

MEMORANDUM

March 3, 2021

To: Senator Charles E. Schumer

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Subject: State-Level Estimates of Eligibility for a Proposed Third Direct Payment

This memorandum responds to your request for estimates of eligibility for a proposed third round of direct payments (also referred to as recovery rebates, economic impact payments, or stimulus checks), aggregated to the state level. Specifically, **Table 1** below presents (1) estimates of the number of households in each state eligible for the proposed direct payment, and (2) estimates of the total direct payment dollars for which households in each state would be eligible. For the purposes of this memorandum, a household is defined as all individuals included on a federal income tax return.¹ The results reported in **Table 1** *should not be used to estimate the budgetary impact of a direct payment proposal*. The Joint Committee on Taxation, which scores tax legislation, has access to restricted data not available to CRS that allow for more accurate estimates of the impact of tax policies (such as direct payments).

The direct payment estimated in this memorandum reflects a modified version of the 2021 recovery rebates included in Sec. 9601 of the American Rescue Plan Act of 2021 (ARPA, H.R. 1319), as passed by the House on February 27, 2021.² This memo will refer to the proposal included in H.R. 1319 as passed by the House as the “House-passed version,” and will refer to the modified version of H.R. 1319 specified by your office as the “Senate proposal.” Like the direct payments included in the House-passed version, the Senate proposal would provide direct payments in the form of an advance refundable tax credit to eligible households.³ The maximum amount of a household’s payment would equal the sum of:

¹ Using this definition of “household,” a single individual with no dependents, a married couple with two children, and a single parent with one child would each be counted as one household.

² Modifications reflect the legislative specifications provided by your office to CRS via email on March 3, 2020. Note that while Sec. 9601 of the House-passed version of H.R. 1319 refers to the payments as “2021 recovery rebates,” the IRS used the term “economic impact payments” to refer to the advance direct payments authorized under the CARES Act (P.L. 116-136) and the Consolidated Appropriations Act, 2021 (P.L. 116-260).

³ For additional information on the structure of the recovery rebates proposed in H.R. 1319, see CRS Insight IN11604, *COVID-19 and Direct Payments: Frequently Asked Questions (FAQs) About the Proposed Third Round of “Stimulus Checks” in the American Rescue Plan Act of 2021 (ARPA; H.R. 1319)*, by Margot L. Crandall-Hollick and CRS Insight IN11605, *COVID-19 and Direct Payments: Comparison of First and Second Round of “Stimulus Checks” to a Proposed Third Round in the American Rescue Plan Act of 2021 (ARPA; H.R. 1319)*, by Margot L. Crandall-Hollick.

- \$1,400 for each eligible adult individual (\$2,800 in the case of most married couples), plus
- an additional \$1,400 for each dependent as defined for tax purposes.

Both the House-passed version of H.R. 1319 and the Senate proposal would phase out the payments for households with income in given ranges. Under the Senate proposal, the phaseout ranges (which vary by tax filing status) would be:

- \$75,000 to \$80,000 for tax filers other than head of household and married joint filers,
- \$112,500 to \$120,000 for head of household filers, and
- \$150,000 to \$160,000 for married joint filers.

Households with incomes in excess of these ranges would be ineligible to receive a payment. The payment amount would be phased out proportionally (or “ratably”) in relation to the amount of a household’s income within the phaseout range.⁴ For example, if a single filer with no children had income of \$77,500, their payment would be reduced by 50% (to \$700), since their income is halfway between the beginning point (\$75,000) and ending point (\$80,000) of the phaseout range. Similarly, if a married couple with one child had income of \$157,500 (75% of the phaseout range), their payment amount would be reduced by 75% (to \$1,050).

CRS estimates that under the Senate proposal, approximately 145.4 million households (out of a total of 166 million households in the U.S.) would be eligible to receive a total of \$380 billion in direct payments.⁵ **Table 1** presents these estimates at the state level. While **Table 1** presents estimates of eligibility for the direct payment under the Senate proposal by state, states would play no role in distributing the payments. Payments would be made by the U.S. Treasury directly to eligible households in each state.

