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# United States Senate

COMMITTEE ON  
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS  
WASHINGTON, DC 20510-6250

KEITH B. ASHDOWN, STAFF DIRECTOR  
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February 1, 2016

The Honorable John Koskinen  
Commissioner  
Internal Revenue Service  
1111 Constitution Avenue NW  
Washington, DC 20224

Dear Commissioner Koskinen:

The Earned Income Tax Credit is one of the best anti-poverty programs in the country. By providing a refundable tax credit for low- and moderate-income working people, the Earned Income Tax Credit lifts millions out of poverty and incentivizes individuals to work. President Reagan, who helped expand the credit when he signed the Tax Reform Act of 1986 into law, called the legislation “the best anti-poverty bill, the best pro-family measure and the best job-creation program ever to come out of the Congress of the United States.” In 2013, the Earned Income Tax Credit, combined with other tax credits, significantly reduced poverty for nearly 32 million workers.

Despite this success, many have raised concerns about improper payments in conjunction with Earned Income Tax Credit claims. According to the Treasury Inspector General for Tax Administration, the Earned Income Tax Credit improper payment rate is estimated to be between 22 percent and 26 percent, or \$14 billion to \$17 billion in improper payments each year. While these errors occur primarily because of the complexity of the credit’s rules and mostly reflect unintentional errors and not fraud, Congress and the Administration have a responsibility to take steps to reduce improper payments.

With the passage of the bipartisan Protecting Americans from Tax Hikes Act, Congress made significant improvements to the Earned Income Tax Credit, including taking steps to reduce improper payments. The law permanently extended previous reforms that increased payments to those with more than two children and reduced the penalties for married couples, which will continue to put more after-tax dollars in the hands of families who need them the most.

This law also put into place several important program integrity measures aimed at reducing improper payments in refundable tax credit programs. Among these measures, employers will now be required to file information returns, including forms W-2, by January 31—providing the Internal Revenue Service additional time to perform data matching to verify taxpayer credit eligibility.

Ensuring that these program integrity measures are implemented effectively will require the Internal Revenue Service to devote significant resources to this effort, yet at the same time the funding provided by Congress to the Internal Revenue Service has declined precipitously. Since 2010, the Internal Revenue Service's discretionary funding has fallen by roughly \$2.5 billion dollars. Over the past five years, funding for enforcement has fallen by 20 percent and the number of enforcement staff at the Internal Revenue Service has dropped by 18 percent.

To better understand how the Internal Revenue Service plans to implement the program integrity measures contained in the Protecting Americans from Tax Hikes Act to reduce improper payments for Earned Income Tax Credit claims, I ask that you please provide the following information by May 2, 2016:

1. Please describe the Internal Revenue Service's plans to implement the program integrity measures contained in the Protecting Americans from Tax Hikes Act. What is the estimated timeframe for implementing these program integrity measures?
2. Has the Internal Revenue Service estimated the costs of implementing the program integrity measures contained in the Protecting Americans from Tax Hikes Act? If so, what are those estimates? Does the Internal Revenue Service plan to seek additional funding from Congress to implement these measures?
3. Does the Internal Revenue Service have sufficient human and information technology resources to implement the program integrity measures? If not, please describe what additional human and information technology resources will be needed to implement these measures so they are as effective as possible.
4. Beyond implementing these program integrity measures, does the Internal Revenue Service plan to carry out any additional efforts to reduce improper payments in Earned Income Tax Credit claims? Of the Internal Revenue Service's past efforts, which have been most effective at reducing improper payments in Earned Income Tax Credit claims? Do you believe any additional authority is needed to carry out any other measures that may be helpful in reducing improper payments in the Earned Income Tax Credit program?

With best personal regards, I am

Sincerely yours,



Tom Carper  
Ranking Member