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IRS Tells Family Members of Deceased to Return Stimulus Money

By Laura Davison

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The Internal Revenue Service said individuals who got a \$1,200 stimulus payment intended for someone who's deceased or incarcerated should return the money but left open the question of how the agency would enforce that.

Instructions posted to the IRS's website Wednesday said recipients of what the Treasury Department calls "inadvertent" payments should write void on paper checks and mail them back.

Those who received direct-deposit payments or have already cashed the payments should send a personal check or money order to the IRS for the amount of the payment.

The instructions don't say whether recipients are required to return the payments or what will happen to them if they don't send the money back. The IRS didn't immediately respond to a request for comment about how it plans to enforce the guidelines.

The instructions address an issue that gained attention last month when the stimulus payments passed by Congress in the wake of the coronavirus outbreak were first deposited into bank accounts: People in prison and family members of individuals who had died in the past several months were receiving payments.

While the federal government regularly updates taxpayer rolls with death certificate information, the IRS was relying on data that, in some cases, was from as long ago as 2018 for processing the payments.

Errors with stimulus payments -- and a lack of immediate answers on how to fix them -- are unavoidable as IRS workers had to move quickly to process billions of dollars of payments using old computer systems with most people working remotely, Chad Hooper, an IRS official and president of the Professional Managers Association, which represents agency managers.

"We're just not going to be able to provide the level of service that our association members and employees want to provide," he said Wednesday in a call with reporters. "We're working very hard behind the scenes."

Former National Taxpayer Advocate Nina Olson said the IRS didn't seek to rescind payments sent to deceased individuals in 2008 when Congress approves a similar stimulus program, so the IRS should provide the legal basis for their decision.

"The government is entitled to change its mind but it needs to provide an explanation," she said, noting that the new interpretation doesn't seem to be consistent with some other tax filing rules for when a spouse dies.

Treasury Secretary Steven Mnuchin has said that family members should return the payments for their dead relatives, but hasn't said whether that's required. The IRS has said that people who received more money than they were due because of changes in income wouldn't have to return the money.

The \$1,200 stimulus payments for adults earning as much as \$75,000 and \$500 for their children began hitting bank accounts in April. The IRS is still processing tens of millions more checks to be distributed in the coming weeks.

(Updates with IRS official comment starting in the seventh paragraph.)

--With assistance from Allyson Versprille.

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