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## REBATES FROM THE ECONOMIC STIMULUS ACT OF 2008

By Victor Sy, CPA, MBA

President Bush signed the Economic Stimulus Act of 2008 on February 13, 2008. The centerpiece of the Act are rebate checks to most Americans. Let's discuss briefly who are eligible for the rebates, the amounts of the rebate, and how to get the rebates.

1. The minimum credit is **\$300** (**\$600** for a joint return) and the maximum is **\$600** (**\$1,200** for a joint return). A single filer gets \$600 or a full rebate of the 2007 tax paid, whichever is less. A married couple gets \$1,200 or the full refund of 2007 taxes.
2. There is an **additional \$300 per dependent child**. There is no cap on the number of eligible children.
3. Any taxpayer is eligible **except a dependent, trust, estate, or non-resident alien**. The Act bars illegal aliens by requiring social security numbers instead of Taxpayer Identification Numbers (ITIN).
4. The rebate credit **phases out at a rate of 5%** of Adjusted Gross Income (AGI) above **\$75,000** (**\$150,000** for joint returns). The credit is entirely lost when AGI reaches \$87,000 for single filers (\$174,000 for joint).
5. The amount of the rebate is **not includible (not taxable) in gross income**.
6. The rebates will be subject to offsets for **past-due child support and delinquent federal taxes**.
7. Rebates will be based from **2007** tax returns.
8. Those who file early will receive their rebates earlier than late filers and extenders. IRS will begin mailing checks in **May of 2008**. Direct deposits will arrive about 10 days earlier.
9. **No rebate checks will be issued after 12/31/08**; however, those who do not file a 2007 return by 12/31/08 can still claim the credit by filing a 2008 return in 2009. The amount will be deducted from their tax due for 2008.
10. The rebates are actually **advanced rebates for your 2008 tax returns**. When you file your 2008 return in 2009 and the computed rebate is **more**, the excess will be credited against your tax. If it's **less**, do you have to pay it back? **No**. If you were supposed to receive a larger payment than you did, you will get the *extra* credit. If you received more than what you should have gotten, you will *not* be penalized. ☺
11. Those **not required** to file a 2007 tax return **must file** to receive a rebate this year. In other words, recipients of social security or railroad retirement checks and veterans receiving disability and pension, must file.  
TIP: If you are filing with zero Adjusted Gross Income (AGI), paper file and write "**Stimulus Payment**" on top of your federal tax return form 1040.
12. Individuals who have already filed 2007 returns, but did not disclose nontaxable social security or veteran's payments that would qualify them for a rebate, will have to file an **amended return** on Form 1040X.

The Stimulus Act also encourages **businesses** to buy more capital goods and equipment in 2008. It boosts the **Section 179 expensing** option from \$128,000 to **\$250,000** and the overall spending limit from \$510,000 to **\$800,000**. The Act reinstates the **50% bonus first-year depreciation** for qualified property acquired between 1/1/08 and 12/31/08. It also increases the "**luxury auto**" cap on first year depreciation by **\$8,000**.

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## IRS Announces Economic Stimulus Payment Schedules

### March 24, 2008 Update

IRS has announced that it will begin sending more than 130 million economic stimulus payments starting May 2. The initial round of weekly payments will be completed by early July. Stimulus payments will be made by direct deposit to people who choose to receive their 2007 income tax refunds through direct deposit. All others will receive their economic stimulus payments in the form of a paper check.

**Mailing schedule.** Stimulus payments will be sent out in the order of the **last two digits of the Social Security number** used on the tax return. On a jointly filed return, the **first** Social Security number listed will determine the mail-out time. Taxpayers who choose **direct deposit** on their federal income tax returns can expect to receive their economic stimulus payments between **May 2 and May 16** provided their returns were **received and processed by Apr. 15, 2008**. They will be sent in batches over a nine-week period with the initial mailings **completed by around July 11**.

For taxpayers who did **not** choose direct deposit on their tax return but whose returns were processed by April 15, paper checks will be in the mail **starting May 16**.

To accommodate people whose tax returns are processed **after** Apr. 15, IRS will continue sending weekly payments. People who file tax returns after April 15 and receive a refund can expect to receive their economic stimulus payments about **two weeks after receiving their tax refunds**, but not before the date they would have received their payment if the return had been processed by Apr. 15.

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## IRS Warns Of New E-Mail And Telephone Scams On Rebates

Beware of **scams involving rebates**. IRS announced five fraudulent activities that **trick you into revealing personal information** which scammers use to commit **identity theft**:

1. **Telephone call** purporting to be from "IRS" - requests bank account data to "deposit" your rebate.
2. **Refund e-mail** falsely claiming to come from "IRS" - leads you into a link to access "refund claim."
3. **Audit e-mail** technique calculated to get your immediate attention - instructs you to use links to complete "rebate" forms with personal information.
4. **Paper check telephone call** to verify your bank account for a "check that you have not cashed."
5. **Changes to tax law e-mail** tell accountants and businesses to download tax law changes by using links to publications while implanting malicious software code known as "malware."

Most of the fraudulent activities are conducted electronically from remote locations. Cyberspace allows perpetrators to act quickly and cover their tracks before victims become aware of the theft. Inform IRS at [phishing@irs.gov](mailto:phishing@irs.gov) if you receive a questionable e-mail or telephone call.