



Economic Impact Payments Backgrounder

Updated January 4, 2021

The most recent relief legislation contains provisions for a second round of Economic Impact Payments (EIPs) to be made directly to recipients. This relief payment program is very similar to the first round initiated in April. Banks should have seen a spike in volume in their ACH operations departments and call centers should prepare for a spike in volume in the coming days. Banks should also *immediately* conduct a review of their cash positions in order to meet increased withdrawal demand at branches and through ATMs.

The Benefits

The maximum payment for an individual is \$600. The \$600 limit will also apply to dependents. This means that a family of four could receive a payment of \$2,400. The maximum benefits will apply to individuals with an income below \$75,000 per their 2019 tax returns. Those with incomes higher than \$75,000 will receive a prorated amount until the cut-off income of \$87,000, if they have no dependents. For couples, the full benefit will apply to those earning up to \$150,000 and will taper off as their income approaches \$174,000.

Timing

The U.S. Department of the Treasury has collected banking information that will enable them to send EIPs to approximately 112 million recipients via the ACH network. *Batches of EIPs should have already arrived at your bank this week.*

Paper checks will also be part of the rollout. The Bureau of the Fiscal Service (BFS) will begin printing and mailing checks as soon as they receive recipient information from the Internal Revenue Service (IRS). The BFS has the capacity to print and mail one million checks per day. We will share information on the format of these checks as soon as we have it.

In addition to paper checks, BFS will also be sending prepaid cards out to some of the recipients that aren't enabled to receive ACH payments. These will be delivered via the U.S. Postal Service.

Preparation

- **Review your call center staffing plan** to address an expected increase in the number of calls to be generated by the new EIPs.
 - *The IRS has indicated that because of the speed at which it issued this second round of payments, some payments may have been sent to an account that may be closed or no longer active. By law, the financial institution must return the payment to the IRS; they cannot hold and issue the payment to an individual when the account is no longer active.*
 - *While the IRS is exploring options to correct these payments, the IRS advises those who have not received their full payment by the time they file their 2020 taxes that they may claim the Recovery Rebate Credit on their tax return. The credit is figured like the Economic Impact Payment, except that the credit eligibility and the credit amount are based on the 2020 tax year information, including income. More information can be found at [IRS.gov/eip](https://www.irs.gov/eip).*



- **Review your branch capacity.** These deposits may cause the number of customers to visit the branch to withdraw funds and in the coming weeks those who receive paper checks may want to cash them in person. Bank policy and local occupancy restrictions may further limit the number of people allowed in the branch at one time.
- **Review your cash positions and your ability to transfer currency to your branches and load your ATMs.** The Federal Reserve is generally able to meet cash requests within two days, but you must ensure that your armored car service has the capacity to meet your increased needs.
 - Conduct a review of cash demands from the first round of EIPs, when 81 million ACH were sent on April 15. Consider that this round could consist of 130 million ACH with a dollar amount per transaction approximately 50 percent lower.
 - If you expect to need more cash to meet demand, consider these actions *as soon as possible*.
 - Moving the cash you have on hand in any centralized location to your branches and load your ATMs.
 - Contacting your armored car service to coordinate on moving cash within your branch network and from the Federal Reserve.
 - Contacting your Federal Reserve Bank and presenting your cash needs. Your bank, the Federal Reserve Bank and the armored car service need to be coordinated.
 - Adding to your previously scheduled armored car service runs. It should be easier to add to existing runs than to request additional unplanned runs from the armored car service and the Federal Reserve Bank.
 - Reloading your ATMs faster than your regular cycle.
 - Increase your customer communications to encourage the use of mobile banking with an emphasis on remote deposit capture of the paper checks. This will reduce demand on your branches and make it safer for employees and customers alike.