



Legislative Fiscal Bureau

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TO: Members
Wisconsin Legislature

FROM: Bob Lang, Director

SUBJECT: Estimated Distribution of 2020 Federal Stimulus Rebate Among Wisconsin Resident Tax Filers

This memorandum summarizes the provisions of the federal Coronavirus Aid, Relief, and Economic Security Act of 2020 (hereafter referred to as "the Act") that provide a stimulus rebate to eligible individuals in the form of advanced payment of a refundable income tax credit for tax year 2020. The information provided below is based on available federal guidance to date and on the language of the Act. The memorandum also presents the estimated distribution of this rebate among Wisconsin residents that file individual income tax returns.

The Act provides a rebate to an eligible individual of up to \$1,200 (\$2,400 for eligible individuals filing married-joint) and an additional \$500 for each qualifying child of the taxpayer who has not attained the age of 17. The rebate is treated as a refundable credit, meaning it is available to individuals with no tax liability. The rebate is reduced by 5% of the amount of the taxpayer's federal adjusted gross income (federal AGI) that exceeds the following thresholds: (a) \$150,000 for married-joint filers; (b) \$112,500 for head of household filers; and (c) \$75,000 for all other filers. In other words, the rebate is reduced by five cents for every dollar of federal AGI above these thresholds. As a result, the rebate phases out completely for taxpayers with no qualifying children with federal AGI of: (1) \$198,000 for married-joint filers; (2) \$136,500 for head of household filers; and (3) \$99,000 for all other filers. For each qualifying child of the taxpayer, the federal AGI at which the rebate fully phases out is \$10,000 higher than the amounts described in (1), (2), or (3) above. The following table shows an example of the total rebate amount for a married-joint filer with no children and with two children, at various federal AGI levels.

**Total Rebate Amount for a Married-Joint Filer,
No Children and Two Children**

<u>Federal AGI</u>	<u>No Children</u>	<u>Two Children</u>
\$150,000	\$2,400	\$3,400
160,000	1,900	2,900
170,000	1,400	2,400
180,000	900	1,900
190,000	400	1,400
198,000	0	1,000
208,000	0	500
218,000	0	0

As shown in the table above, the rebate fully phases out at \$198,000 federal AGI for a married-joint filer with no qualifying children, and at \$218,000 federal AGI for a married-joint filer with two qualifying children. For a married-joint filer with six qualifying children, the rebate phases out completely once federal AGI reaches \$258,000.

The rebate is available to all eligible individuals, defined as any individual except for: (a) a nonresident alien; (b) any individual for whom a personal exemption could be claimed by another taxpayer (such as a dependent); or (c) an estate or trust. The Act provides that the rebate can be refunded to eligible individuals in advance in the amount which would have applied had the associated provisions been in effect in tax year 2019 (or tax year 2018 for those who have not filed a tax return for 2019). No interest is allowed on rebate amounts deemed as overpayments of tax. The rebate cannot be intercepted and applied against state or federal obligations owed by the taxpayer, except for child support payments. The rebate is not considered taxable income under federal or state tax law. The Act directs the Secretary of the Treasury to issue the associated payments to eligible individuals as rapidly as possible, and permits the Secretary to disburse funds electronically using pre-established methods.

Individuals who filed an income tax return for 2018 or 2019, and individuals who are Social Security or railroad retirement beneficiaries, will automatically receive the payments for which they are eligible. Certain other taxpayers who are not ordinarily required to file an income tax return will be required to file a simple return for receipt of the rebate. An individual will not receive a rebate payment unless the relevant tax return includes the individual's valid Social Security number (and that of his or her spouse if filing jointly), as well as the Social Security number of any qualifying children whom the individual claims for purposes of the rebate.

According to recent guidance issued by the Internal Revenue Service, individuals who have not previously provided their direct deposit information can submit such information electronically through a web-based portal developed by the Treasury Department. This will enable immediate receipt of the rebate instead of receipt by mail. For individuals that are not eligible to claim the rebate based on their 2018 or 2019 federal return, those individuals may be eligible to claim the rebate as a refundable credit when filing their federal return for tax year 2020.

Based on a simulation of 2017 taxpayer data by the Department of Revenue (DOR), an estimated 2.51 million Wisconsin resident tax filers, representing eligible rebates related to an estimated 4.92 million residents, will receive the federal stimulus rebate. This total number of residents includes qualifying children under the age of 17 who are considered for purposes of calculating the total rebate amount. A distributional analysis showing estimated rebate amounts for Wisconsin resident tax filers by federal AGI is attached to this memorandum.

