



Recovery Rebates in the American Rescue Plan Act of 2021 (Senate Version)

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<https://budgetmodel.wharton.upenn.edu/estimates/2021/3/4/recovery-rebates-in-the-american-rescue-plan-senate>

Summary: The Senate is currently negotiating its own version of the House-passed American Rescue Plan Act of 2021,* a COVID-19 relief bill that includes direct payments (“recovery rebates”) to families. Reports indicate** that the Senate version of the rebates will phase out more quickly than the House-passed version. The rebate value is set to \$1,400 per person (including dependents), phasing out over an income range of \$75,000 to \$80,000 for single filers (\$112,500 to \$120,000 for head of household filers and \$150,000 to \$160,000 for married filers). PWBM projects that this provision would cost \$416 billion, with 90 percent of families receiving a payment.

*<https://www.congress.gov/bill/117th-congress/house-bill/1319/text>

**<https://twitter.com/ericawerner/status/1367134476472565762>

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Table 1: Distribution of Federal Tax Change under the Proposal

Income group	Average benefit	Share with a benefit	Average benefit for those with a		Share of benefit	Share of federal taxes paid (before tax change)	Share of federal taxes paid (after tax change)
			benefit	Percent change in after-tax income			
Bottom quintile	\$1,920	100%	\$1,920	40%	23%	0%	-4%
Second quintile	\$2,595	100%	\$2,595	10%	23%	3%	0%
Middle quintile	\$2,685	100%	\$2,685	6%	23%	11%	9%
Fourth quintile	\$2,875	86%	\$3,355	4%	21%	19%	19%
80-90%	\$2,785	70%	\$3,990	2%	8%	15%	16%
90-95%	\$740	19%	\$3,830	0%	1%	11%	13%
95-99%	\$260	6%	\$4,220	0%	0%	16%	19%
99-99.9%	\$0	0%	\$0	0%	0%	13%	15%
Top 0.1%	\$0	0%	\$0	0%	0%	12%	14%

Note: "Income" is defined as AGI plus: above-the-line deductions, nontaxable interest income, nontaxable Social Security benefits, nontaxable pensions and annuities, employer-side payroll taxes, and corporate liability. Note that this definition excludes transfer income and thus understates low-income tax units' income.