
Stimulus Checks: True-Up and Safe Harbor Costs

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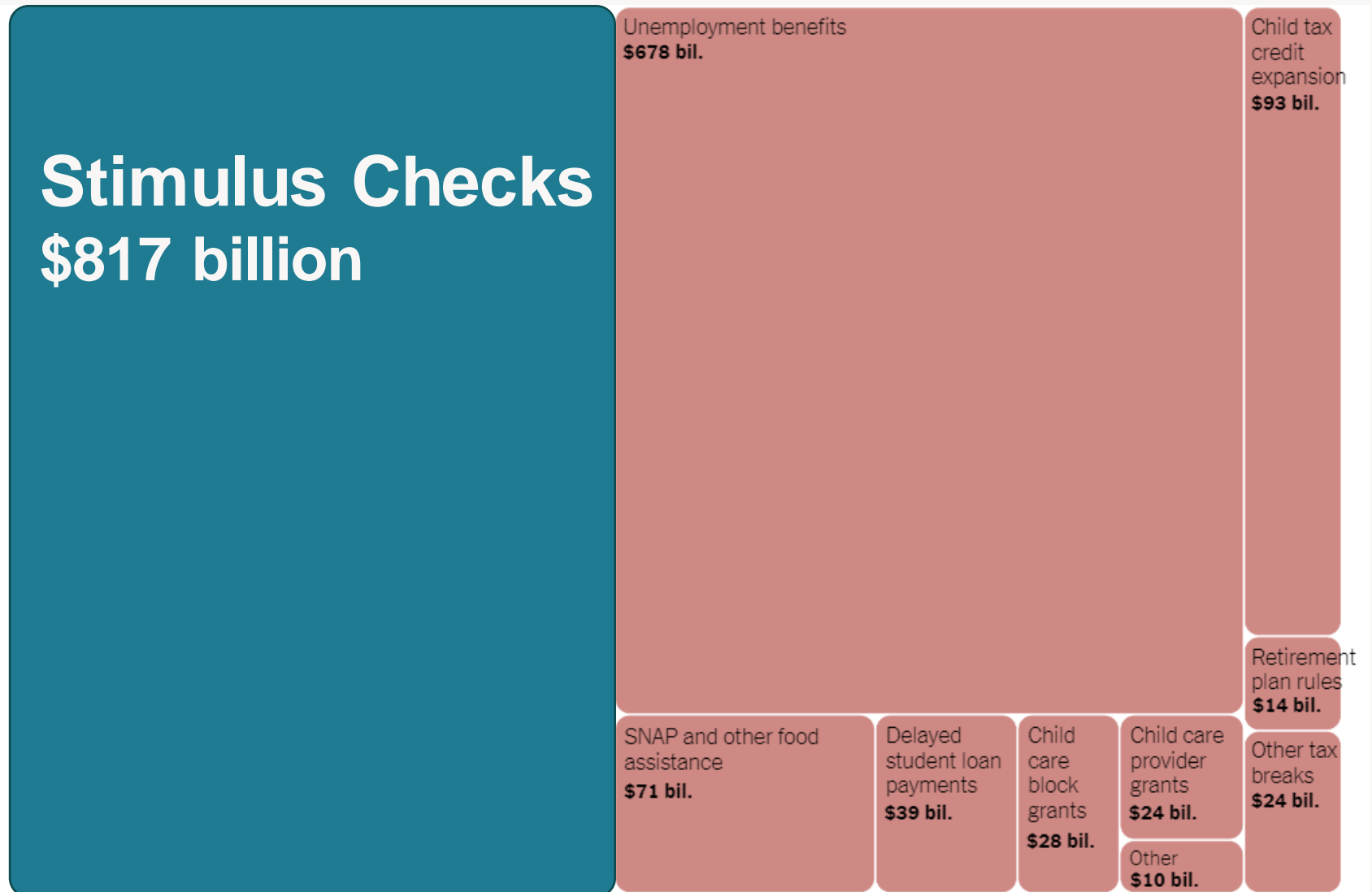
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Stimulus: largest direct Covid relief



