

McCaskill moves to crack down on billions in tax credits wrongly paid out
Senator demands answers from IRS, calls for immediate action to stop improper payments

September 8, 2011

WASHINGTON, D.C. – Following an alarming report which found the Internal Revenue Service (IRS) improperly paid more than \$4.2 billion in tax credits, U.S. Senator Claire McCaskill is calling for answers from the IRS and an immediate end to such payments.

McCaskill's pointed letter to Commissioner of the IRS Douglas Shulman follows a report released by the Treasury Inspector General for Tax Administration. The report states that the IRS has approved 2.3 million payments through the Additional Child Tax Credit (ACTC) despite the fact that the taxpayers in question did not list a Social Security Number on their returns. The lack of a Social Security Number on a return generally indicates that a filer is not authorized to work in the United States and, accordingly, is not eligible to receive tax credits.

"While the total amount of payments to unauthorized workers is enormous, the trend lines are even more disturbing," McCaskill wrote. "Wrongful payments of refundable tax credits, should be easy to identify and stop. The law is clear that individuals who are not authorized to work in the United States are not entitled to public benefits."

Citing the steady increase in the number of unauthorized workers claiming the ACTC over the past five years, McCaskill further pledged to pursue legislation immediately, if it is necessary, that would make clear the IRS's authority to stop improper payments before they are made.

A copy of McCaskill's letter to IRS Commissioner Douglas Shulman is available on McCaskill's website, [HERE](#), and appears below.

September 7, 2011

The Honorable Douglas Shulman
Commissioner
Internal Revenue Service
U.S. Department of the Treasury
1111 Constitution Avenue, NW, Room 3241
Washington, DC 20224

Dear Commissioner Shulman:

I was alarmed to read the recent report by the Treasury Inspector General for Tax Administration, which found that, in 2010, the Internal Revenue Service (IRS) improperly paid out \$4.2 billion in refundable tax credits associated with Additional Child Tax Credit (ACTC) to individuals not authorized to work in the United States. In light of the trillion-dollar deficits facing our country, I request that you promptly explain why the IRS continues to pay out billions of dollars to unauthorized workers.

I share the view of the Inspector General that the IRS already has authority to stop these payments and believe you must begin utilizing it without delay. However, if necessary, I am prepared to pursue legislation immediately to give the IRS the authority to stop improper payments before they are made.

While the total amount of payments to unauthorized workers is enormous, the trend lines are even more disturbing. The number of unauthorized workers claiming the ACTC has increased steadily over the past five years. The total amount of money paid improperly has more than doubled during that period. The Inspector General only analyzed the ACTC, but it is not hard to imagine that similar problems are occurring with other refundable credits. The Inspector General noted that the IRS has strong controls for the Earned Income Tax Credit, but it has not put in place equally strong controls for many other credits. This is deeply problematic and must be remedied.

Wrongful payments of refundable tax credits should be easy to identify and stop. The law is clear that individuals who are not authorized to work in the United States are not entitled to public benefits. Those who are authorized to work in the United States have a Social Security number. Those who are not authorized to work in the U.S. file with an Individual Taxpayer Identification Number (ITIN). It seems reasonable to presume that an ITIN filer is not eligible for the ACTC.

Despite the law and the fact that unauthorized workers should be easy to screen, the IRS continues to make payments to filers using ITINs. In cases where it later finds an improper payment, it can attempt to recoup the payment through the deficiency process,

which takes additional resources. It would be much more efficient and effective to deny the payments in the first place.

The Inspector General's report identifies several other issues that merit closer consideration. I look forward to discussing these issues with you and your staff, as well. However, stopping unauthorized payments can and must happen immediately.

Sincerely,

Claire McCaskill
United States Senator