



Recovery Rebates in the CARES Act: Update

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<https://budgetmodel.wharton.upenn.edu/estimates/2020/3/27/the-cares-act-update>

Summary: The Coronavirus Aid, Relief and Economic Security (CARES) Act would provide families with emergency “recovery rebates”. The bill would provide individuals with an advance refundable credit worth \$1,200 (\$2,400 for married couples) plus \$500 for qualifying dependent children. These payments would begin to phase out starting at \$75,000 in AGI (\$150,000 for married couples and \$112,500 for heads of household). Advance payments would be sent based on taxpayers' 2018 or 2019 AGI if available; for taxpayers who qualify with previous years' AGI but would not with 2020 AGI, no repayment is required. PWBM projects that the rebates would cost \$285 billion. (Note: this estimate reflects PWBM's updated understanding of the bill's legislative language regarding advance payments; an earlier version of the estimate can be found here*.)

* <https://budgetmodel.wharton.upenn.edu/estimates/2020/3/24/the-cares-act>

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[Table 1: Distribution of Federal Tax Change Under The CARES Act](#)



Table 1: Distribution of Federal Tax Change Under The CARES Act

Income group	Average benefit	Share receiving rebate	Percent change in after tax income	Share of benefit	Share of federal taxes paid	
					Under current law	Under the proposal
Bottom quintile	\$1,385	100.0%	46.2%	24.3%	0.1%	-2.4%
Second quintile	\$1,665	100.0%	7.3%	22.4%	2.4%	0.3%
Middle quintile	\$1,765	100.0%	4.1%	22.9%	10.3%	9.0%
Fourth quintile	\$1,990	95.5%	2.6%	22.3%	19.1%	18.8%
80-90%	\$1,485	78.6%	1.2%	6.8%	15.0%	15.8%
90-95%	\$450	27.9%	0.3%	1.0%	10.9%	12.0%
95-99%	\$155	8.0%	0.1%	0.3%	16.3%	18.0%
99-99.9%	\$5	0.2%	0.0%	0.0%	12.8%	14.1%
Top 0.1%	\$0	0.0%	0.0%	0.0%	13.0%	14.4%

Note: "Income" is defined as AGI plus: above-the-line deductions, nontaxable interest income, nontaxable Social Security benefits, nontaxable pensions and annuities, employer-side payroll taxes, and corporate liability. Note that this definition excludes transfer income and thus understates low-income tax units' income.