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HOW TO CLAIM THE RECOVERY REBATE

By Victor Sy, CPA

In response to errors showing up on early tax filings, the IRS urged taxpayers to properly determine eligibility for the recovery rebate credit before filing their 2008 federal tax returns. An early sampling of tax returns shows an error rate of 15% involving the recovery rebate credit. Some tax returns erroneously claim the credit, fail to claim the proper amount, or mistakenly enter the amount of the stimulus payment they received on the recovery rebate credit line.

Remember that there are two different rebates - **stimulus** rebates for 2007 and **recovery** rebate for 2008. Some individuals who did not get the economic stimulus payment last year may be eligible for the recovery rebate credit this year. However, most taxpayers who received the economic stimulus payment last year will *not* qualify for the recovery rebate credit on their 2008 federal income tax returns. The first step is to find out how much stimulus rebate you received for 2007.

[There are three ways to find out how much stimulus rebate you received for 2007:](#)

- Check the amount listed on Notice 1378 that was mailed by the IRS last year to individuals who received the economic stimulus payment.
- Go to the [How Much Was My Stimulus Payment?](#) tool at the IRS Web site, IRS.gov.
- Call the IRS at 1-866-234-2942. Select option one to find out the amount of your economic stimulus payment. Be ready to provide your filing status, Social Security Number, and number of exemptions.

[Factors that qualify you for the recovery rebate for 2008:](#)

- You did not file a 2007 tax return.
- Your financial situation changed dramatically from 2007 to 2008.
- Your family gained an additional qualifying child in 2008.
- You were claimed as a dependent in 2007 but can no longer be claimed as dependent in 2008.

[How to claim recovery rebate:](#)

- With the amount of last year's economic stimulus payment in hand, enter the figure on the recovery rebate credit worksheet or in the appropriate location where the tax preparation software requests it.
- If you use a tax software, the amount of the recovery rebate credit will automatically be calculated.
- If you use the paper method, the recovery rebate credit, as determined through the worksheet, should be reported on Line 70 of Form 1040, Line 42 of Form 1040A or Line 9 of Form 1040EZ.
- For most taxpayers, the correct entry for the recovery rebate credit will either be blank or zero.
- If you have any question at all as to the amount that should be reported for the recovery rebate credit, enter "RRC" next to the appropriate line above, and the IRS will determine whether a recovery rebate credit is due.

[Here are some important tips to keep in mind:](#)

- The economic stimulus payment is not taxable. Do not report it as income.
- The IRS will not issue separate recovery rebate credit payments.
- You will receive a single refund that includes any recovery rebate credit.
- Taxpayers who request a direct deposit will receive the refund in the form of a direct deposit.