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Federal COVID-19 checks: What they mean and who might get left out

State's poorest may not receive the assistance they need

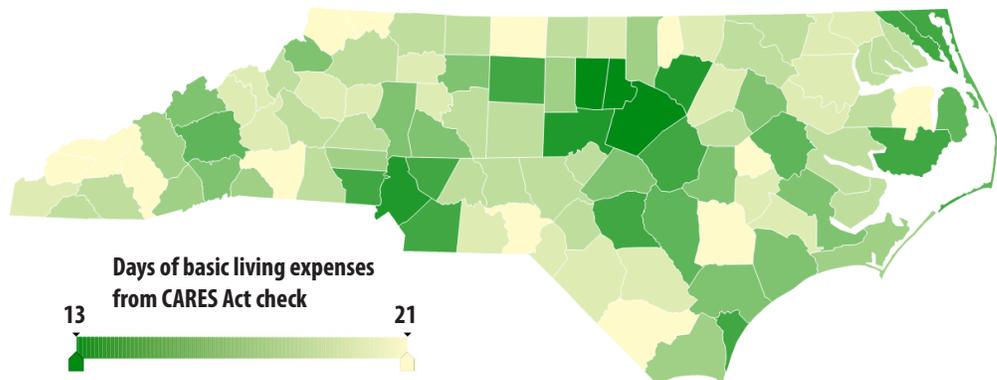
By **PATRICK MCHUGH**, Budget & Tax Center Senior Economic Analyst

Much has been made of the direct cash payments included in the CARES Act passed by Congress to provide relief during the COVID-19 pandemic. Providing emergency aid was the right move, but this step alone won't solve the financial challenges facing North Carolina families or pull the state out of a rapidly deepening economic hole.

The first and largest issue with these cash payments is they are simply too small to get families through this time of crisis. As shown in Figure 1, the cash aid included in the CARES Act will only cover the cost of basic living expenses for a few weeks, grossly inadequate in the face of a pandemic likely to last months. Compounding that fundamental issue, using the tax system as the

Figure 1: Families will rapidly exhaust cash aid from CARES Act

The number of days that the CARES Act assistance will cover very basic living expenses for 1 adult and 1 child, by county.



Source: Calculations based on North Carolina Budget & Tax Center, "The Living Income Standard for 100 Counties." <https://www.ncjustice.org/publications/the-2019-living-income-standard-for-100-counties/>. Cost of travel omitted from these calculations.

infrastructure for distributing the aid risks delaying aid to many people in the most need or bypassing the most economically vulnerable North Carolinians altogether. For several reasons discussed in more detail below, issuing the aid as a tax rebate makes it a virtual certainty that checks will take longer to reach a lot of North Carolina's poorest residents, and many may not receive a check at all.

The COVID-19 outbreak highlights how vital it is to have effective ways to support people facing a financial crisis beyond their control and how vulnerable our entire economy is when that kind of system is not in place.

Cash payments won't meet families' needs for long

Direct cash payments are the single fastest way for government to support families in a time of crisis, whether that be a pandemic, illness, loss of a job, or other unforeseen event. The CARES Act creates a [\\$1,200 one-time payment for all U.S. residents, or \\$2,400 for married couples, with an additional \\$500 per child dependent, which phases out for high income people.](#)

That's certainly nothing to sneeze at, but it won't address the long-term economic fallout of the COVID-19 outbreak — particularly given that [roughly 2 out of every 5 households in North Carolina can't survive above the poverty line for three months without income](#), and many of those families are the low-income workers who were the first to lose their jobs to the COVID-19 crisis. Based on our most recent [Living Income Standard](#) report, the direct aid provided by the CARES Act will pay for the basic necessities for roughly two to four weeks.

As can be seen in Figure 1, families will burn through the aid faster in the more expensive urban parts of North Carolina. How long the aid will last also depends on family size and how travel and childcare costs change during this time. Regardless of the details, many families will certainly use up the cash aid and need additional support before this crisis is over.

Direct payments to people in need are the best economic stimulus, but these checks won't pull us out of the COVID-19 recession

Putting money in people's pockets is the best way to stabilize a quaking economy. As we saw during the Great Recession, [direct payments to individuals had a significantly larger economic return on investment than tax cuts.](#) Thankfully, these cash payments are not the only provision of the CARES Act that puts money in the pockets of people and families. The package [boosts the amount and duration of Unemployment Insurance payments for people who lose jobs or hours due to the outbreak.](#) Particularly in states like North Carolina where existing Unemployment Insurance benefits are grossly inadequate, the UI provisions will prove far more important than one-time checks for many families.

That said, we are confronted with a sobering reality. The CARES Act will not pull us out of a downturn that is getting worse by the day and that will almost certainly end up being one of the most severe economic collapses in American history. Hundreds of thousands of North Carolinians filed for unemployment in just the first few weeks of the outbreak in the state starting in mid-March. The rebate aid is really about immediate financial

survival, so leaders from the federal to the local level should be setting up the economic stimulus that we will need to actually recover and avert a prolonged recession.