Limitations

Due to data limitations, the estimates provided in **Table 1** do not account for three major features of the proposed third direct payment. First, this memorandum does not account for the mechanisms used to actually deliver the direct payments to households. Instead, **Table 1** presents estimates of the number of households who meet the eligibility criteria for the direct payments, as well as the total dollar amounts for which these households would be eligible.

Second, the estimates provided in **Table 1** cover only the 50 states and the District of Columbia. Residents of U.S. territories would be eligible for the direct payments in the House-passed version of H.R. 1319, and would likely be eligible for the direct payment under the Senate proposal. However, the Census Bureau data used in this analysis do not include information on residents of U.S. territories, and as a result CRS is not able to estimate territorial residents’ eligibility for a direct payment.⁶

⁴ This phaseout structure differs from the phaseouts used to calculate the 2020 recovery rebates authorized in the CARES Act and the Consolidated Appropriations Act, 2021. Individuals with incomes in excess of the phaseout thresholds set in the CARES Act and the Consolidated Appropriations Act, 2021 had their payment amounts reduced at a rate of 5¢ for each dollar of adjusted gross income (AGI) above the threshold.

⁵ Because the direct payments would be made based on tax filing units, this total of “households” reflects the number of taxpayers eligible to receive a payment. For example, a married couple filing jointly would be considered one household, since they file their taxes together and would receive a single payment of up to \$2,800. Similarly, a taxpayer claiming a dependent on their tax return would be considered one household, since the amount for the dependent would be factored into the payment received by the taxpayer.

⁶ The “Data and Methods” section includes additional information on the methodology used in this analysis.

Third, the Census Bureau dataset used to create these estimates does not include information on identification numbers used when a household files their income tax return. Language in Sec. 9601 of the House-passed version of H.R. 1319 requires individuals to provide a Social Security Number (SSN) in order to be eligible for a direct payment and to provide an SSN of dependents in order to receive the additional \$1,400 per-dependent amount.⁷ The estimates provided in this memorandum do *not* account for whether the individuals listed on a taxpayer's income tax return provide an SSN or Individual Taxpayer Identification Number (ITIN).

Because the estimates provided in this memorandum reflect the Senate proposal's modifications of the House-passed version of H.R. 1319, which generally limits eligibility for the direct payments to individuals who provide an SSN, the estimates provided in **Table 1** may somewhat *overestimate* the true number and amount of direct payments. However, other limitations of this analysis may lead the estimates in **Table 1** to somewhat *underestimate* the true number and amount of payments. In particular, estimates prepared using Census Bureau survey data tend to underestimate the value of refundable tax credits such as the child tax credit and the earned income tax credit when compared to administrative data from IRS.⁸ Because the estimates presented in **Table 1** are based on Census Bureau survey data and because the proposed direct payment would be structured as a refundable tax credit, it is possible that a similar underestimation is present in this analysis.

Table 1. Estimated Eligibility for a Proposed Third Direct Payment, by State

Dollars in thousands

State	Number of Households Receiving a Payment	Aggregate Total of Payments (\$ thousands)
Alabama	2,225,966	\$5,912,647
Alaska	297,440	\$847,315
Arizona	3,166,937	\$8,471,635
Arkansas	1,381,715	\$3,693,877
California	17,030,537	\$45,245,424
Colorado	2,492,806	\$6,354,081
Connecticut	1,561,605	\$3,932,063
Delaware	466,105	\$1,133,329
District of Columbia	325,339	\$663,331
Florida	10,050,121	\$25,186,699
Georgia	4,629,178	\$12,413,266
Hawaii	642,143	\$1,660,746
Idaho	734,604	\$2,111,168
Illinois	5,560,063	\$14,344,124

⁷ H.R. 1319 effectively prorates the direct payment amount by the number of individuals in a household who provide an SSN. For example, a married couple in which only one spouse has an SSN would be eligible for a direct payment of \$1,400 (rather than \$2,800). The bill also includes exceptions that allow taxpayers to provide an Adoption Taxpayer Identification Number in lieu of an SSN when claiming a dependent for the per-dependent amount and that allow members of the armed forces who are married to a spouse who does not have an SSN to receive the full \$2,800 amount.