Total rebate amounts for Wisconsin resident tax filers are estimated at \$4.76 billion, for an average rebate per return of approximately \$1,892. It should be noted that these estimated total rebate amounts only consider individuals who typically file a tax return. Certain other individuals who are generally not required to file a tax return are eligible for the federal rebate, such as certain individuals whose only source of income is Social Security payments, but are not included in the distributional table.

Based on 2017 Wisconsin taxpayer and Social Security Administration data compiled by DOR, approximately 335,790 individuals received Social Security payments but did not file a Wisconsin tax return in that year. Assuming all such individuals are not claimed as dependents on another individual's return and are otherwise eligible for the current stimulus rebate, the associated payments to these individuals are estimated at \$402.9 million (this is in addition to the \$4.76 billion in payments described above). Data for certain other individuals who are not typically required to file returns but may still be eligible for the rebate, such as certain lower-income individuals, are not readily obtainable. Therefore, the total estimated rebate amounts received by Wisconsin residents are understated to the extent these individuals claim the rebate.

BL/DS/ml
Attachment

ATTACHMENT

Distribution of Wisconsin Resident Filers Receiving a Federal Stimulus Rebate by Federal AGI

Federal Adjusted Gross Income	Wisconsin Resident Tax Filers Eligible to Receive a Federal Stimulus Rebate					Count of All Wisconsin Resident Returns*	% of Returns Eligible for Rebate in Federal AGI Class
	Count	Percent of Count	Amount of Rebate	Percent of Rebate	Average Rebate		
Under \$5,000	186,351	7.41%	\$271,951,801	5.72%	\$1,459	265,606	70.2%
5,000 to 10,000	105,296	4.19	155,750,462	3.27	1,479	174,970	60.2
10,000 to 15,000	132,727	5.28	201,685,173	4.24	1,520	167,689	79.2
15,000 to 20,000	137,582	5.47	217,496,936	4.57	1,581	153,499	89.6
20,000 to 25,000	144,204	5.73	232,075,474	4.88	1,609	150,867	95.6
25,000 to 30,000	150,064	5.97	246,220,305	5.17	1,641	153,053	98.0
30,000 to 40,000	289,612	11.52	485,370,180	10.20	1,676	291,763	99.3
40,000 to 50,000	244,414	9.72	426,817,437	8.97	1,746	244,996	99.8
50,000 to 60,000	197,673	7.86	367,443,666	7.72	1,859	197,888	99.9
60,000 to 70,000	165,914	6.60	334,424,831	7.03	2,016	166,032	99.9
70,000 to 80,000	137,461	5.47	298,769,102	6.28	2,173	137,529	100.0
80,000 to 90,000	121,299	4.82	269,760,015	5.67	2,224	121,328	100.0
90,000 to 100,000	105,538	4.20	244,678,624	5.14	2,318	107,261	98.4
100,000 to 125,000	175,636	6.98	493,582,301	10.37	2,810	202,711	86.6
125,000 to 150,000	109,445	4.35	313,112,374	6.58	2,861	122,005	89.7
150,000 to 200,000	101,694	4.04	193,024,090	4.06	1,898	115,339	88.2
200,000 to 250,000	9,982	0.40	5,806,880	0.12	582	46,852	21.3
250,000 to 300,000	16	< 0.01	6,982	< 0.01	436	23,354	0.1
300,000 and over	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>0.00</u>	0	<u>55,440</u>	0.0
Total	2,514,908	100.00%	\$4,757,976,633	100.00%	\$1,892	2,898,182	86.8%

*This column does not include: (a) residents who do not typically file a tax return; (b) fiduciaries; or (c) nonresidents or part-year residents that file a Wisconsin return.

-An estimated 2,514,908 resident tax filers, or 86.8% of all resident tax filers in tax year 2019, will receive stimulus rebates totaling approximately \$4,758.0 million.

-The 383,274 resident filers not receiving a rebate are: (a) single-dependent filers who are claimed as a dependent on someone else's return; and (b) resident filers with federal AGI that exceeds the eligibility threshold.

-The average rebate amount per filer is estimated to be \$1,892. This average amount rises with income until federal AGI reaches \$150,000.

-Wisconsin resident filers with federal AGI of \$100,000 or less comprise 84.2% of total filers receiving a stimulus rebate and are estimated to receive 78.9% of total rebate payments.

-Wisconsin resident filers with federal AGI of \$100,000 or more comprise 15.8% of total filers receiving a stimulus rebate and are estimated to receive 21.1% of total rebate payments.

Source: Department of Revenue simulation for tax year 2019.