 2020 income was \$70,000, you will get nothing if the IRS has only your 2019 return. If you file your 2020 return quickly enough to be processed before the payments go out, you could get the full \$1,400 now. If you wait to file your 2020 return, you would get the \$1,400 at some later point this year. The IRS hasn't provided details yet on this process.

What if I qualify based on 2019 income but not on 2020 income? Can I just wait

to file my tax return?

Yes. The IRS will issue payments based on 2019 data if it doesn't have 2020 information. And the bill specifically doesn't allow the government to take back any such payment. The payments are also not taxable income.

So if your 2019 income as an individual was \$70,000 and your 2020 income was \$85,000, you would get nothing if you have already filed your 2020 return. But you could wait to file your 2020 return until after you get the full \$1,400.

Are there still ways to reduce my 2020 adjusted gross income before I file my return?

Yes. If you are close to making the maximum income to be eligible, options for lowering that number could include making a contribution to an individual retirement account. [Here's a story](#) from The Wall Street Journal's Laura Saunders on some of those possibilities.

What is the filing deadline?

The deadline is still April 15 except in Louisiana, Texas and Oklahoma, where it was extended to June 15 because of the recent winter storms. Filers can generally get a six-month extension, though they have to pay taxes by the original due date.

Does my 2021 income matter? Is there any way to qualify for a payment if my income is dropping this year?

Yes. Just as with the first two rounds of payments, there is a process that allows people who don't get the full amount now to claim the rest on their 2021 tax return.

So if your income as a married couple was \$175,000 in 2019 and \$165,000 in 2020, you will get nothing from this round of payments. But if your 2021 income is under \$150,000, you can get the full \$2,800 as part of the 2021 tax return you will file in 2022.

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That is a powerful incentive to find ways to reduce your adjusted gross income without leaving you worse off.

The numbers can get strange for some households. For example, a married couple with four children that made \$160,000 in 2019 and 2020 would get no payments now. But if the same couple makes only \$150,000 in 2021, it would get \$8,400 on its 2021 tax return that would either shrink the taxes it owes or increase its tax refund. In addition, the couple would also get a larger child tax credit and \$2,200 in income-tax savings.

The result: The family would be better off after taxes if it made less money before taxes.

So what are some of those strategies to reduce 2021 income?

One is to increase contributions to 401(k) plans and other workplace retirement accounts. Those amounts are subtracted before adjusted gross income is calculated. So what you are essentially doing is setting money aside for the future and getting more money back from the government in the short term.

Taxpayers who own businesses can also look to defer income to 2022 or accelerate

business deductions during 2021.

What about babies?

If you have a baby during 2021 and end up within the income range that qualifies for a payment, you can claim \$1,400 on your 2021 tax return.

What can I do if I didn't get the full amounts I was entitled to from the first two rounds of payments?

There is still time to claim any missing payments by using your 2020 tax return. That can include payments you just didn't get or partial payments that would be full payments based on your 2020 income and household composition.

On the tax return, it is line 30, the Recovery Rebate Credit, and the amount you get will be added to your refund or subtracted from your tax bill. There are some challenges. One is that taxpayers have to use 2020 information. Someone who got a partial payment based on 2019 income can't claim the Recovery Rebate Credit for the remainder if their 2020 income is too high to qualify.

And the government may seize tax refunds for back taxes and other debts, where it wasn't doing so from the separate payments made after the March and December laws. It is expected that the IRS will match Recovery Rebate Credits and stimulus payments to detect improper double dipping.

Can the IRS grab payments for back taxes and child support?

No. The law prohibits the IRS from taking this round of payments for those debts. However, that same rule doesn't apply when people claim the payments as Recovery Rebate Credits on tax returns and get the payments as part of their regular tax refunds.

Will the payments be protected from garnishment once they land in bank accounts?

No. Because of the procedure that Congress is using to approve the payments, those limits—included in December's law—don't apply. Existing garnishment orders will continue to be enforced. Bankers and consumer groups have asked Congress to pass a separate law protecting the payments.

Mr. Trump's name appeared on stimulus checks when he was in office. Will Mr. Biden's name be on the new checks?

No. "This is not about him," Ms. Psaki said. "This is about the American people getting relief."

What questions do you have about the third round of proposed stimulus checks?

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