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Rebate credit could complicate tax return

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If it is tax season, it's time for an alert about something that can trip you up.

This season's trouble spot: something called a Recovery Rebate Credit. Here's a clue: Most taxpayers who got a stimulus check last year aren't going to qualify.

People are likely to make mistakes. The Internal Revenue Service said an early sampling showed that 15% of returns filed had errors involving the recovery credit.

It's not taxable

William Massey, senior tax analyst from the Tax & Accounting business of Thomson Reuters, said some people think that their stimulus checks are taxable. They are not. So, you do not put the amount you received for the stimulus payment last summer on the line for the "Recovery Rebate Credit."

The recovery rebate credit only could apply if you did not qualify for any stimulus check last year or if you got a partial payment.

Patricia Bojanic, tax partner for Gordon Advisors in Troy, said many taxpayers don't understand that stimulus money can apply to one of two years. The rebate credit could help some taxpayers whose situations changed in 2008 from 2007.

Luis D. Garcia, IRS spokesman in Detroit, said the recovery rebate would apply to a small group of taxpayers.

"The majority of people who were eligible for an economic stimulus payment already received it," he said. Those who qualified got a maximum \$600 each -- \$1,200 if married filing jointly -- plus \$300 per child for the stimulus payments.

Limited eligibility

Who might be eligible for the recovery credit?

Taxpayers may be eligible if they did not have a valid Social Security number in 2007 but did receive one in 2008. Or taxpayers could get more stimulus money if they gave birth to a child or adopted in 2008.

Or you might qualify for the credit if you worked in 2007, received no stimulus check in 2008 and ended up out of work last year. Or Massey noted it might apply to someone who graduated from college in '07 or '08.

Complete a worksheet or use tax software to know what amount to claim for the recovery rebate if you did not get the full credit last year.

To complete that worksheet, find out what you received for a stimulus check. You might have received a partial payment.

Reportedly, taxpayers got Notice 1378 when they got stimulus checks and were told to keep that notice. I doubt most people can find it.

So go to www.irs.gov and go to "How Much Was My Stimulus Payment?" Fill out your Social Security Number, 2007 filing status and the number of exemptions claimed on your 2007 tax return. Or call 866-234-2942 for the IRS rebate hotline.

If you qualify, you would need to claim that rebate credit on line 70 of the regular 1040, line 42 of the 1040A and line 9 of the 1040EZ. See www.irs.gov for more rules.

Why should you care? If you fill out the recovery rebate credit wrong, the IRS warns that your refund will be delayed by a week or so.

Also: Do not fall for scam e-mails that tell you that you have a stimulus payment coming from the IRS.

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