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

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 **\$46 billion** (11% of checks)
- JCT estimates were close (within 0.2% in 2020) but need to understand timing effects of advance credits

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

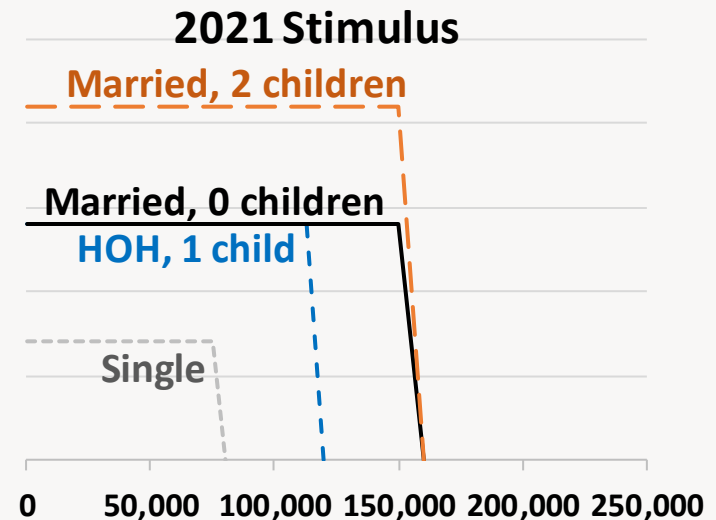
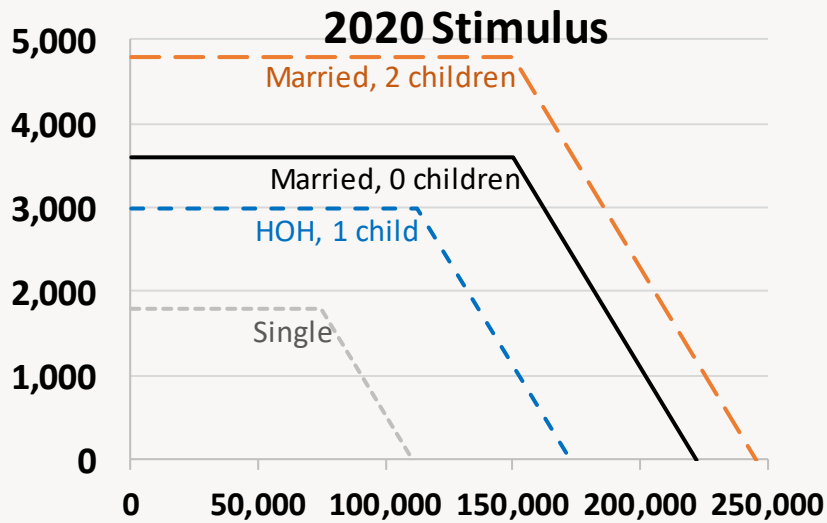
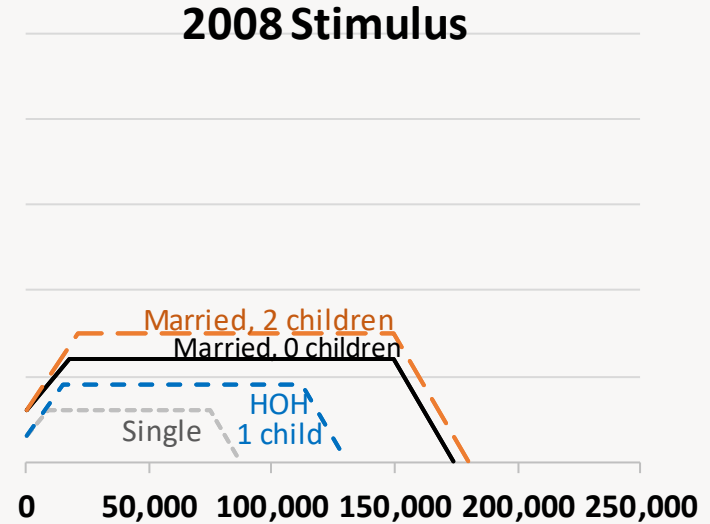
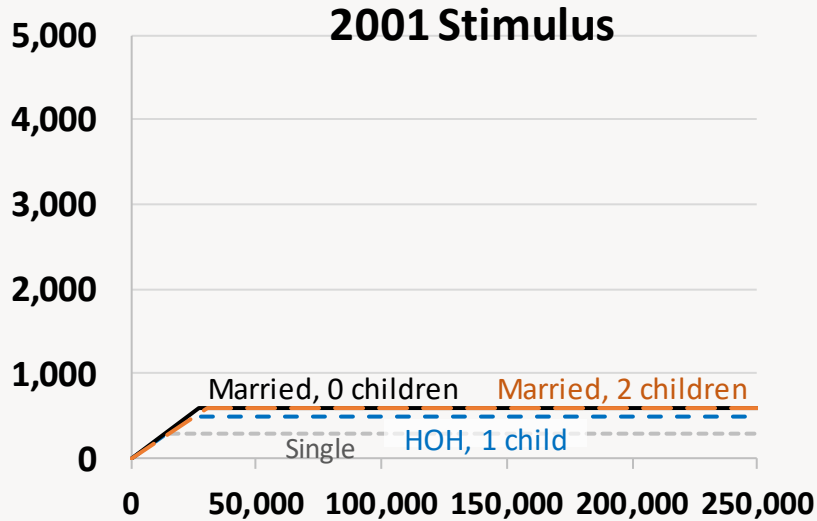
advance credit < claimed credit → additional true-up payment

