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COVID-19 and Direct Payments to Individuals: Estimated Impact of Recovery Rebates in H.R. 748 on Family Incomes

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H.R. 748 (CARES Act), as passed by the Senate on March 25, 2020, includes many provisions designed to provide emergency relief to the economy in response to the effects of the COVID-19 pandemic. One such provision of H.R. 748 is the "2020 recovery rebate," a direct payment made to individuals. Similar "recovery rebates" were sent to individuals in response to the 2001 and 2008 recessions. Several Members of Congress have recently proposed varying forms of direct payment, and two earlier versions of the CARES Act (S. 3548 and a draft circulated on March 22, 2020) also included a direct payment proposal. The direct payment in H.R. 748 is structured similarly to the 2008 recovery rebates. The rebate takes the form of an advance refundable tax credit, and would rely on the tax system to pay the credit to eligible individuals. As such, this Insight refers to eligible individuals as "taxpayers."

In general, taxpayers would be eligible for a rebate of $1,200 ($2,400 if the taxpayer is a married couple filing jointly). Taxpayers could increase the amount they receive by $500 for each child that they could claim for the child tax credit. The rebate amount would gradually phase out for higher-income taxpayers. H.R. 748 includes other provisions related to the timing of rebate payments, the information used to determine the rebate amount, and administrative challenges related to paying the rebate.

How much would family incomes increase due to the direct payment proposed in H.R. 748?

Policymakers may consider the extent to which a direct payment could increase family income. To estimate the potential impact of the 2020 recovery rebates, CRS calculated the amount that families would receive under the proposal in H.R. 748. CRS then compared the estimated rebate a family would receive to their estimated monthly income. **Table 1** presents families' median estimated monthly income and the median percentage of monthly income that families would receive as a rebate. These estimates are broken down by the ratio of family income to the poverty threshold to show the impacts of the 2020 rebate across the income distribution.

Table 1 estimates that the median family living in poverty would receive a rebate that amounts to 182% of the amount of the family's monthly income. The median refers to the midpoint of the distribution—

50% of families in poverty would receive a rebate that is less than 182% of their estimated monthly income, while 50% of families in poverty would receive a rebate that is greater than 182%. The median family living near poverty (100%-199%) would receive a rebate equal to 92% of their estimated monthly income.

Table 1. Estimated median percentage of monthly income families would receive as a 2020 recovery rebate under H.R. 748 (as passed by the Senate)

Ratio of family income to poverty	Median estimated monthly income (before rebate)	Median percentage of estimated monthly income families would receive as a rebate
Less than 100% (below poverty)	$850	182%
100%-199%	$2,100	92%
200%-299%	$3,570	56%
300%-399%	$4,930	41%
400%-499%	$6,240	31%
500% or greater	$10,440	4%
Total	**$3,600**	**57%**

Source: CRS calculations via the TRIM3 microsimulation model using 2016 data.

Notes: Median estimated monthly income rounded to the nearest ten. Estimated monthly income was calculated by dividing families' annual income by 12. Income reported in this analysis reflects the Supplemental Poverty Measure (SPM) definition of income, and includes a family's after-tax wage income, self-employment income, the value of refundable tax credits, Social Security, Supplemental Security Income (SSI), Supplemental Nutrition Assistance Program (SNAP), assisted housing benefits, childcare subsidies, and more. SPM poverty thresholds were used to calculate the ratios of family income to poverty.

Policymakers may also consider the extent to which the phaseout provision of the recovery rebates would limit benefits received by higher-income families. H.R. 748 phases out the rebate paid to a taxpayer by 5% of the taxpayer's adjusted gross income (AGI) that exceeds $75,000 ($112,500 for taxpayers filing as a head of household and $150,000 for married taxpayers filing jointly). **Table 2** illustrates how the phaseout would affect rebate amounts for taxpayers in different parts of the income distribution. Specifically, taxpayers are categorized as (1) receiving a rebate that is not impacted by the phaseout, (2) receiving a rebate that is partially reduced by the phaseout, or (3) not receiving a rebate, as the rebate amount is fully reduced to $0. The estimates in **Table 2** show that 82% of families would *not* be impacted by the phaseout and would receive the full rebate. Almost no families with incomes below 300% of poverty would have their rebate partially or fully reduced by the phaseout.

Table 2. Estimated phaseout status of families eligible for a 2020 recovery rebate under H.R. 748 (as passed by the Senate)

Ratio of family income to poverty	Percentage of all families	Family is not impacted by phaseout	Family receives partial credit due to phaseout	Family receives no credit due to phaseout
Less than 100% (below poverty)	15%	100%	0%	0%
100%-199%	27%	100%	0%	0%
200%-299%	19%	98%	2%	0%
300%-399%	14%	87%	12%	1%
400%-499%	8%	65%	29%	6%

Ratio of family income to poverty	Percentage of all families	Family is not impacted by phaseout	Family receives partial credit due to phaseout	Family receives no credit due to phaseout
500% or greater	16%	24%	31%	46%
Total	**100%**	**82%**	**10%**	**8%**

Source: CRS calculations via the TRIM3 microsimulation model using 2016 data.

Notes: Totals may not sum due to rounding. SPM poverty thresholds and the SPM definition of income were used to calculate the ratios of family income to poverty.

Assumptions and limitations

These estimates should be considered with a number of assumptions and limitations in mind. These include

1. This analysis is based on the current tax code. It uses income data from 2016, the most recent year for which data are available for use in the TRIM3 model.
2. This analysis estimates monthly income using an annual measure and does not reflect potential month-to-month fluctuations in family income.
3. This analysis does not estimate decreases in income that families may experience as a result of COVID-19.
4. This analysis does not account for the proposed increase in unemployment insurance in H.R. 748.
5. This analysis assumes that every eligible family would receive exactly the recovery rebate amount to which it is entitled. This analysis does *not* account for taxpayers who are not required to file an income tax return—it assumes that all eligible taxpayers will file, despite differences in tax filing rates based on age and receipt of public assistance.
6. This weighting used in **Table 2** does not take family size into account. As a result, large families are underrepresented in the analysis presented in **Table 2**.

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