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Economic Stimulus Act of 2008 – Taxpayer Rebate

Dear Clients and Friends:

You've probably heard that beginning May 2008, as part of the Economic Stimulus Act of 2008 (ESA), the U.S. government is going to be providing tax rebates to over 130 million taxpayers who meet certain eligibility requirements.

The tax rebates allowed by this tax act apply only to individual taxpayers. Business entities aren't entitled to them, nor are estates and trusts. In general, the tax act gives \$600 to individuals, \$1,200 to married taxpayers filing a joint return and \$300 to low-income, social security recipients, disabled veterans and the elderly. Taxpayers claiming the child tax credit will receive an additional \$300 for each qualifying child. Higher-income earners will have their tax rebates reduced by \$50 for every \$1,000 of adjusted gross income above \$75,000 for single taxpayers and \$150,000 for married taxpayers filing a joint return. The tax rebates phase out completely at \$87,000 in adjusted gross income for single taxpayers and \$174,000 for a married taxpayers filing a joint return. While the tax rebate is for the 2008 tax year, the IRS will calculate the payment amount based upon your 2007 tax return.

Please note that tax rebates will be treated in the same fashion as regular tax refunds in that they will be used to offset outstanding tax and non-tax liabilities. These include outstanding student loans, state tax debts, and unpaid child support.

You should receive two notices from the IRS concerning your tax rebate. The first notice, at a cost of \$41.8 million to print, process and mail, will be general in nature, informing you that the IRS is preparing to disburse tax rebate payments beginning in May 2008. The second notice will be more specific, informing you how much of a tax rebate to expect and when it should arrive. If you want to determine the amount of your tax rebate in advance of receiving the second IRS notice, you can go to irs.gov where the IRS has a "rebate calculator" which allows you the ability to determine the amount of your rebate. Please retain the IRS notices with your 2008 tax records.

Be aware that identity thieves posing as IRS representatives are trying to trick taxpayers into revealing their personal information by falsely telling them they must provide information to get their rebate. It is important to note that the IRS will not call or email you regarding the tax rebates, nor will they ask you for financial information. Scam emails and information about scam calls should be forwarded to phishing@irs.gov

Common questions surrounding the tax rebate are outlined below:

What are the eligibility requirements? To receive a tax rebate you must be an eligible individual. As defined by ESA, an eligible individual is any individual other than a nonresident alien, illegal immigrant, a dependent of another or an estate or trust. Tax rebates will not be available if the tax return does not include social security numbers. Thus, individuals with Individual Taxpayer Identification numbers (ITINS) issued by the IRS will not be deemed an eligible individual for tax rebate purposes.

Who is a qualifying child? To qualify, a child must be under the age of 17, live with you for more than half of the year, and be your son, daughter, stepson, stepdaughter, brother, sister, stepbrother, stepsister, or descendant of any such individual. In addition, the child must not have provided more than half of his or her own support.

How will I receive this rebate? Tax rebates will automatically be direct deposited where direct deposit was elected with the 2007 tax return filing. If you file your 2007 tax return but don't elect to include direct deposit information, you will receive your tax rebate by paper check. Tax rebates will be issued after the 2007 tax return is filed. Taxpayers who file extensions will receive their tax rebates later. No tax rebate direct deposits or paper checks will be issued after December 31, 2008. The IRS will begin tax rebate payments in weekly installments based on the last two digits of your social security number. The initial recipients will be those whose social security numbers end between 00 and 20, and who have elected to receive their tax rebates by direct deposit. For those who don't use direct deposit, paper checks will be sent starting May 16.

Here is the payment schedule as provided by the IRS:

Direct Deposit Payments	
If the last two digits of your Social Security number are:	Your economic stimulus payment deposit should be sent to your bank account by:
00 – 20	2-May
21 – 75	9-May
76 – 99	16-May
Paper Check	
If the last two digits of your Social Security number are:	Your check should be in the mail by:
00 – 09	16-May
10 – 18	23-May
19 – 25	30-May
26 – 38	6-Jun
39 – 51	13-Jun
52 – 63	20-Jun
64 – 75	27-Jun
76 – 87	4-Jul
88 – 99	11-Jul

What if I don't have to file a 2007 tax return – will I still receive a rebate? This is where it gets tricky. You can't get a tax rebate unless you file a 2007 return. Therefore, many people who normally don't have to file a return will have to do so in order to get a tax rebate. The IRS has attempted to ease this process by allowing taxpayers to file a limited-entry Form 1040A or by filing a tax return electronically and only reporting \$1 of reportable income. In addition, the IRS has a free online tax preparation filing resource called "Free-File" located at irs.gov.

Will I have to include the rebate amount as income on my 2008 tax return? The tax rebates will not be included as taxable income in 2008. The tax rebate that you receive after you file your 2007 return usually won't affect your 2008 taxes on the return you file in 2009. If it does affect your 2008 taxes, it can only be in a good way. When your 2008 taxes are prepared in 2009, the rebate will be calculated based upon your 2008 taxes. It could be higher or lower than the rebate you received from the IRS in 2008 that was based on your 2007 taxes. If it is higher, you will receive an additional tax credit that will lower your 2008 tax liability for the difference. If the tax rebate you should have received as calculated by your 2008 taxes is lower than what you actually received, you won't have to pay the difference back.

If you have further questions, the IRS has a very helpful tax rebate question and answer resource located at irs.gov, or you can contact your Whalen representative at 614-396-4200.

Whalen & Company

Whalen & Company, CPAs and Consultants