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# Stimulus Checks: True-Up and Safe Harbor Costs

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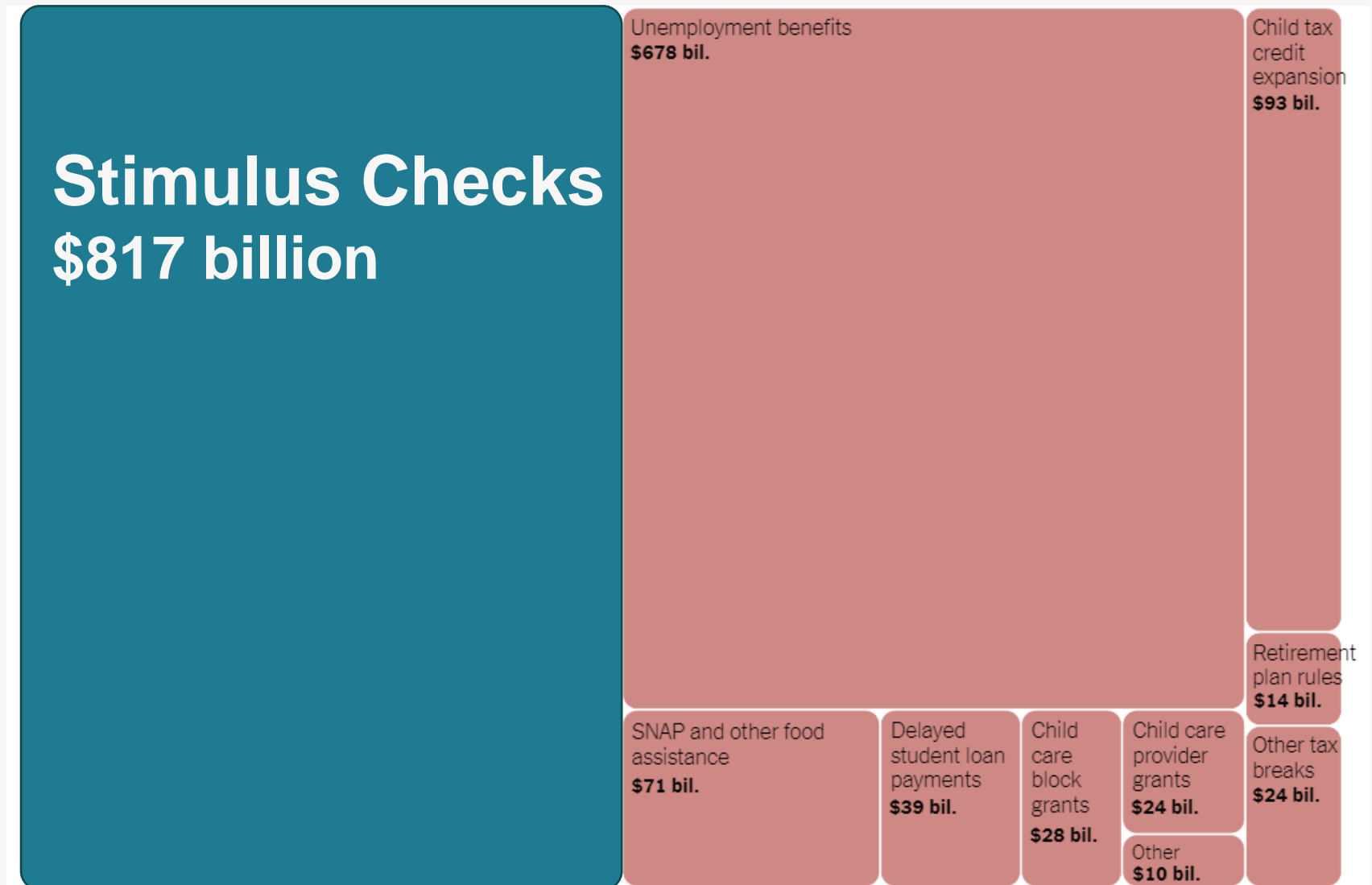
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# Stimulus: largest direct Covid relief



*Note:* As of March 2022. *Source:* Center for a Responsible Federal Budget and [New York Times](#)

