

DODD, LIEBERMAN, LARSON INTRODUCE BILL

FOR IMMEDIATE RELEASE: November 23, 2004

DODD, LIEBERMAN, LARSON INTRODUCE BILL ENSURING FAIRNESS IN EITC PILOT STUDY

WASHINGTON - Senators Chris Dodd and Joe Lieberman and Rep. John Larson Friday introduced legislation that would ensure fairness in the way the Internal Revenue Service (IRS) conducts its Earned Income Tax Credit pre-certification pilot test. The bill would require that the pool of people chosen for the test be randomly selected from a broad geographical range so as not to unfairly burden one community. While the odds of passage are long, the three Congressional members introduced the bill to demonstrate their continued opposition to the burden this study places on the people of the Hartford area, and their ongoing commitment to try to minimize that burden.

"The real issue here is that the EITC system invites error and confusion due to its complexity. Let's focus our energies where they belong, which is to simplify the process so that families can legitimately make use of this important tax credit," said Dodd. "If in the meantime, this pre-certification test must go forward, it should do so in fair way, and not unfairly and disproportionately burden one community."

"Compliance with this test will unfairly affect not just those Hartford residents who receive the Earned Income Tax Credit but also places a disproportionately high burden on the entire Hartford Community" Lieberman said. "I urge the IRS to consider the ill effects of concentrating the test so acutely on Hartford and instead to cast a wider geographical net."

"A great deal of work has gone into encouraging Hartford's low-income families to take advantage of the Earned Income Tax Credit, with much success," said Larson. "A test of this nature for so many residents using the EITC will only discourage families from utilizing the program and reduce the positive effect it has in the community. It also places an incredible burden on community organizations that serve low-income families since they will face a significant increase in requests for assistance without receiving appropriate outreach from the IRS in meeting those requests. The IRS intends this to be a test, yet taking such a large sample from Hartford may not provide the accurate national representation they are looking for."

The EITC initiative aims to reward hard work and has helped lift 5 million taxpayers out of poverty each year by promoting work through the tax code. Many of the working poor rely on the credit to lift their families above the poverty line. In 2003, the IRS tax credit helped approximately 22 million low-income workers make a living wage to support their families.

However, due to concerns of some Congressional members about tax fraud and a high error rate, which is mostly due to the complex structure and layers of requirements to qualify for the EITC program, the IRS has been conducting EITC pre-certification pilot tests that require EITC claimants to provide extensive paperwork to prove that they are eligible to receive the EITC. Experts believe that the complexity of the programs not only leads to errors, but discourages many working families living in poverty from applying.

The IRS began implementing a pre-certification pilot test nationwide in 2003 by requiring that 25,000 EITC recipients nation-wide verify the residency of their qualifying child. On November 29, 2004, the next phase of the pre-certification pilot test will begin. During this phase, the IRS will require that 8,200 EITC recipients in Hartford certify before enabling them to receive the tax credit. According to the IRS, Hartford was selected for the next phase of the test because the city's demographics are similar to those of the country as a whole. According to Dodd, Lieberman, and Larson, this is an unsatisfactory basis for disproportionately burdening an entire community.

The Dodd, Lieberman, Larson bills - introduced in the last week of the 108th Congress - aim to address this inequity.
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