⁸ The cause of this underestimation of refundable tax credits in Census survey data has not yet been conclusively determined. For more information on this effect, see Sec. 2.3 of Austin Nichols and Jesse Rothstein, "Chapter 2: The Earned Income Tax Credit," in *Economics of Means-Tested Transfer Programs in the United States*, ed. Robert A. Moffitt, vol. 1 (2016).

State	Number of Households Receiving a Payment	Aggregate Total of Payments (\$ thousands)
Indiana	3,013,560	\$8,104,439
Iowa	1,414,893	\$3,776,146
Kansas	1,286,528	\$3,386,559
Kentucky	2,065,798	\$5,501,097
Louisiana	2,189,021	\$5,665,454
Maine	659,989	\$1,650,211
Maryland	2,516,312	\$6,256,440
Massachusetts	3,108,170	\$7,366,438
Michigan	4,622,706	\$11,722,475
Minnesota	2,420,333	\$6,331,264
Mississippi	1,399,455	\$3,761,854
Missouri	2,735,611	\$7,251,562
Montana	491,225	\$1,275,668
Nebraska	843,104	\$2,278,711
Nevada	1,426,531	\$3,719,497
New Hampshire	597,274	\$1,457,134
New Jersey	3,691,546	\$9,618,195
New Mexico	989,431	\$2,583,471
New York	8,968,004	\$22,386,444
North Carolina	4,673,848	\$12,330,532
North Dakota	351,652	\$931,557
Ohio	5,373,432	\$13,961,598
Oklahoma	1,742,950	\$4,878,388
Oregon	1,932,081	\$4,986,382
Pennsylvania	5,876,366	\$14,883,553
Rhode Island	497,590	\$1,217,312
South Carolina	2,335,098	\$6,046,296
South Dakota	389,712	\$1,034,286
Tennessee	3,162,228	\$8,170,429
Texas	11,873,736	\$33,134,439
Utah	1,191,708	\$3,764,534
Vermont	295,651	\$731,749
Virginia	3,611,098	\$9,323,938
Washington	3,180,298	\$8,435,046
West Virginia	891,039	\$2,275,091
Wisconsin	2,722,268	\$6,981,675

State	Number of Households Receiving a Payment	Aggregate Total of Payments (\$ thousands)
Wyoming	260,222	\$710,257
Total	145,365,025	\$379,859,827

Source: Congressional Research Service (CRS) analysis of data from the Current Population Survey (CPS) and the TRIM3 microsimulation model. TRIM3 is funded by the Department of Health and Human Services (HHS) and maintained at the Urban Institute.

Notes: Totals may not sum due to rounding. In keeping with Census Bureau guidelines for using the CPS to provide state-level estimates, data presented in this table reflect three-year averages. Further discussion of the use of a three-year average is available in the “Data and Methods” section. Additional information on the TRIM3 model is available in Appendix B of CRS Report R45971, *The Impact of the Federal Income Tax Code on Poverty*, by Margot L. Crandall-Hollick, Gene Falk, and Jameson A. Carter.

Data and Methods

The estimates presented in this memorandum are based on data from the U.S. Census Bureau’s Annual Social and Economic Supplement (ASEC) to the Current Population Survey (CPS) and data from the TRIM3 microsimulation model. The TRIM3 microsimulation model adds information related to filing status (i.e., whether an individual files as single, head of household, etc.), the composition of tax units (i.e., which members of a household file their taxes together), and dependent status to the ASEC data. TRIM3 is primarily funded by the Department of Health and Human Services (HHS) and maintained at the Urban Institute.

Due to sample-size limitations in the ASEC, the Census Bureau recommends the use of three-year averages when comparing estimates across states.⁹ As a result, these estimates are based on three years of data from the ASEC (covering 2015, 2016, and 2017, the most recent three-year period for which TRIM3-adjusted ASEC data are available). Even when using three-year averages, estimates for states with small populations still tend to be less reliable than the estimates for states with larger populations.

⁹ See discussion in U.S. Census Bureau *Current Population Survey 2020 Annual Social and Economic (ASEC) Supplement Technical Documentation*, pg. G-29, available at <https://www2.census.gov/programs-surveys/cps/techdocs/cpsmar20.pdf>.