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# Literature

## Stimulus checks & MPCs

- **2001:** Shapiro & Slemrod (2003); Johnson, Parker, & Souleles ([2006](#))
- **2008:** Parker et al. ([2013](#)); Broda and Parker ([2014](#)); Kaplan & Violante ([2014](#))
- **2020:** Parker et al. ([2021](#)); Baker et al. ([forthcoming](#)); Chetty et al. ([2021](#))
- **2021:** Parker et al. ([2022](#))

## **BUT...checks are just the advance portion**

- Initial checks based on prior-year income (#kids, etc.)
- If current-year income lower, may get **true-up payment** on tax return the next year due to less phase out
- True-ups for 2020 stimulus were **\$45 billion** (11% of checks)
- JCT estimates were close (within 0.2% in 2020) but need to understand timing effects of advance credits

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# Terminology

## “Claimed” Tax Credit Amounts

Calculated on tax returns with end-of-year information

## Advance Tax Credit Amounts

Usually determined by IRS using prior-year information

*Examples:* stimulus payments, premium tax credits, advance EITC, advance child tax credits

## True-Up Payment

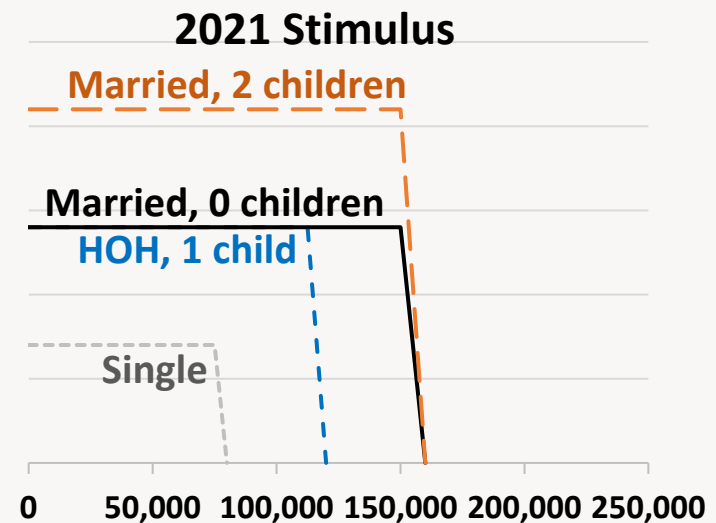
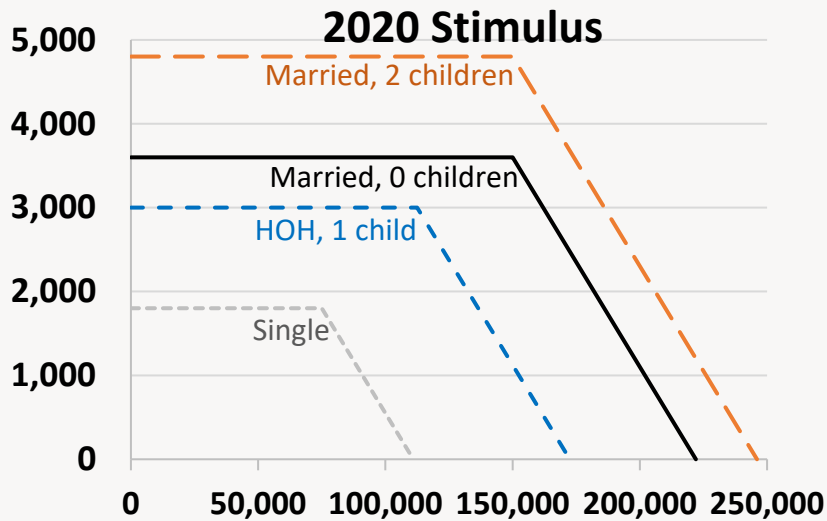
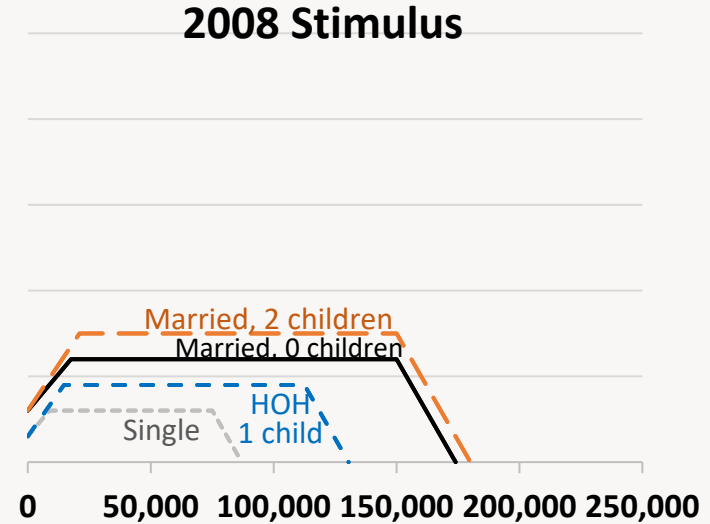
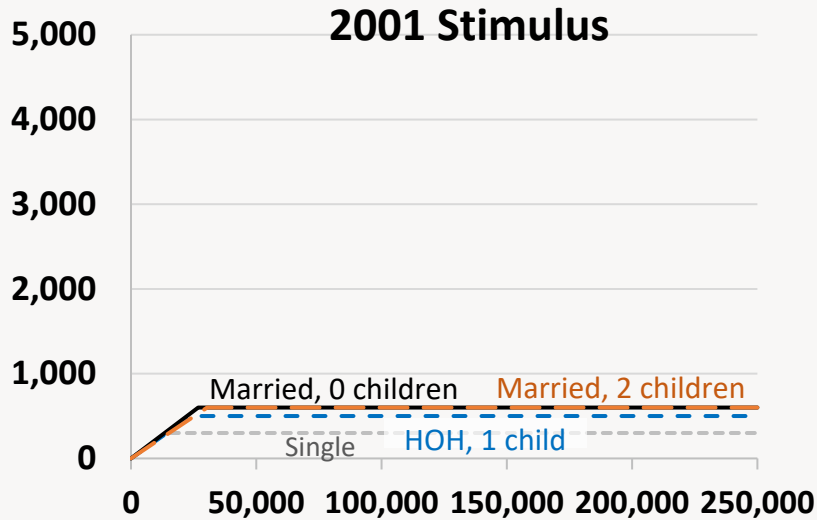
advance credit < claimed credit → additional true-up payment

