

2021 Recovery Rebate Payments Going Out to 1 Million Taxpayers

Cross References

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The IRS announced plans to issue automatic payments in late December of 2024 to eligible people who did not claim the Recovery Rebate Credit on their 2021 tax returns.

The IRS announced the special step after reviewing internal data showing many eligible taxpayers who filed a return but did not claim the credit. The Recovery Rebate Credit is a refundable credit for individuals who did not receive one or more Economic Impact Payments (EIPs), also known as stimulus payments.

No action is needed for eligible taxpayers to receive these payments, which went out automatically in December and should arrive in most cases by late January 2025. The payments will be automatically direct deposited or sent by paper check; eligible taxpayers will also receive a separate letter notifying them of the payment.

“The IRS continues to work hard to make improvements and help taxpayers,” said IRS Commissioner Danny Werfel. “These payments are an example of our commitment to go the extra mile for taxpayers. Looking at our internal data, we realized that one million taxpayers overlooked claiming this complex credit when they were actually eligible. To minimize headaches and get this money to eligible taxpayers, we’re making these payments automatic, meaning these people will not be required to go through the extensive process of filing an amended return to receive it.”

The payments vary depending on several factors, but the maximum payment is \$1,400 per individual. The estimated amount of payments going out will be about \$2.4 billion.

The IRS also reminded taxpayers who haven’t filed 2021 tax returns they might be eligible as well, but they face an April 15, 2025, deadline to file their returns to claim the credit and any other refund they might be owed.

Most taxpayers eligible for EIPs have already received their EIP or Recovery Rebate Credit.

These December payments for the 2021 Recovery Rebate Credit are only going to taxpayers where IRS data demonstrates a taxpayer qualifies for the credit. Qualified taxpayers are those who filed a 2021 tax return, but where the data field for the Recovery Rebate Credit was left blank or was filled out as \$0 when the taxpayer was actually eligible for the credit.

Taxpayers who qualify but did not claim any portion of the credit on their 2021 tax return should receive these payments by late January 2025. The payment will be sent to the bank account listed on the taxpayer’s 2023 tax return or to the address of record.

An IRS letter will be sent to the taxpayer receiving these 2021 Recovery Rebate Credit payments. If the taxpayer closed their bank account since filing their 2023 tax return, taxpayers do not need to take any action. The bank will return the payment to the IRS and the refund will be reissued to the address of record.

The IRS reminds taxpayers who have not yet filed their 2021 tax returns that they may be eligible for a refund if they file and claim the Recovery Rebate Credit by the April 15, 2025, deadline.

Eligible taxpayers who did not file must file a tax return to claim a Recovery Rebate Credit, even if their income from a job, business or other source was minimal or non-existent.

Any Recovery Rebate Credit received does not count as income when determining eligibility for federal benefits such as Supplemental Security Income (SSI), Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF) and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC).

Author's Comment

There were three rounds of stimulus checks issued during the COVID-19 pandemic. The \$1,400 per individual was from the third round of Economic Impact Payments (EIPs) issued by the IRS to eligible individuals based upon a taxpayer's 2019 tax return. The IRS calculated the EIP on how it would have been calculated as a Recovery Rebate Credit on the 2019 tax return, using the taxpayer's 2019 AGI and 2019 dependents, etc. Any EIP received reduced the Recovery Rebate Credit that could be claimed on the 2021 tax return. The actual Recovery Rebate Credit allowed on the 2021 tax return, however, was based upon the AGI and dependents for 2021, not 2019. Thus, for example, if AGI for 2019 was too high to receive an EIP, but low enough in 2021 to qualify for the credit, the taxpayer needed to file a 2021 tax return and claim the Recovery Rebate Credit on that tax return.