

## Economic Stimulus Act Update

**Notice 2008-28.** The IRS has released information clarifying several issues related to the advance refunds that will be issued as a result of the *Economic Stimulus Act of 2008*. The following is an update to the information that was presented in the 2/11/2008 update to *TheTaxBook*<sup>TM</sup> covering the new law.

### 2007 Tax Return Must Be Filed to Receive an Advance Refund

Taxpayers with qualifying income of at least \$3,000 are eligible for the advance refund. Qualifying income includes:

- Earned income,
- Social Security benefits (including monthly retirement, survivor and disability benefits),
- Tier 1 Railroad Retirement benefits,
- Disability compensation, disability pension, and survivor benefits from the Department of Veterans Affairs.

If a taxpayer is not otherwise required to file a tax return due to income being below the filing requirements, the taxpayer will either have to file a 2007 return to receive the advance refund, or file a 2008 return to receive the refundable credit.

**Example.** Doris and Milt both receive Social Security benefits each year in excess of \$3,000. They have no other source of income and are not required to file a tax return for 2007. They can file MFJ for 2008 and claim a refundable tax credit of \$600. Or they can file MFJ for 2007, include total Social Security benefits on line 20a of Form 1040, enter zero on line 20b, and qualify for a \$600 advance refund to be mailed sometime beginning in May of 2008.

**Veterans' benefits.** Amounts paid to veterans or their families by the Department of Veterans Affairs (VA) are exempt from federal tax. Certain veterans' benefits such as veterans' disability compensation and pension or survivors' benefits are considered qualifying income for purposes of the advance refund. If the taxpayer is otherwise not required to file a 2007 tax return due to income being below the filing requirements, the taxpayer can receive an advance refund by filing a 2007 return and enter veterans' benefits on line 20a of Form 1040, and zero on line 20b.

**Tier 1 Railroad Retirement benefits.** Tier 1 Railroad Retirement benefits reported on Form 1099-RRB are also considered qualifying income for purposes of the advance refund, and may be reported on line 20a of Form 1040 if not otherwise required to be reported on the return.

**Supplemental Security Income (SSI).** SSI payments do not qualify as income for purposes of the advance refund.

**Estimating benefits.** People who do not have a Form 1099-SSA may estimate their annual Social Security benefit by taking their monthly benefit, multiplying it by the number of months during the year they received the benefits, and entering the number on line 20a of Form 1040. People are also allowed to estimate their annual veterans' benefit by taking their monthly benefit, multiplying it by the number of months during the year they received benefits and entering the number on line 20a of Form 1040.

**Amended returns.** Taxpayers who already have filed their 2007 return but failed to report any of these benefits can file an amended return by using Form 1040X.

**Direct deposit.** The advance refund will be direct deposited for taxpayers selecting that option when filing their 2007 tax returns.

**Form 1040A.** The IRS has released a sample Form 1040A that may be used for taxpayers who are otherwise below the filing requirements, but wish to file a 2007 return to qualify for the advance refund. [Click here](#) to view a sample of an altered Form 1040A that may be used for filing for a stimulus payment only. For specific instructions on how to file the altered Form 1040A, see [Notice 2008-28](#).

**Advance refund worksheet.** [Click here](#) for a worksheet designed to calculate the amount of the advance refund based upon information reported on the 2007 tax return.