



THE FINANCIAL ADVISORS LLC

March 12, 2021
Michael A. Dempsey, CFP®, EA

Financial Planning & Investment Management

EIPs, RRCs, and 1040s

This is an overview of the relationship between Economic Impact Payments (EIPs), Recovery Rebate Credit(s), and your 1040 tax filings.

Economic Impact Payments (EIPs):

Congress authorized EIPs (aka stimulus payments) to help mitigate the financial toll caused by the Coronavirus pandemic.

- EIP #1 is authorized by the CARES Act (Coronavirus Aid, Relief, and Economic Security Act), signed into law 03/27/2020. Payments were issued starting in April 2020 and during the following months.
- EIP #2 is authorized by the CARES Act II signed into law 12/27/2020. Payments were issued in January 2021.
- EIP #3 is authorized by the American Rescue Plan Act of 2021 signed into law 03/11/2021. Payments are expected to be issued starting in mid-March 2021.

2020 tax filings

EIP #1 and EIP #2 payments are reported on the **2020** tax filing. Those payments are not taxable, but determine eligibility for any additional payment as a Recovery Rebate Credit (RRC).

If 2020 income is higher than 2019 income and above the qualifying income levels (\$75k Single; \$150k Joint), then it may be advantageous to delay the 2020 tax return filing until after EIP #3 is issued. We are reviewing those situations prior to filing.

2021 tax filings

EIP #3 payments will be reported on the **2021** tax filings. Keep your records of the EIP #3 amount received and please provide that information so it is on file for your 2021 tax filings.

26 Essex Street
Andover, MA 01810
P 978.475.3242 • F 888.974.0397

www.the-financial-advisors.com

40R Merrimac Street, Suite 101W
Newburyport, MA 01950
P 978.463.6660 • F 888.974.0397



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Recovery Rebate Credits (RRCs):

RRCs are tax credits. RRCs and EIPs are distinct and separate, yet coordinated. The eligibility for RRC is the same as EIP. The RRC is reduced by the amount already received in EIP.

2020 tax filings

EIP #1 and EIP #2 are considered on the 2020 tax filing to determine if any RRC is applicable. In most cases the RRC reported on the 2020 tax filing is \$0 because EIP #1 and #2 were already received.

In some situations, the EIP #1 and/or EIP #2 were not received or a partial payment was received. That means some amount of RRC *may* apply for the 2020 tax filing.

2021 tax filings

EIP #3 is considered on the 2021 tax filing to determine if any RRC is applicable. In most cases the RRC reported on the 2021 tax filing is expected to be \$0 because EIP #3 will be issued during calendar year 2021.

In some situations, the EIP #3 may not be received during 2021 distributions or a partial payment may be received. That means some amount of RRC *may* apply for the 2021 tax filing.

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IRS Tools to verify EIPs:

EIP Notices: The IRS mails a notice about 2-3 weeks after each EIP payment. This letter confirms the amount that was delivered. Please retain and provide this letter for tax preparation. The IRS does not send a separate tax document such as a 1099 just for EIP.

Example letters:

EIP #1: [Notice Number: 1444](#)

EIP #2: [Notice Number: 1444-B](#)

EIP #3: *TBD*

[Get My Payment](#)

This online tool reports a summary of your EIP information. It does not disclose dollar amounts or personal information. It only reports the following:

- The date your EIP was delivered
- The method used for the EIP (direct deposit; debit card; mailed check)
- Not Available status if not eligible or other special situations (ex. deceased taxpayers)

[Get Transcript](#)

This online tool provides a transcript record of your personal tax information. An online account and verification of identity are required to use this tool. The amount of your EIP payments is shown, although the transcript updates are not immediate.

IRS References:

[EIP #1 FAQs](#)

[EIP #2 FAQs](#)

[RRC FAQs](#)

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