



# LEGAL AID OF NEBRASKA

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## ECONOMIC STIMULUS PAYMENTS (TAX REBATES)

A guide from Low-Income Tax Clinic and Consumer Law Task Force

### What Do I need to Know about Economic Stimulus Payments?

- You must file a 2007 Federal Income Tax Return to get an Economic Stimulus Payment. This payment will be separate from your 2007 tax refund. IRS will start making these additional payments in early May of 2008.
- Economic Stimulus Payments will be from \$300 to \$600 per person depending on your income and the amount of tax you pay. The IRS will calculate the amount of your payment for you.
- To qualify for the minimum payment of \$300 you must report at least \$3000 of "qualifying income" on your 2007 tax return. There are maximum income limits as well. The payments will be reduced by 5% of the amount of income in excess of \$75,000 for individuals and \$150,000 for those filing jointly.
- If you do not pay any tax and have less than \$3,000 in qualifying income you will not get an Economic Stimulus Payment.

### Qualifying Income

Normally Social Security, Railroad Retirement and certain Veteran's benefits are not subject to income tax. However, the stimulus package contains a special provision allowing these benefits to count towards the "qualifying income" minimum amount of \$3,000. SSI **does not** count as qualifying income.

### Limitations:

- All taxpayers must have a valid Social Security Number (SSN) to qualify.
- To receive an additional payment of \$300 per child you must be able to claim the dependency exemption for each child, the child must be under age 17, the child must have a valid SSN and you must be able to claim the Child Tax - Credit for each eligible child.
- You cannot get the credit if someone else claims you as a dependant on their return.

### How to report other "qualifying income".

For the purpose of meeting the qualifying income amount, benefits should be reported on Line 20a of form 1040 or line 14a of 1040A. Qualifying Benefits would include amounts of Social Security reported on a 2007 form 1099-SSA, if you didn't receive one or lost it you can estimate this amount by multiplying your monthly benefit (for 2007) by 12. Also qualifying are railroad retirement benefits listed on form 1099-RRB and the sum of any veteran's disability compensation, pension or survivor's benefits received from the Dept. of Veteran's Affairs in 2007. These benefits should also be listed on Line 20a of form 1040 or line 14a of form 1040a. If your only reason for filing a return is to report "qualifying income" that is ordinarily not taxed but is necessary to receive a stimulus payment; write "Stimulus Rebate" on the top of your tax form. Also be sure that if the only income you are reporting is Social Security, Railroad Retirement, or Veteran's Benefits that you leave the line for "taxable amount" blank; line 14b on form 1040a or line 20b on form 1040.

**The IRS says that the payments will not count as income toward other income-based government benefits, such as Social Security benefits, food stamps and other programs.** If held for too long, the amounts you receive may count as an "asset" that could have an effect on your eligibility for certain programs. You should receive two notices from the IRS concerning the Economic Stimulus Payments. The first is a general notice and the second will confirm that you qualify, give the payment amount and approximately when you will receive your payment. Taxpayers will need to save the second notice to assist them when they file their 2008 tax returns. If you had your 2007 Federal Income Tax refund directly deposited into your bank account that will be the same method used to deposit your stimulus payment. You won't need to do anything else to get the payment directly deposited. If you do not want the payment sent to the same account you must contact your financial institution to make the changes, the IRS will not change it. If you have closed your account the IRS will issue a paper check after it is confirmed that the direct deposit was not successful. Remember direct deposit is the fastest way to receive your refund or stimulus payment.

### Collection Issues:

If a creditor has a judgment against you, your Economic Stimulus Payment may be garnished if it is deposited in your bank account. If your bank account is garnished, you may ask for a hearing to show the judge that the bank account is exempt, or protected from your creditors. The Economic Stimulus Payment is considered personal property and it can be taken for payment of a debt under some circumstances. There are limits as to how much money you may have in your account and still protect it from your creditors. Please refer to the debt collection brochure which outlines property protections and discuss your case with the AccessLine® to get specific advice about your situation.



### Frequently Asked Questions

**Q?: I have a bank account that is only for my Social Security payments should I have my Economic Stimulus Payment directly deposited there?**

A: If you have a bank account that is only for Social Security payments, so that you can protect the funds from your creditors, you should NOT put your Economic Stimulus Payment in that account. In that case, you should not request direct deposit on your 2007 return and instead receive a paper check or have the money directly deposited into a different account.

**Q?: What do I do if I haven't filed my 2007 taxes by the April 15<sup>th</sup> deadline?**

A: While it is best to file your taxes before the deadline, if you are only filing to get the Economic Stimulus Payment then you can file a late return (without filing an extension) until October 15<sup>th</sup> and still qualify for a payment.

**Q?: I've already filed my 2007 tax return and I didn't request the payment, what should I do.**

A: If you listed more than \$3000 of qualifying income on your return you don't have to do anything to receive the payment. If you have already filed a 2007 Federal Income Tax return and did not list qualifying income (such as Social Security or Veteran's Benefits) you can still file an amended return (1040x) and qualify for the payment. Only file an amended return if the amounts of qualifying income that you didn't previously report are necessary to get over the \$3000 minimum requirement.

**Q?: What if I move to a new address between filing my 2007 return and receiving my Economic Stimulus Payment?**

A: If anyone moves after filing their 2007 return they should file a change of address with the IRS (Form 8822) and with the Post Office, to be sure they get their payment.

**Q?: Is there somewhere where I can get free help in filing my 2007 tax return?**

A: Yes, The Volunteer Income Tax Assistance (VITA) Program provides help to low and moderate income taxpayers. Call 1-800-906-9987 to locate the nearest VITA site. A list of all Nebraska locations is also available at [www.legalaidofnebraska.com](http://www.legalaidofnebraska.com). Additionally 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 Aid site call 1-888-227-7669 or visit the Legal Aid of Nebraska web site.

**Q?: Can I use my Economic Stimulus Payment for bills?**

A: Yes. The money is your to spend in any way that you like. We want to make sure that *you* are making the decisions about how to spend the money and that your money is not taken from you or you are not persuaded to do something with the money that you would not otherwise do. As always, we at Legal Aid counsel people to spend money on the necessities of life first - rent or house payment, food, medical care, utilities, and *then* pay other bills. We would encourage you to think about necessities that you sometimes put off such as clothing, car repairs or maintenance, stocking the freezer or cupboard with food, and gasoline for vehicles. If your families needs are taken care of and you want to use the money to pay bills that would otherwise not be a priority, then by all means, use the money in that way.

**Q?: I'm eligible for a payment but I still owe federal income tax from a prior year. Will my payment be reduced?**

A: Yes. For this purpose, the stimulus payment is treated like any other tax refund. This means that part or all of your payment can be used to pay past-due federal or state income taxes or non-tax federal debt such as student loans and child support. If this occurs, you will receive a letter explaining how the stimulus payment was applied.

**Q?: Should I file taxes even if my payment will be intercepted for past due taxes, or child support, or other debts that has caused my refund to be intercepted in the past?**

A: Yes, you should file even if you won't get the money. This payment will be applied toward a debt that is not dischargeable in bankruptcy. This payment will help in paying down that debt, which will be a benefit too.

**Q?: Where can I go to get more information on the Economic Stimulus Payments?**

A: More information can be found at [www.legalaidofnebraska.com](http://www.legalaidofnebraska.com) or at [www.irs.gov](http://www.irs.gov) or call Legal Aid of Nebraska's AccessLine® at 1-877-250-2016 or in Omaha 402-348-1060. If you are age 60 or over you can get more information by calling our ElderAccessLine® at 1-800-527-7249 or in Omaha 402-827-5656.

