

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

April 11, 2021

Inspector General J. Russell George
Treasury Inspector General for Tax Administration
1401 H Street, NW
Washington, DC 20005

Dear Inspector General George:

We write to express serious concern about the expansion of the Child Tax Credit (CTC) in the American Rescue Plan Act (ARP) and the related provision that requires the IRS to develop a system to make periodic payments rather than one payment per year. Democrats have made clear in public statements that they intend to make these provisions permanent and that they intend that “periodic” payments will eventually be “monthly” payments.¹ Our concern focuses on the problem of improper payments and the IRS’s ability to create a secure and effective payment system in such short period of time, given that this program expires at the end of 2021. 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. Back in 2015, the IRS made \$15.6 billion (23.8% of all payments) in improper EITC payments.² That number increased over time to \$17.4 billion (25.3% of all payments) in improper EITC payments in 2019.³ A concerning pattern also exists for ACTC. As you know, 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 expansions in improper payments. Creation of a monthly cash

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 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>.

³ 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>.

payment system that allows individuals to update eligibility information in 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.⁴

Given these concerns, we ask that TIGTA conduct robust oversight of the implementation of this program by the IRS and provide regular updates to the Committee.

Sincerely,



KEVIN BRADY
Ranking Member
Committee on Ways and Means



MIKE KELLY
Ranking Member
Ways & Means Oversight Subcommittee

⁴ 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>.

