



**Parker Financial Services, LLC**

**Owner: David E. Parker, CPA, CFP®**

[www.retireontime.net](http://www.retireontime.net)

[dave@retireontime.net](mailto:dave@retireontime.net)



**3830 Packard Road; Suite 260**

**Office: 734-975-8711**

**Ann Arbor, MI 48108**

**Fax: 734-418-2106**

**"Helping Business Owners and Professionals Retire on Time"**

## **The Tax Rebate or the Economic Stimulus Act of 2008**

Under the Economic Stimulus Act of 2008, many people will be receiving an economic stimulus payment. The Treasury will start sending out these checks beginning in May 2008.



In order to be eligible for a stimulus payment, a person has to do the following:

- Have a valid Social Security Number; for a married couple filing jointly, both couples must have a valid Social Security Number.
- File a 2007 Tax Return (Form 1040, Form 1040A, or Form 1040EZ), even if you would not ordinarily be required to do so.
- Have at least \$3,000 in qualifying income, or have a gross income greater than the sum of the basic standard deduction and exemption amount and have a 2007 tax liability (see below) greater than \$0.
- Can not be claimed as a dependent on someone else's return.
- Can not be a nonresident alien.

Qualifying Income includes all of the following:

- Wages reported on W-2.
- Net-Self Employment Income.
- Social Security benefits reported on box 5 of Form 1099-SSA (People who do not receive form 1099-SSA, can estimate their Social Security benefit by multiplying their monthly benefit by the number of months that they receive the benefit).
- Certain Railroad Retirement benefits reported in box 5 of Form 1099-RRB
- Veterans' benefits received in 2007, including veterans' disability compensation and pension or survivors' benefits received from the Department of Veterans Affairs. (People who were not required to file a tax return can estimate their annual veterans' benefit by multiplying their monthly benefit by the number of months that they receive the benefit).
- Nontaxable combat pay if the taxpayer elects to include it as earned income.

The amount of the stimulus payment is equal to your 2007 tax liability, but no more than \$600 for a single person or \$1200 for a married couple filing a joint return. The minimum payment is \$300 for a single person and \$600 for a married couple filing jointly.

To calculate your 2007 tax liability:

- For Form 1040 filers, your tax liability is the amounts on line 57 plus line 52.
- For Form 1040A filers, your tax liability is the amounts on line 35 plus line 32.

- For Form 1040EZ filers, your tax liability is the amount on line 10.

In addition, eligible taxpayers will receive an extra \$300 for each qualifying child. A qualifying child must have a valid Social Security Number and be under age 17.

The amount of the stimulus payment will be reduced if the taxpayer's Adjusted Gross Income (AGI) is greater than the following thresholds:

- Individual taxpayers who have Adjusted Gross Income (AGI) over \$75,000.
- Married Couples filing jointly who have Adjusted Gross Incomes (AGI) over \$150,000.

The amount of the reduction is equal to 5% of the amount of AGI greater than the threshold amount.

The stimulus payment is essentially an advanced payment of the Section 6428 tax credit that is going to be applied to your 2008 tax return. Consequently, the amount of the tax credit you will receive on your 2008 tax return will be reduced by the amount of the stimulus payment. However, if the stimulus payment is greater than the tax credit on the 2008 tax return, then you will not have to pay back the difference.

If you direct deposit your 2007 tax refund, your stimulus payment will be direct deposited to the same account. Otherwise, you will receive a check in the mail.

If you have moved since filing your 2007 tax return, you should file Form 8822 (Change of Address) with the IRS, and notify the U.S. Postal Service.

If you receive a stimulus payment, you should keep a copy of the IRS letter you receive informing you of the amount of the stimulus payment. You will need to know this information when you fill out your 2008 tax return.

The stimulus payment will not affect you eligibility for federal benefits such as social security, food stamps, or other programs.

For more information, contact us or you can check the IRS website: [www.irs.gov](http://www.irs.gov)