



STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE

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SC INFORMATION LETTER #20-13

SUBJECT: Federal COVID-19 Economic Stimulus Payments
(Individual Income Tax)

DATE: June 11, 2020

AUTHORITY: S.C. Code Ann. Section 12-4-320 (2014)
S.C. Code Ann. Section 1-23-10(4) (2005)
SC Revenue Procedure #09-3

SCOPE: An Information Letter is a written statement issued to the public to announce general information useful in complying with the laws administered by the Department. An Information Letter has no precedential value.

OVERVIEW OF FEDERAL ECONOMIC IMPACT PAYMENT

On March 27, 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act)¹ in response to the COVID-19 pandemic. As part of the relief provided, the Internal Revenue Service (IRS) is issuing an economic impact payment to individual taxpayers from April through December 2020.² The stimulus payment is \$1,200 per adult (\$2,400 for married couples filing joint returns) plus \$500 for each qualifying child age 16 and under. The payment is not available to higher income individuals.

The IRS is distributing stimulus payments automatically, with no action required for individuals who filed a 2018 or 2019 federal income tax return³ or for individuals not required to file a tax return who receive government payments, such as social security or veteran's benefits. Other individuals may have to provide additional information to the IRS to receive a stimulus payment.

For complete information about the federal economic impact payment, go to the "Economic Impact Payment Information Center" page on [IRS.gov](https://www.irs.gov).

¹ Public Law 116-136, March 27, 2020.

² See Internal Revenue Code Section 6428, "2020 Recovery Rebates for Individuals," as added by CARES Act Section 2201(a).

³ Because of the pandemic, the April 15, 2020 individual income tax filing deadline was extended to July 15, 2020, and some 2019 individual returns have not been filed at the time the IRS sent the stimulus payment.

TAX CONSEQUENCES OF ECONOMIC IMPACT PAYMENT IN TAX YEAR 2020

Federal Tax Treatment. According to the IRS, the economic impact payment is not considered taxable income. It is not included in gross income for federal income tax purposes and is not subject to federal income taxes. It is treated as a refundable credit for the 2020 tax year⁴ and will not reduce a taxpayer's refund or increase the amount owed when the 2020 individual federal income tax return is filed next year.

South Carolina Tax Treatment. For South Carolina income tax purposes, the economic impact payment is not taxable. Since federal income taxes are not deductible in arriving at an individual's South Carolina taxable income, the federal income tax refund (or the stimulus payment in the form of a rebate or refundable tax credit) is not includable in arriving at South Carolina taxable income.

⁴ The stimulus payment is technically an advance payment of a new temporary tax credit that eligible taxpayers can claim in their 2020 federal tax return. See Internal Revenue Code Section 6428(b) as added by CARES Act Section 2201(a).