

Tax Rebate Basics

The Economic Stimulus Act of 2008 was recently signed into law, meaning more than 130 million households will begin receiving tax rebate payments in May. The only way to get a stimulus payment is to file a federal tax return for 2007. This requirement applies to many people who may not normally file a return, including low-income individuals and Social Security recipients.

Payments will generally range from \$300 to \$600 for individuals and \$600 to \$1,200 for joint filers. You may also receive \$300 for each qualifying child. Payments will be based on the taxpayer's net income tax liability, and people with no liability will usually get the minimum amounts so long as they have qualifying income of at least \$3,000. Qualifying income includes wages, self-employment, Social Security benefits, Veterans' benefits, and certain Railroad Retirement benefits. Supplemental Security Income (SSI) does not count as qualifying income. The payment begins to phase out for individuals with adjusted gross income of over \$75,000 and for couples over \$150,000.

In most cases you complete your return as you normally would. The IRS will automatically figure your stimulus payment and send it to you. If you don't normally file, but might qualify for the payment because you have at least \$3,000 in qualifying income, you should complete Form 1040A, and write the words "Stimulus Payment" across the top of the form. Include any income reported to you by a W-2 on line seven and include Social Security, tier 1 railroad retirement, or veterans disability on line 14a (line 20a on Form 1040).

If you filed a return early you may need to amend it to include benefits to reach the \$3,000 qualifying income level. This will not increase your tax liability but will establish eligibility for the stimulus payment. You should use Form 1040X to amend a tax return previously filed.

You must have a valid Social Security Number to qualify for the stimulus payment and children must have a valid number to be eligible as a qualifying child. If you used an Individual Taxpayer Identification Number in filing your return you are not eligible for the payment.

The stimulus payment will have no effect on your eligibility for federal benefits. Dependents such as working students who are claimed on their parents return are specifically ineligible for the rebate.

Free tax preparation help is available through the Volunteer Income Tax Assistance (VITA) program provides help to low and moderate income taxpayers, and The Tax Counseling for the Elderly (TCE) Program to people 60 and older. Call 1-800-906-9887 for the nearest VITA site or 1-888-227-7669 for the nearest TCE location. Contact Legal Aid of Arkansas for tax counseling or free help with a civil legal problem at 1-800-952-9243.