



PA Institutional  
Law Project

## Economic Impact Payment (EIP) Info Sheet

*Issues & Updates*



Lewisburg  
Prison Project

**The Pennsylvania Institutional Law Project (PILP) and Lewisburg Prison Project (LPP) have received many questions about the IRS's handling of Economic Impact Payments for incarcerated people. We provide this as information only. We are unable to assist individuals in applying for stimulus payments, and cannot give tax advice. We also will not be taking any legal action on this issue, but we hope this information is helpful.**

**If you have NOT received any stimulus payments, then you should file your tax returns by April 15, 2021, using a 1040 form. You should do this even if you applied in October or November 2020.**

**If you received only ONE (1) of the stimulus payments, please see attached instructions from Lief Cabraser Heimann & Bernstein.**

### 2020 Issues

#### **Economic Impact Payment (EIP) 1**

**Unprocessed Paper Claims:** Despite an order extending the deadline (the IRS sent notices to prisons that the postmark deadline was November 4, 2020), the IRS stopped processing claims in mid-December 2020. The IRS refused to give an estimate on the volume of pending claims, but legal advocates working on this have not heard of any successful processing after early October. This could be a lot of pending claims. Unfortunately, the IRS did not log paper claims into the “getmypayment tracker,” so this is a frustrating mystery for claimants. The IRS has retained the unprocessed claims.

**Forcing Incarcerated People to File Paper Claims When Families/Providers Are Available for Online Filing:** The IRS did not explicitly permit outside families or community groups to file claims online on behalf of incarcerated people, which led to the high volume of paper claims.

**Cumbersome Identity Verification:** The IRS flagged many accounts for identity verification that required the person to call an 800-hotline and provide information from previous tax filings. Notably, jails and prisons often reject access to 800 numbers, and those who called were either stuck in call center queues for more than 15-20 minutes (thus getting kicked off the phone before completing) or were not put into the queue because “call volume too high.”

**Offsets, Jail Fees, and Debts: EIP 1-** Although the IRS was not permitted to offset advance refunds by overdue taxes or other federal or state debts, there were no limitations under federal law on states’ or other private creditors’ ability to seek garnishment of these funds once they were disbursed.

## **Economic Impact Payment (EIP) 2**

**Offsets, Jail Fees, and Debts: EIP 2-** Congress did not permit the IRS to apply reductions or offsets to advance refunds. (Section 272(d)(1) of Consolidated Appropriations Act of 2020.) Congress did not permit garnishment or levying by private parties of advance refunds. (Section 272(d)(2) of CAA 2020.)

**The Catch:** The offset and debt protection apply *only* to advance refunds. They do *not* apply to rebates claimed on a 2020 tax return. The IRS is considering exercising its discretion not to apply such offsets due to economic hardship related to the pandemic. You may want to wait until this decision is made.

### **2021 Issues**

**2007 Back Taxes Notice:** Some people may have received a notice that said, “We applied a credit to your 2007 tax account due to new legislation. We used (offset) all or part of your economic stimulus payment to pay your federal tax as the law allows. We will send another notice to you if we make this offset to other amounts you owe. As a result, you don't owe us any money, nor are you due a refund.” **HOWEVER, this was sent in error!** From the IRS Website: *“This notice is not accurate for anyone who received it. Since no payment was issued, no offsets occurred. We apologize for the confusion this may have caused. You can disregard the notice.”*

**Debit Cards:** The IRS has sent payments for incarcerated filers in certain states through debit cards mailed to correctional addresses. This has been especially prominent with the second stimulus payments. Prisons typically either throw them away or return them to IRS, and may or may not advise incarcerated people that the debit cards have been received. This is a major issue across the country.

### **Claiming the Rebates on 2020 Tax Returns:**

On the 2020 tax returns, these stimulus payments are called “Recovery Rebate Credits.” The IRS has not created a simplified process for claiming these (like the online Non-Filer Tool or the abbreviated “simplified” paper forms). As of now, the only way to claim the returns is by filing a Form 1040 tax return with *all* required information completed. This is a full-on tax filing. As of now, this is required to claim the payment *even if* an individual is not subject to tax filing requirements (income below \$12,200 or \$24,400 for joint filers).

**2020 Tax Returns Must be Filed by April 15, 2021:** However, please keep in mind that the IRS is considering exercising its discretion to not apply the offsets, jail fees, and debts due to economic hardship related to the pandemic. It may pay to wait until the IRS confirms their decision before filing your tax returns.

