

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES

WASHINGTON, DC 20515

April 11, 2021

The Honorable Gene L. Dodaro
Comptroller General of the United States
United States Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Dodaro:

We write to express concern about the ability of the Internal Revenue Service (IRS) to stand up an entirely new Child Tax Credit (CTC) periodic or monthly payment system in a matter of just several months. The American Rescue Plan Act requires the IRS to develop a system to make periodic payments rather than one payment per year. We are not aware of the IRS creating a new system like this in such a short period of time. While the provision is set to expire at the end of the year, Democrats in Congress have made it clear that they intend to make these provisions permanent and that they intend for “periodic” payments to become “monthly” payments.¹

We are concerned that in developing a completely new information gathering and payment system in such a rushed fashion, the agency’s already very high improper payment rate will only increase. Press reports indicate that President Biden and congressional Democrats plan to introduce significant tax increases in connection with the CTC expansion and numerous other spending priorities. The claim that tax increases are necessary is dubious given the apparent lack of concern with expanding programs that have significant erroneous payments and fraud at the same time.

According to your own reports, the Earned Income Tax Credit (EITC) and the Additional Child Tax Credit (ACTC) have a long history of very high improper payment rates arising from both errors and fraud.² The Treasury Inspector General for Tax Administration (TIGTA) has reached a similar conclusion. For example, in 2015, TIGTA reported that the IRS made \$15.6 billion (23.8% of all payments) in improper EITC payments.³ And that number increased over time to

¹ Jason DeParle, *In the Stimulus Bill, a Policy Revolution in Aid for Children*, N.Y. TIMES (Mar. 7, 2021), <https://www.nytimes.com/2021/03/07/us/politics/child-tax-credit-stimulus.html>.; Daniel Han, *Booker Says He’s Trying to Permanently Expand Enhanced Child Tax Credit*, POLITICO (Mar. 12, 2021), <https://www.politico.com/states/new-jersey/story/2021/03/12/booker-says-hes-trying-to-permanently-expand-enhanced-child-tax-credit-1368045>.

² U.S. GOV’T ACCOUNTABILITY OFFICE, GAO-16-475, REFUNDABLE TAX CREDITS: COMPREHENSIVE COMPLIANCE STRATEGY AND EXPANDED USE OF DATA COULD STRENGTHEN IRS’S EFFORTS TO ADDRESS NONCOMPLIANCE 28 (2016).

³ Treasury Inspector Gen. for Tax Admin., *Without Expanded Error Correction Authority, Billions of Dollars in Potentially Erroneous Earned Income Tax Credit Claims Will Continue to Go Unaddressed Each Year*, Ref. No. 2016-40-036, available at <https://www.treasury.gov/tigta/auditreports/2016reports/201640036fr.pdf>.

\$17.4 billion (25.3% of all payments) in improper EITC payments by 2019.⁴ A concerning pattern also exists for ACTC. Improper payment estimates for ACTC for fiscal year 2020 are approximately \$4.5 billion (12% of all payments).

Expanding advanceable tax credits such as these without safeguards to address payment integrity problems will surely lead to increased improper payments. Creation of a monthly cash payment system that allows individuals to update eligibility information on a real-time basis could create significant opportunities for additional fraud and errors. We are very concerned that the IRS is being asked to stand up a brand-new payment system in an extremely rushed manner. For example, former Taxpayer Advocate Nina Olsen estimated that it would take 12-18 months to create a sufficient monthly payment system.⁵

Given the above concerns, we write to request that the Government Accountability Office complete the following:

- A brief review of the extent of improper payments made to claimants of advanceable tax credits like the EITC and ACTC to include an analysis of what, if any, payment safeguards the IRS is including in its new CTC periodic payment system; and
- A comprehensive report on the implementation of the new CTC periodic payment system with a focus on improper payment rates and payment integrity within the new system.

Thank you in advance for your prompt attention to this matter.

Sincerely,



KEVIN BRADY
Ranking Member
Committee on Ways and Means



MIKE KELLY
Ranking Member
Ways & Means Oversight Subcommittee

⁴ Treasury Inspector Gen. for Tax Admin., *Improper Payment Reporting Has Improved; However, There Have Been No Significant Reductions to the Billions of Dollars of Improper Payments*, Ref. No. 2020-40-025, available at <https://www.treasury.gov/tigta/auditreports/2020reports/202040025fr.pdf>.

⁵ Bernie Becker, *What's Next on the Child Tax Credit?*, POLITICO (Feb. 8, 2021), <https://www.politico.com/newsletters/weekly-tax/2021/02/08/whats-next-on-the-child-tax-credit-793236>.