Safe Harbors

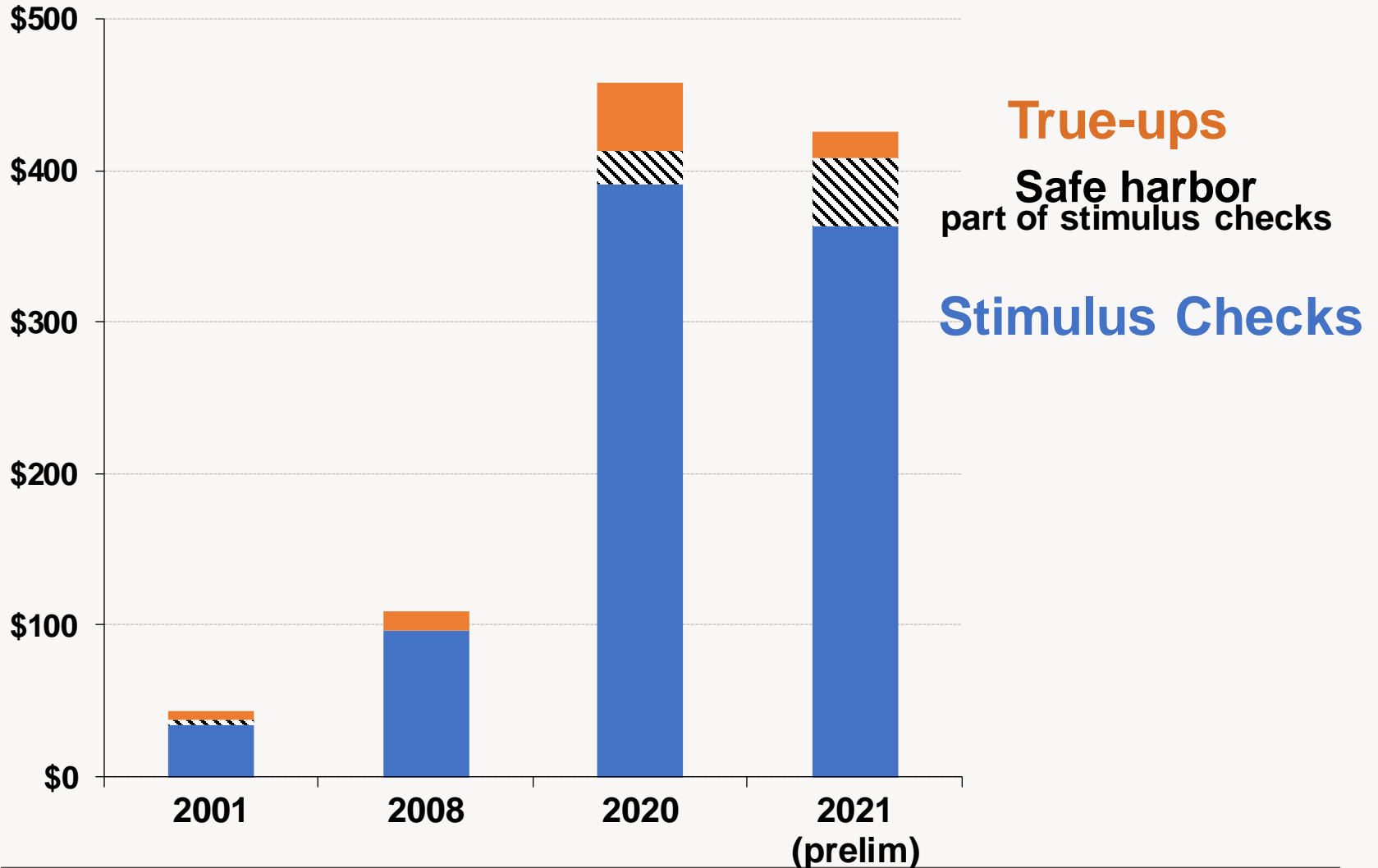
advance credit > claimed credit → safe harbor prevents repayment

