



# THE FINANCIAL ADVISORS LLC

March 12, 2021  
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Financial Planning & Investment Management

## Recovery Rebate Credits (RRCs):

### 2020 tax filings

If the 2020 qualifying RRC amount is greater than the EIP #1 + EIP #2 amount already received, then the difference is the RRC amount reported on the 2020 tax filing. Here are a few examples of situations that result in a 2020 RRC amount that is greater than \$0:

- 2020 income is lower than the 2018 or 2019 income used to determine EIP #1 and EIP #2. A taxpayer may qualify for a partial or maximum RRC when they previously did not qualify for EIP or only qualified for a partial EIP.
- There are more qualifying children in 2020 than in 2018 or 2019. This means the total RRC may be higher than the EIP #1 and EIP #2 amounts that were received.
- A filing status change results in an RRC that is higher than the EIP.
  - Example 1: A single filer with income of \$110k and a single filer with income of \$30k file get married and file jointly in 2020. The combined EIP was just \$1,800 for the lower earner (EIP #1: \$1,200 + EIP #2: \$600) because the higher earner was not eligible for any EIP. The 2020 RRC is therefore \$1,800 because the combined income now allows the higher earner to also qualify for the amount that was previously disqualified due to AGI limits.
  - Example 2: A married couple had combined income of \$250k in 2018 & 2019. Spouse A earned \$200k and Spouse B earned \$50k. They did not qualify for EIP #2 or EIP #2. They divorced in 2020 and each filed as Single. Spouse B qualifies for \$1,800 RRC on the 2020 tax filing.

### Note:

If the RRC amount reported on a 2020 tax filing does not correspond with the EIP amounts the IRS has on file, then expect the IRS to eventually send a notice that corrects the discrepancy. Keep in mind that the audit window is open for three years following the filing deadline.



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## 2021 tax filings

If the 2021 qualifying RRC amount is greater than the EIP #3 amount already received, then the difference is the RRC amount reported on the 2021 tax filing. Here are a few examples of situations that result in a 2020 RRC amount that is greater than \$0:

- 2021 income is lower than the 2020 income used to determine EIP #3. A taxpayer may qualify for a partial or maximum RRC when they previously did not qualify for EIP # or only qualified for a partial EIP #3.
- There are more qualifying children in 2021 than in 2020. This means the total RRC may be higher than the EIP #3 amount that is received.
- A filing status change results in an RRC that is higher than the EIP #4.
  - Example 1: A single filer with income of \$110k and a single filer with income of \$30k get married and file jointly in 2021. The combined EIP was just \$1,400 for the lower earner because the higher earner was not eligible for EIP #3. The 2021 RRC is therefore \$1,400 because the combined income now allows the higher earner to also qualify for the EIP #3 amount that was previously disqualified due to AGI limits.
  - Example 2: A married couple had combined income of \$250k in 2020. Spouse A earned \$200k and Spouse B earned \$50k. They did not qualify for EIP #3. They divorced in 2021 and each filed as Single. Spouse B qualifies for \$1,400 RRC on the 2021 tax filing.