Using the tax system to deliver relief is a huge problem

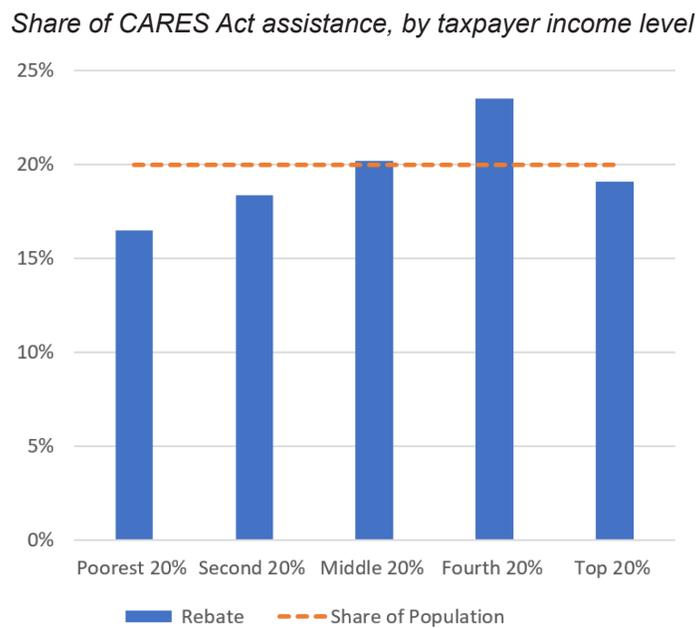
In a replay of how aid checks were dispensed during the Great Recession, the CARES Act reveals giant holes in how we get cash to people in desperate need. Without federal, state, and local policy action, many of the North Carolinians who need aid most urgently will be the last to get it or won't get it at all.

A recent analysis by the Institute on Taxation and Economic Policy found that North Carolinians in the bottom 40 percent of the income distribution will receive less than their proportional share of the cash payments.

- *Very low-income people not required to file tax returns*

The one-time payments for individuals and families is technically a tax rebate, so many of the poorest North Carolinians are likely to miss out. The rebate is tied to tax filings in the past two years, and many of North Carolina's least affluent people may be ineligible to receive the aid because people with incomes below the federal standard deduction are not required to file a tax return. That means that [a lot of people with disabilities and very low-income workers](#) may not receive assistance from the CARES Act. Moreover, immigrant taxpayers who file with an ITIN, or for whom no member of the household has a Social Security number, are ineligible for the cash payment. This provision alone excludes at least 300,000 adults and children across North Carolina.

Figure 2: Poorest households to receive smallest portion of cash aid



Source: Institute for Taxation and Economic Policy (ITEP) Tax Model, March 2020

These holes in the system mean many families and communities who need stabilizing aid the most are not currently in line to receive it.

We saw this problem in 2008 when millions of people had to submit tax filings just to receive stimulus checks, which caused delays and confusion, and some people missed out. [Experts believe the Trump Administration can easily overcome this barrier](#), but that action has not happened yet. Under pressure from Congressional Democrats,

the [Treasury Department did announce all Social Security recipients would get the checks](#), but that doesn't address the full scope of the problem. Because the Trump Administration has yet to use its authority to overcome these problems, state and local leaders need to step up and ensure that as many North Carolinians as possible receive these cash payments as fast as possible. In some instances, this may entail using existing infrastructure for delivering public benefits.

- *Homeless and unbanked people*

A lot of North Carolina's most vulnerable people will take longer to get their aid, and many may never get it at all. Tax filers who provided bank account information in their 2019 filings will have the rebate directly deposited just like a normal refund, and checks will be mailed to everyone else who is eligible. First, this will mean North Carolina's lowest income people who don't have bank accounts will be the last to get their assistance, and many of them work in the service jobs already disappearing in the first phases of the outbreak.

Next, it creates a huge problem for people with unstable housing or for homeless North Carolinians. If someone has moved since filing their tax returns or lacks stable housing altogether, the checks may never reach them or at best will be even more delayed. State and local authorities need to be moving now to figure out how checks will actually get to many of the people who need them in the most urgent way.

- *College students and their families*

If a college student is claimed as a dependent, their parents will receive the \$500 additional aid for a child. That means that college students whose parents cover at least half of their expenses will receive nothing directly and also that the whole family unit will lose out on the \$700 difference between the child rebate and the full \$1,200 adult rebate. Here again, relying on the tax status of individuals undermines our ability to put money in the pockets of people who need it.

Prevent scammers, cheats, and predatory lenders from having a field day

It's a sad fact of life that whenever poor and economically vulnerable people have any money in their pockets that scammers, cheats, and unscrupulous lenders will try to steal it. Unless state and federal elected leaders and law enforcement step up fast, the COVID-19 checks won't help all the people who need them the most.

North Carolina has some of the best laws in the country against predatory lending and scams that target state residents and consumers who already have lost jobs, have little savings, and are struggling to survive. Similar to the Great Recession, state and federal policymakers and regulators may need to take quick and decisive regulatory and legislative steps to help ensure that predatory service providers and/or lenders are unable to take advantage of people who are receiving federal aid checks.