We have enclosed a paper copy of the 1040 form. We have also enclosed a sample form to help you with this process. **You can use this as an example, but please fill out your own information.** If you are in Pennsylvania, mail your form to:

Department of the Treasury  
Internal Revenue Service  
Ogden, UT 84201-0002

**INFORMATION PROVIDED BY  
LIEFF CABRASER HEIMANN & BERNSTEIN, Attorneys at Law**

*Please note: The Pennsylvania Institutional Law Project (PILP) and the Lewisburg Prison Project (LPP) are forwarding this information as a courtesy only. We are **NOT** able to advise incarcerated people on how to fill out the form. We are also **unable** to assist in applying for stimulus payments, nor can we provide advice regarding applications for payments. Furthermore, PILP/LPP will **NOT** be taking any legal action against either the IRS or any prisons relating to stimulus payments. We are providing this information to you as a courtesy. Again, PILP and LPP are **unable** to assist with any applications and **cannot** provide any legal advice.*

**RECOVERY REBATE INSTRUCTIONS:**

**Form 1040** Department of the Treasury—Internal Revenue Service (99) **2020** U.S. Individual Income Tax Return OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

**Filing Status**  Single  Married filing jointly  Married filing separately (MFS)  Head of household (HOH)  Qualifying widow(er) (QW)  
Check only one box. If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent ▶

Your first name and middle initial Last name Your social security number  
If joint return, spouse's first name and middle initial Last name Spouse's social security number

Home address (number and street). If you have a P.O. box, see instructions. Apt. no. Presidential Election Campaign  
City, town, or post office. If you have a foreign address, also complete spaces below. State ZIP code Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.  
Foreign country name Foreign province/state/county Foreign postal code  You  Spouse

26	2020 estimated tax payments and amount applied from 2019 return . . . . .	26	
27	Earned income credit (EIC) . . . . .	27	
28	Additional child tax credit. Attach Schedule 8812 . . . . .	28	
29	American opportunity credit from Form 8863, line 8 . . . . .	29	
30	Recovery rebate credit. See instructions . . . . .	30	
31	Amount from Schedule 3, line 13 . . . . .	31	
32	Add lines 27 through 31. These are your <b>total other payments and refundable credits</b> . . . ▶	32	
33	Add lines 25d, 26, and 32. These are your <b>total payments</b> . . . . . ▶	33	
34	If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you overpaid . . . . .	34	

**Line 30 on Form 1040—How to Calculate?**

This time, each person must figure out how much their rebate is themselves.

- **A: Figure Out What You Already Received**
  - You should know how much you've already received.
    - If you received something, the IRS will have sent you a Notice 1444 and Notice 1444-B.
    - You can also look this up on IRS.gov/Account.
- **B: Figure Out Your Presumptive Entitlement**
  - EIP 1: \$1,200 for single filers or \$2,400 for joint filers, plus \$500 per qualifying child under age 17 at end of 2020.
  - EIP 2: \$600 for single filers or \$1,200 for joint filers, plus \$600 per qualifying child under age 17 at end of 2020.

- **C: Figure Out If Income-Based Reductions Are Required**
  - Adjustments are needed if single filers earned more than \$75,000 in 2020, heads of household earned more than \$112,500, or joint filers earned more than \$150,0000
  - Reduction is 5% of the difference between the limits above and your adjusted gross income (line 11 of Form 1040)
  - So Line 30 will equal:  $B - (.05 \times (AGI-C)) - A$ .

*EXAMPLE 1: Single, no income, no qualifying children, no prior EIPs.*

- **A: Figure Out What You Already Received -- \$0**
- **B: Figure Out Your Presumptive Entitlement -- \$1,800**
  - EIP 1: \$1,200.
  - EIP 2: \$600.
- **C: Figure Out If Income-Based Reductions Are Required**
  - 2020 income is \$0.
  - No adjustments required.
- **So Line 30 will equal:**
  - $B - (.05 \times (AGI-C)) - A$
  - $(\$1,800 - 0 - 0)$
  - **\$1,800**

*EXAMPLE 2: Single, no income, no qualifying children, received first EIP but not second.*

- **A: Figure Out What You Already Received -- \$1,200**
- **B: Figure Out Your Presumptive Entitlement -- \$1,800**
  - EIP 1: \$1,200.
  - EIP 2: \$600.
- **C: Figure Out If Income-Based Reductions Are Required**
  - 2020 income is \$0.
  - No adjustments required.
- **So Line 30 will equal:**
  - $B - (.05 \times (AGI-C)) - A$
  - $(\$1,800 - 0 - \$1,200)$
  - **\$600**