## Safe Harbors

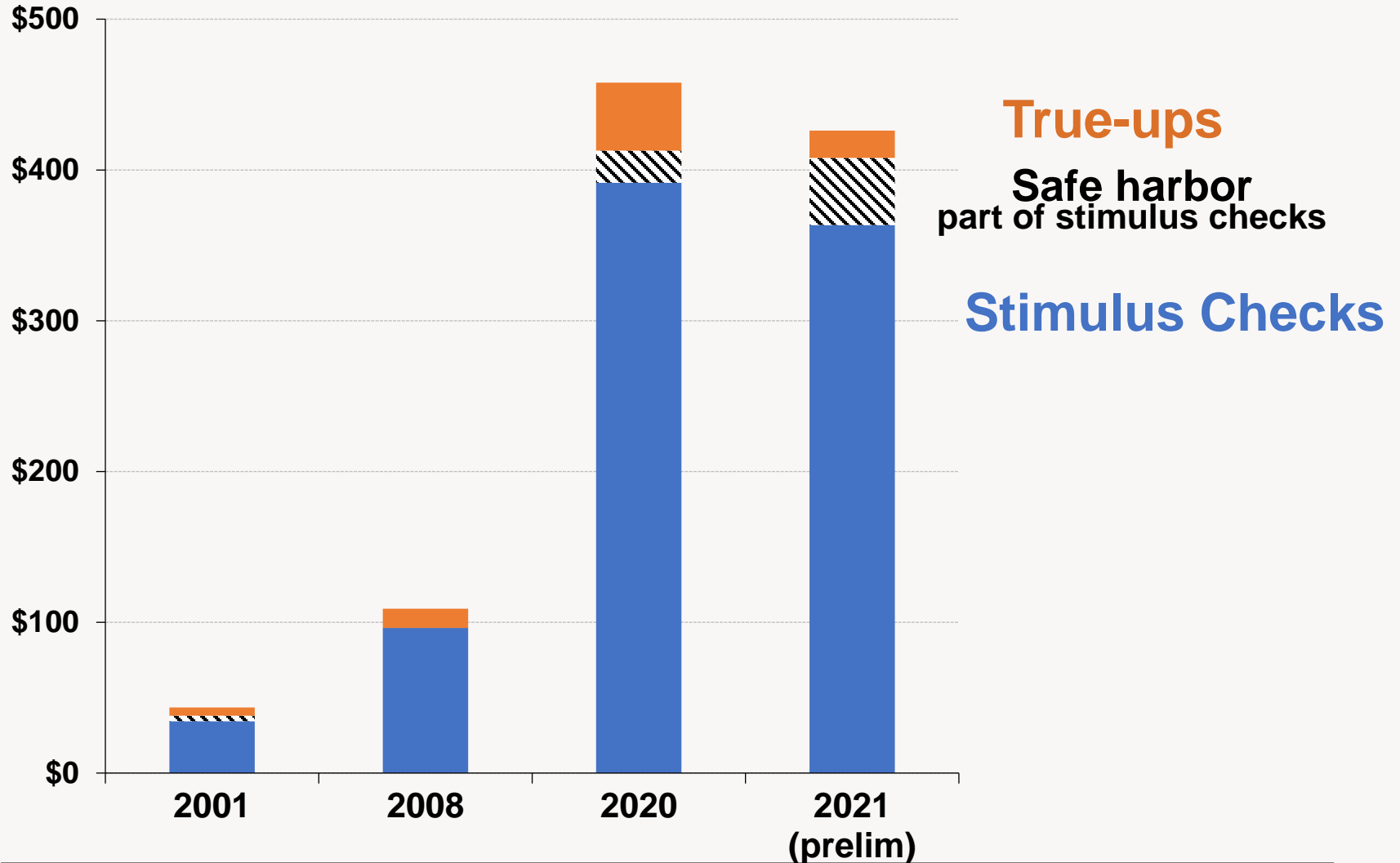
advance credit > claimed credit → safe harbor prevents repayment