Predatory lenders are not the only threat out there. For example, we've already seen scammers trying to get bank account information by posing as the IRS and even some companies trying to siphon off their employees' COVID-19 aid. ([Check out this fact sheet if you're wondering about employees' rights in these uncertain times.](#)) Just as with

predatory lending, rigorous enforcement along with potential state and federal legislative fixes will be required to prevent these kinds of abuses.

Patch the holes and then build a better boat

All problems with the cash aid in the CARES Act ultimately flow from the same source. We lack the tools to deliver cash payments to individuals who fall on hard times, a problem only thrown into greater relief by the COVID-19 outbreak. Instead of having a way to deliver adequate assistance to everyone who needs it, lawmakers had to hit the panic button and jury rig our tax system to execute a job that it was never designed to do. Federal, state, and local leaders can solve some of these problems this time around by using other programs, like existing anti-poverty programs, to deliver the payments, but that won't ultimately fix the long-term issue. Lots of developed countries have figured out better ways to support citizens experiencing personal crisis, and such infrastructure becomes even more essential in times of national emergency.

Appendix: Number of days CARES Act cash aid will pay basic living expenses, by county

COUNTY	1 ADULT, 1 CHILD	1 ADULT, 2 CHILDREN	2 ADULTS, 2 CHILDREN	2 ADULTS, 3 CHILDREN
Alamance	18	18	26	22
Alexander	20	22	28	24
Alleghany	21	22	28	25
Anson	21	22	28	24
Ashe	21	22	28	24
Avery	19	20	27	23
Beaufort	20	20	27	23
Bertie	20	22	28	24
Bladen	20	21	27	24
Brunswick	19	19	26	22
Buncombe	16	18	24	20
Burke	20	21	27	25
Cabarrus	15	16	23	20
Caldwell	20	21	28	24
Camden	15	17	23	20
Carteret	18	19	25	22
Caswell	19	19	27	22
Catawba	19	20	27	23
Chatham	14	16	21	19
Cherokee	20	21	28	24
Chowan	19	20	27	23
Clay	19	20	27	23
Cleveland	19	20	26	23
Columbus	21	22	28	24
Craven	17	18	24	21
Cumberland	15	17	23	20
Currituck	15	16	22	20
Dare	16	16	23	19
Davidson	20	20	27	23
Davie	20	21	26	22
Duplin	21	22	28	24
Durham	13	13	20	17
Edgecombe	17	18	25	21
Forsyth	18	19	26	22
Franklin	14	15	22	19
Gaston	15	16	23	20
Gates	20	21	27	23

Appendix (continued)

COUNTY	1 ADULT, 1 CHILD	1 ADULT, 2 CHILDREN	2 ADULTS, 2 CHILDREN	2 ADULTS, 3 CHILDREN
Graham	21	22	28	25
Granville	18	18	25	22
Greene	21	22	28	25
Guilford	15	15	23	19
Halifax	20	21	27	24
Harnett	17	18	24	21
Haywood	18	20	26	23
Henderson	17	19	25	21
Hertford	20	21	27	23
Hoke	20	21	27	23
Hyde	15	15	22	19
Iredell	17	17	24	21
Jackson	21	21	28	24
Johnston	15	16	22	20
Jones	20	21	28	24
Lee	19	19	26	23
Lenoir	20	21	27	24
Lincoln	18	19	25	22
Macon	19	20	26	23
Madison	17	19	25	21
Martin	20	20	27	23
McDowell	20	21	27	24
Mecklenburg	14	14	21	18
Mitchell	20	20	27	23
Montgomery	20	21	27	23
Moore	19	19	27	23
Nash	20	21	27	23
New Hanover	15	16	23	19
Northampton	19	19	25	22
Onslow	17	18	25	21
Orange	14	14	21	18
Pamlico	19	20	27	23
Pasquotank	19	20	26	23
Pender	18	19	26	22
Perquimans	19	20	27	24
Person	20	21	28	24
Pitt	17	16	23	20

Appendix (continued)

COUNTY	1 ADULT, 1 CHILD	1 ADULT, 2 CHILDREN	2 ADULTS, 2 CHILDREN	2 ADULTS, 3 CHILDREN
Polk	18	19	25	23
Randolph	19	19	26	23
Richmond	21	22	28	24
Robeson	20	21	27	24
Rockingham	21	22	28	24
Rowan	18	19	26	22
Rutherford	21	21	28	24
Sampson	16	19	25	22
Scotland	20	21	28	24
Stanly	19	19	26	22
Stokes	19	20	26	22
Surry	19	19	26	22
Swain	21	22	28	25
Transylvania	18	18	25	22
Tyrrell	21	22	28	24
Union	15	17	24	20
Vance	21	22	28	24
Wake	13	14	20	17
Warren	20	21	28	24
Washington	20	20	27	23
Watauga	18	19	25	21
Wayne	17	18	25	21
Wilkes	19	19	25	22
Wilson	19	20	26	23
Yadkin	20	21	28	24
Yancey	21	22	28	24
NORTH CAROLINA AVERAGE	16	17	24	20