



CARES Act Economic Impact Payments for Veterans Not Required to File Tax Returns

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Overview

The Veterans Benefits Administration (VBA), within the Department of Veterans Affairs (VA), offers two cash benefit programs for disabled or low-income veterans and their dependents: disability compensation and pension. The monetary benefits provided by both of these programs are *not* counted as income for tax purposes and hence are [not subject to the federal income tax](#). As a result, some VA beneficiaries are not required to file federal income tax returns because their income for tax purposes is [below the minimum filing threshold](#). These veterans and their beneficiaries generally qualify for the Economic Impact Payments (EIPs) provided in the Coronavirus Aid, Relief, and Economic Security Act (CARES Act; P.L. 116-136), but their lack of an income tax return has raised complications for the Internal Revenue Service (IRS) in determining how to distribute these payments. (The IRS refers to the direct payments enacted under the CARES Act and issued in 2020 as economic impact payments. The statute refers to them as [2020 recovery rebates](#). Some media reports call them “[stimulus payments](#).”)

Some have questioned how EIPs will impact veterans and survivors receiving disability compensation or a VA pension. The disability compensation and pension programs differ in terms of eligibility and how the benefit amounts are determined. Veterans are eligible for disability compensation without consideration of their income or net worth, and the amount of disability compensation paid is based on a veteran’s disability rating percentage. The pension is a means-based benefit, meaning there is an income and net worth limit to qualify, and the amount of a veteran’s and/or their spouse’s income can reduce the amount of the monthly pension benefit. Many veterans have expressed concern that receipt of the EIP will result in them either losing their pension benefit or having it reduced.

IRS and VA Agreement for Non-Filers

On April 17, 2020, the IRS and VA announced that low-income veterans and survivors who are not required to file a tax return will not have to manually provide information to the IRS in order to receive the EIP. The [IRS announced](#) that, while the timing of payments is still a work in progress, “those veterans and beneficiaries who receive Compensation and Pension benefit payments from VA will receive a \$1,200 Economic Impact Payment with no further action needed on their part.”

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Economic Impact Payments for VA Beneficiaries with Qualifying Children

VA also announced an agreement with the Department of the Treasury, along with additional information for VA beneficiaries and survivors, explaining that those VA beneficiaries who have filed an income tax return in either 2018 or 2019 will automatically receive the EIP. However, those VA beneficiaries who did not file a tax return and have one or more [qualifying children](#), will not automatically receive the additional payment for their dependents. Such beneficiaries must submit information to the IRS by visiting the [IRS Non-Filer: Enter Payment Info Here](#) tool (e.g., the non-filer portal) to ensure that they receive the additional \$500 for any qualifying children. For the purposes of these payments, a qualifying child is a child eligible for the child tax credit—generally a dependent child under 17 years old.

On August 14, 2020 the [IRS extended the deadline](#) to September 30, 2020, for VA beneficiary non-filers with one or more qualifying children. VA beneficiaries who did not file a tax return in 2018 or 2019 and missed the original May 5, 2020, deadline are asked to provide information for qualifying children into the non-filer portal in order to receive the additional \$500 for each qualifying child. For those beneficiaries who have already submitted information into the non-filer portal, no additional action is required.

Economic Impact Payments for VA Beneficiaries with Non-Filing Spouses

The IRS's [April 28 COVID Tax Tip 2020-46](#) states that VA beneficiaries who are married, and whose combined income is less than \$24,400, must enter their information into the [IRS non-filer portal](#) to claim the full \$2,400 payment for a married couple. This step is only necessary for spouses who did not receive Social Security (SSA), Social Security Disability Insurance (SSDI), Railroad Retirement Board (RRB) benefits, Supplemental Security Income (SSI), or their own VA benefits and did not have to file a federal tax return in the past two years.

Economic Impact Payment and Income Limit for VA Pension

Eligibility for a [VA pension](#) is, in part, based on the individual's annual income. As stated in 38 U.S.C. Section 1503, "all payments of any kind or from any source (including salary, retirement or annuity payments or similar income, which has been waived, irrespective of whether the waiver was made pursuant to statute, contract, or otherwise) shall be included" when calculating a veteran's annual income. Many veterans or their survivors with limited income and receiving a pension are concerned that these EIPs will be [counted as income and therefore decrease their pension amount](#).

Section 20010 of the CARES Act, "Clarification of Treatment of Payments for Purposes of Eligibility for Veterans Pension and Other Veterans Benefits," addresses the aforementioned concern. In Section 20010, Congress excluded EIPs from a veteran's annual income, thereby preventing it from counting toward the income limit associated with pension eligibility. The section explicitly states that the rebate "shall not be treated as income or resources for purposes of determining eligibility for pension under chapter 15 of title 38." Consequently, the EIPs included in the CARES Act also are not to cause a decrease in the amount of pension the veteran or survivor will receive.

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