

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES  
WASHINGTON, DC 20515

April 11, 2021

Gene Sperling  
White House American Rescue Plan Coordinator  
The White House  
1600 Pennsylvania Avenue, N.W.  
Washington, DC 20500

Dear Mr. Sperling:

We write with deep concerns about provisions in the partisan American Rescue Plan Act of 2021 (ARP) that expand refundable tax credits. We are particularly concerned about the structure of the new refundable child tax credit (CTC). The new CTC and other provisions in ARP fail to learn from lessons of the past, are not targeted to pandemic relief, and risk the loss of billions of taxpayer dollars in fraudulent and improper payments.

Refundable tax credits can be better understood as cash payments; that is, they operate as cash from the federal government rather than traditional tax credits that are a return of tax dollars paid or owed to the federal government. As such, Congress has received numerous reports from the Government Accountability Office warning of the “high risk” nature of refundable tax credit programs. They risk a high level of erroneous payments, often through fraud but sometimes through taxpayer confusion or error.

According to reports from the Treasury Inspector General for Tax Administration (TIGTA), 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.<sup>1</sup> That number increased over time to \$17.4 billion (25.3% of all payments) in improper EITC payments in 2019.<sup>2</sup> A concerning pattern also exists for ACTC. A new, monthly payment system will likely lead to an increase, rather than a decrease in improper payments.

In 1996, bipartisan efforts transformed routine cash payments into a stepping-stone to the dignity of work, while lifting countless families out of an endless cycle of dependency. This bipartisan initiative succeeded because policymakers knew that helping families enter the workforce would provide better lives for themselves and their children. We are concerned that a permanent extension of the expanded refundable tax credits in ARP ignores those lessons.

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<sup>1</sup> 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>.

<sup>2</sup> 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>.

It is particularly troubling that Ways and Means Committee Democrats removed the connection to work and upward mobility in the new refundable CTC, despite the fact that we know families are better off when they have work. Furthermore, Democrats rejected a Republican amendment that would have required a study by TIGTA to help ensure that the refundable tax credit expansions in ARP are implemented without leading to billions of dollars in fraud.

In 2020, the extra \$600 in weekly unemployment insurance benefits was a boon for fraudsters and criminal rings that caused the Federal Trade Commission to issue dire warnings about widespread fraud and identity theft, a problem still plaguing many fraud victims. The allure of a new \$3,600 cash payment for each of certain children will serve as an even more powerful fraud magnet.

We have already seen how well-intended programs can lead to massive levels of fraud without proper safeguards and oversight. For this reason, we respectfully request that before implementing the new CTC cash payment program of up to \$3,600 per child, the Biden Administration:

1. Provide a written certification to the tax-writing committees of Congress that the new CTC cash payments will be implemented with safeguards to reduce improper payments.
2. Explain how the new CTC program will be implemented without costly IRS burdens or intrusions into taxpayer privacy, such as constant monitoring of changing family status.

Lastly, please indicate whether the Biden Administration intends the new CTC cash payment program to be a temporary pandemic response for 2021 only or instead plans to make these cash payments a permanent program with no connection to work. There are unmistakable signals that the new CTC is not intended to be a temporary but instead a permanent feature of U.S. law. First, these expansions were passed on a partisan basis by Ways and Means Committee Democrats in 2019, long before the pandemic. Additionally, several prominent Democrats have indicated their desire to make the new CTC a permanent cash payment program rather than a one-year provision. The Administration's perspective on this policy decision is important as Congress continues its work.

Thank you for your attention to this request.

Sincerely,



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KEVIN BRADY  
Ranking Member  
Committee on Ways and Means



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MIKE KELLY  
Ranking Member  
Ways & Means Oversight Subcommittee

