

## **Protecting Taxpayer Dollars**

### *Preventing Abuse in the Refundable Child Tax Credit*

#### **Overview**

- The Middle Class Tax Relief & Job Creation Act prevents abuse in the refundable portion (meaning that if taxpayers do not have sufficient Federal income tax liability against which to use the credit, they receive a government check for the excess credit) of the Child Tax Credit – sometimes called the Additional Child Tax Credit (ACTC) – by requiring individuals (or at least one spouse in the case of a joint return) to include their Social Security Number (SSN) on their tax return in order to claim the ACTC.
- This provision would help deter abuse and fraud that costs taxpayers billions of dollars by preventing those without SSNs, including illegal immigrants who are currently ineligible to work in the United States, from receiving checks from the IRS in the form of the refundable child tax credit.
- Given the fact that various other government benefits, including the Earned Income Tax Credit, already require an SSN as a condition of eligibility, it is appropriate for Congress to establish a similar requirement for the ACTC.
- This commonsense reform allows the IRS to refuse to pay the credit to those who have not provided an SSN and are therefore ineligible, rather than paying out cash and later trying to recoup it, which is often impracticable and very expensive to the IRS.
- The reform is based on legislation (H.R. 1956) introduced by Rep. Sam Johnson (R-TX).

#### **Background**

In 1996, Congress enacted legislation making those without SSNs ineligible to receive the Earned Income Tax Credit (EITC) and various other government benefits. However, when the ACTC was subsequently enacted in 2001, Congress included no similar limitation. The Treasury Department has concluded that it lacks the statutory authority to limit the ACTC to those with an SSN. Without action, the refundable portion of the child tax credit currently remains available to individuals who are unable to obtain an SSN because they are ineligible to work in the United States, and are therefore claiming the credit based on income from work that is illegal.

#### **By the Numbers**

- According to the Treasury Inspector General for Tax Administration (TIGTA), the number of filers without an SSN who claimed the ACTC grew from 62,000 filers (claiming \$62 million in benefits) in 2000 to 2.3 million (claiming \$4.2 billion in benefits) in 2010.
- TIGTA concluded that this significant increase was due in part to loosened eligibility rules enacted as part of the Democrats' 2009 stimulus law.