

Coronavirus Relief Checks: What You Need to Know

Author: Greg Friedman, Associate General Counsel

Unless you've been living under a quarantine rock, you're undoubtedly aware that Congress passed, and President Trump signed into law H.R.748, better known as the CARES Act, on March 27th, 2020. The Law provides multiple forms of relief, including the \$350 billion Paycheck Protection Program and a delayed tax-return deadline of July 15th. The most important form of relief however, is the disbursement of relief checks intended for the majority of Americans.

WHO GETS A CHECK?

The majority of Americans are eligible to receive a stimulus check if they meet certain qualifications set-out in the Law. Specifically, eligibility will be based on each individual's most recent tax return and adjusted gross income (AGI), which is difficult to explain but quite straightforward with this delightful formula:

Ultimately, an individual filer will be eligible to receive a check if their most recent tax return showed AGI below \$99,000. The thresholds rise to \$146,500 for head of household filers with one child, and \$198,000 joint filers with no children. If an individual is above these thresholds, they will not be receiving a check. Additionally, those without a Social Security number, nonresident aliens, and individual's claimed as dependent's are equally out of luck.

HOW MUCH DOES EVERYONE GET?

The relief checks are expected to be \$1,200 for individuals, or \$2,400 for married couples, with \$500 per each qualifying child. Filers with AGI *up to* \$75,000 for individuals, and *up to* \$150,000 for married couples filing joint returns will receive full payments. However, as income rises above these amounts, the payment will be reduced by \$5 for each \$100 above the \$75,000/\$150,000 thresholds. As discussed in the previous section (I hope you read that section and didn't *immediately* jump to the "how much do I get" section), single filers with income exceeding \$99,000 and \$198,000 for joint filers with no children are not eligible to receive the relief checks.

HOW WILL THE GOVERNMENT SEND THE CHECKS?

The IRS plans to use the direct deposit information provided by filers for their 2018 or 2019 tax returns. So for individuals who filed taxes in 2018 or 2019 with direct deposit information, they don't need to do anything; the check will be automatically deposited into the account. For individuals who don't file taxes but do receive Social Security payments, they also don't need to take any action. The Treasury Department has said that the IRS will use the information on the Form SSA-1099 and Form RRB-1099 to generate the stimulus checks to Social Security recipients who did not file tax returns in 2018 or 2019. For individuals who do not have their direct deposit account set up, paper checks will be mailed to them directly.

WHEN WILL THE CHECKS ARRIVE?

The IRS will make approximately 60 million payments to Americans through direct deposit starting in Mid-April, most likely beginning the week of April 13th, for those who have set up direct deposits. For those who haven't set up direct deposit, the wait for paper checks will be noticeably longer. The paper checks are estimated to begin going out sometime after May 4th, at a rate of about 5 million per week, which means some checks won't be sent until Mid-August. This timeline is subject to change of course due to the highly fluid nature of the situation. The IRS says the checks will be issued in reverse order based on an individual's AGI, so that people with the lowest income will get their payments first.

WHAT DOES THIS MEAN FOR YOU?

Nearly all of your customers are expected to receive government issued checks in the coming weeks. Should be simple, right? We've already seen an influx of questions regarding this program, and I've done my best to address the most common concerns below.

1. WHAT SHOULD YOUR BANK BE PREPARED FOR?

You can expect quite a few questions from customers regarding when and how they will receive their checks. Reading the first part of this article will provide you with all you need to know about the relief checks, so that's an easy one. You should also be prepared to inform customers of where they can find guidance on this program. The following links are where you and your customers can find further guidance on the program.

- <https://www.congress.gov/116/bills/hr748/BILLS-116hr748enr.pdf> - Section 2201 on Page 55 of the Law itself discusses this program.
- <https://www.irs.gov/newsroom/economic-impact-payments-what-you-need-to-know> – This IRS page is updated regularly to provide the most important information needed on the relief checks.
- <https://www.irs.gov/coronavirus> – This IRS page is tailored to provide help to taxpayers, businesses, and tax-exempt organizations regarding the relief checks.
- <https://home.treasury.gov/coronavirus> – This Treasury Department page provides regular updates on the relief check program.

2. IF A CUSTOMER'S DEPOSIT ACCOUNT IS CLOSED, MAY WE REOPEN IT TO ACCEPT THE RELIEF CHECKS?

There hasn't been any specific guidance on this particular question at this point. Conservatively, we would advise not "re-opening" a closed account to accept a stimulus deposit, similar to the best practice recommendation for IRS tax returns. Re-opening a closed account without the consent of the account owner could raise UDAAP and potential legal issues, so tread lightly. Ultimately, the best practice here is for your bank to treat these checks the same way you would general IRS tax returns.

3. IF A CUSTOMER HAS A NEGATIVE BALANCE, CAN WE CHARGE-OFF THE ACCOUNT USING THE RELIEF CHECKS?

While there hasn't been any specific guidance issued on this question, your bank should consider the reputational risk of depositing the funds and then using them to offset a negative balance. Although the bank would be within their rights to do so, it could cause reputational risk that is simply not quantifiable considering the spirit and intent of the Law, which is to assist our society in this time of crisis.

4. CAN WE DEPOSIT INTO AN OPEN ACCOUNT AS LONG AS THE NAMES ON THE CHECKS ARE OWNERS ON THE ACCOUNT?

Yes, the bank may deposit a relief check into an open account as long as the names to which the check is payable match the name/names on the account.

5. CAN THE BANK CHARGE A FEE TO CASH THE RELIEF CHECKS FOR NON-CUSTOMERS?

There isn't an express prohibition in charging a fee to cash the checks. The bank would just want to be sure that the fee is disclosed before the transaction is conducted to avoid any potential UDAAP issues.

PARTING WORDS

Unfortunately, the IRS and Treasury Department haven't issued too much guidance on these upcoming checks, so we're all going to be figuring this out on the fly. As always, Compliance Alliance will be here to support you and your bank through this time whether it be through telephone, email, or our hotline chats. Don't hesitate to run any questions or concerns you may have by us and we'll be there to fill in the blanks. Good luck and stay safe!