**True-up and safe harbor costs are muted if early information corresponds to end-of-year information**

# Stimulus by AGI and tax-unit type



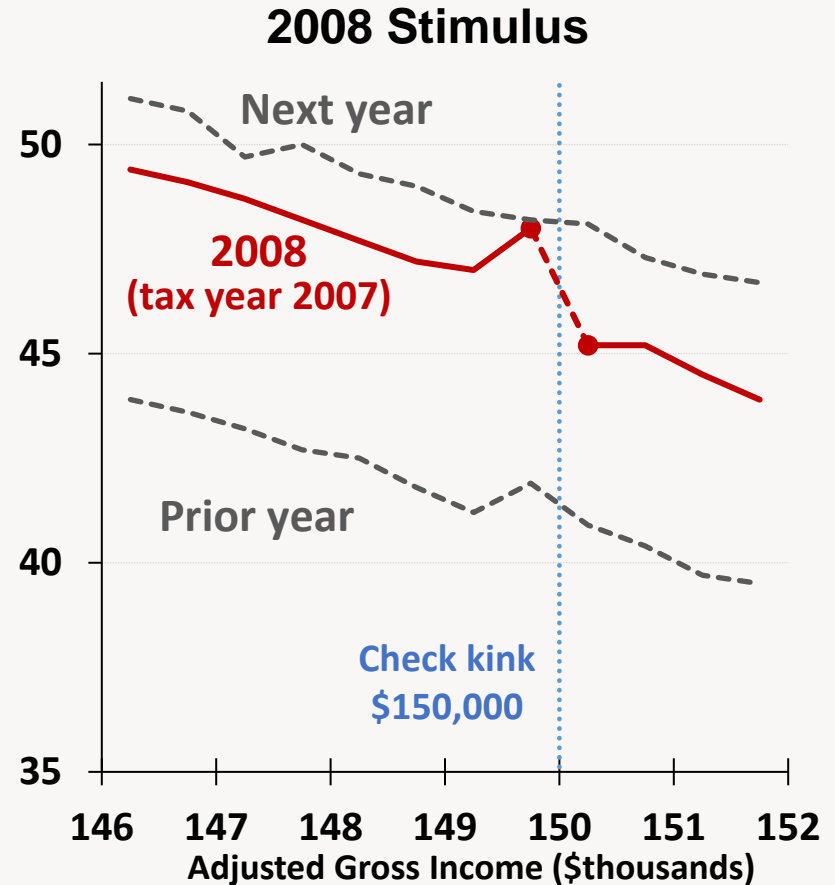
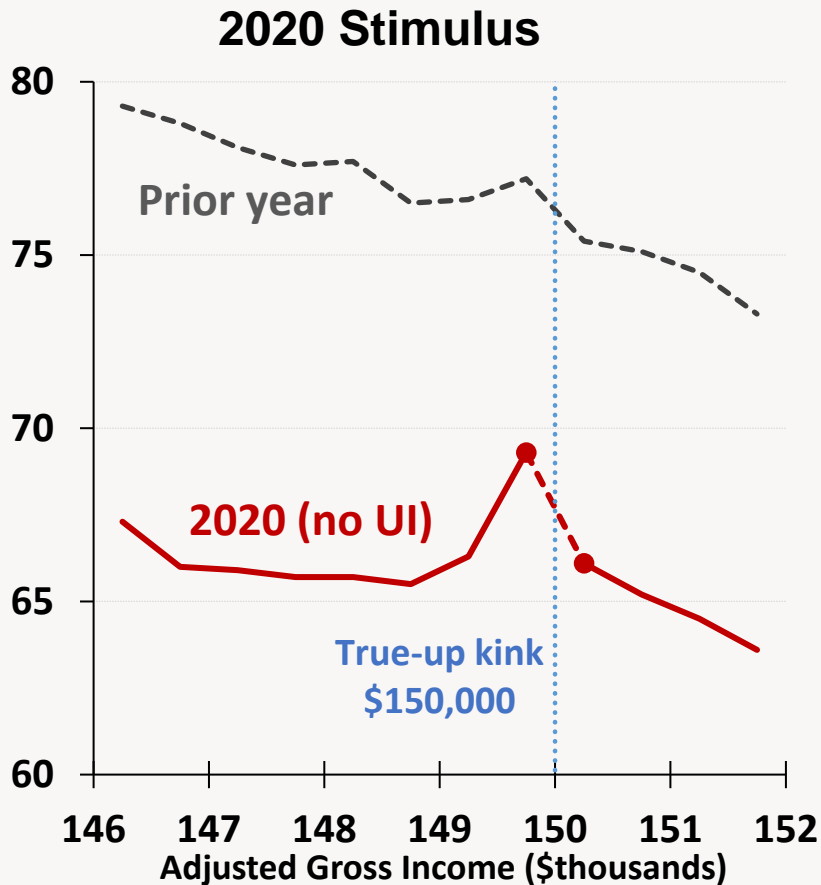
# Stimulus check and true-up costs (\$billions)