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

Stimulus by AGI and tax-unit type



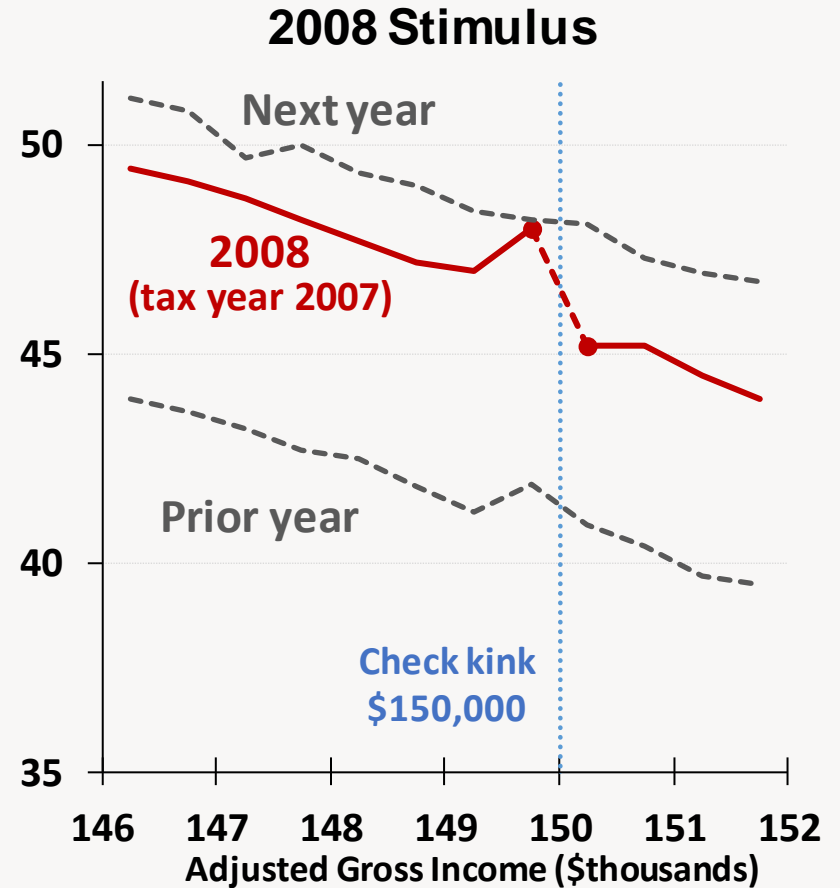
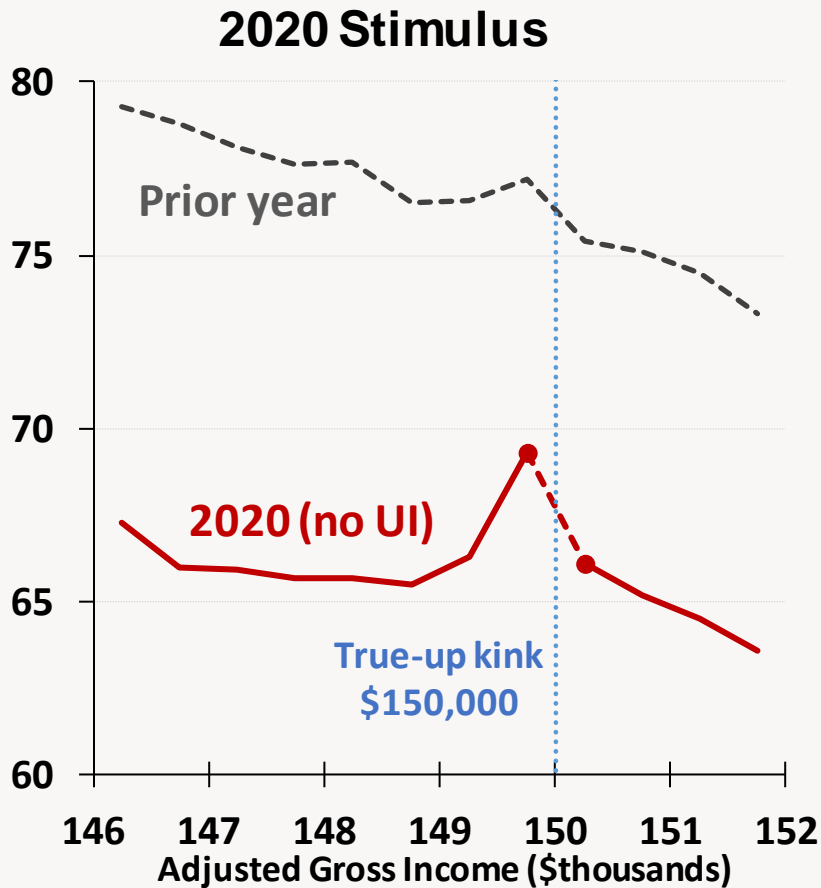
Stimulus check and true-up costs (\$billions)



Stimulus payment costs (\$billions)

	2001	2008	2020	2021	Average
Amounts (\$billions)					
Stimulus checks	38.0	96.3	412.9	408.0	---
True-up cost (additional)	5.5	12.7	45.7	18.6	---
Safe harbor (in stim. checks)	3.6	---	21.9	47.3	---
Cost as share of stimulus checks (%)					
True-up cost	14	13	11	5	11
Safe harbor cost	9	---	5	12	9
Total	24	---	16	16	20
True-up cost sources (%)					
Checks not received	16	28	28	27	25
Change in status	2	3	12	13	7
More depend./children	14	8	16	16	14
Income decline	51	33	29	25	35
Not identified	16	28	15	189	19
Total	100	100	100	100	100
Safe harbor cost sources (%)					
Change in status	---	---	14	8	11
Fewer depend./children	---	---	25	26	26
Income increase	---	---	60	60	60
Not identified	---	---	2	6	4
Total	---	---	100	100	100

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 **over \$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. Maag et al. (forthcoming) found ~80% had well-predicted tax credits with 1st 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