# Stimulus payment costs (\$billions)

	2001	2008	2020	2021	Average
<b>Amounts (\$billions)</b>					
Stimulus checks	38.0	96.3	412.9	408.0	---
True-up cost (additional)	5.5	12.7	45.0	18.1	---
Safe harbor (in stim. checks)	3.6	---	21.4	44.5	---
<b>Cost as share of stimulus checks (%)</b>					
<b>True-up cost</b>	14	13	11	4	<b>11</b>
<b>Safe harbor cost</b>	9	---	5	11	<b>9</b>
<b>Total</b>	<b>24</b>	<b>---</b>	<b>16</b>	<b>15</b>	<b>19</b>
<b>True-up cost sources (%)</b>					
<b>Checks not received</b>	16	28	21	30	<b>24</b>
Change in status	1	3	27	3	9
More depend./children	14	8	8	18	12
<b>Income decline</b>	51	33	28	25	<b>34</b>
Not identified	16	28	16	24	21
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Safe harbor cost sources (%)</b>					
Change in status	20	---	27	5	17
Fewer depend./children	---	---	6	28	17
<b>Income increase</b>	52	---	64	61	<b>59</b>
Not identified	29	---	3	6	13
<b>Total</b>	<b>100</b>	<b>---</b>	<b>100</b>	<b>100</b>	<b>100</b>

# High-income Bunching for Stimulus? (number of joint tax returns, thousands)





# Conclusions

## Full stimulus payment costs

- True-up costs averaged 11% of checks (more in recessions)
- Safe Harbor costs averaged 9% of checks (more in recoveries)
- Covid-era true ups & safe harbors cost **nearly \$130 billion**

## Costs mostly from

- Income decreases (true-ups) and increases (safe harbors)
- But also: not receiving checks (true-ups), filing stat./#depend. changes
- ~85% of recent stimulus checks well-predicted, differences about evenly split between over- and under-estimates. Maag et al. (forthcoming) found ~80% had well-predicted tax credits with 1<sup>st</sup> qtr. info.

## Reducing data lags?

- Online portal for adv. child tax credits
- But always income uncertainty in recessions, when stimulus usually paid

## Bunching

- Evidence of small amount of high-income bunching for married filers

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