

# United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

February 12, 2021

The Honorable Charles P. Rettig  
Commissioner  
Internal Revenue Service  
1111 Constitution Avenue NW  
Washington, D.C. 20224

Dear Commissioner Rettig:

On February 8, 2021, Chairman Neal of the House Ways and Means Committee released his proposals for a COVID-19 relief package as part of the FY2021 Budget Reconciliation process. Chairman Neal's proposals include major structural changes to the administration of the child tax credit (CTC), including establishment of a program to distribute advance payments to taxpayers on a monthly basis beginning in July 2021. We have significant concerns about these proposed changes to the administration of the CTC without any hearing or debate to consider the possible ramifications of these changes and the challenges they may pose for the Internal Revenue Service.

Chairman Neal's proposals would couple a significant increase in the size of the CTC with fundamental structural changes that would make it fully refundable and advanceable. Under the proposal, the IRS would be tasked with determining a taxpayer's eligibility for the advanced CTC based on the individual's prior year return and be required to make monthly payments to eligible individuals based on that determination. Moreover, the IRS would be obligated to establish an on-line portal that taxpayers could use to opt-out of the advance payment or to notify the IRS of changes in their personal circumstances (including changes in marital status, number of children, bank account information, etc.) that are relevant to determining their eligibility and the amount of the advanced payment. Additionally, procedures will need to be established to reconcile the advance payment with the actual credit amount as determined when taxpayers file their annual tax return. The proposal also would create a safe harbor that would allow a taxpayer to keep a portion of the advanced CTC even if the taxpayer incorrectly claims a child or children, presenting a substantial opportunity for fraud.

We are also concerned that this proposal would drastically expand the IRS' role into that of a social-welfare agency at the expense of its primary mission as the nation's revenue collector. Moreover, we fear that this change will exacerbate the potential for fraud in the CTC program. According to the Treasury Inspector General for Tax Administration (TIGTA), in 2019, the

improper payment rate in the program exceeded 15 percent, or \$7.2 billion.<sup>1</sup> The IRS' experience with the advanceable premium tax credit, which TIGTA estimates has an improper payment rate over 27 percent, suggests the proposal to make the CTC advanceable could result in billions more in improper payments being made, especially considering the safe harbor.<sup>2</sup>

To help us better understand how the IRS would administer an advanced CTC and the challenges it would pose, if this proposal were to become law, please answer the following questions:

- What would be the start-up cost to establish the program, including all programming costs and personnel costs associated with establishing a monthly payment program, creating the new on-line portal, developing necessary forms and instructions, and hiring and training personnel to handle the associated customers service needs?
- How would this program fit within the greater IRS restructuring as required by the Taxpayer First Act of 2019?
- How long do you estimate it would take to implement all the required components of the proposed program, and what is the basis of your estimate? When do you expect IRS would first be able to send out an advance CTC payment?
- What would you expect to be the recurring annual cost for administering the program? Please also indicate how many full-time equivalent employees would need to be hired or reassigned to administer the program, as well as the anticipated time to train these employees for the proposed monthly payment program.
- How would you expect the advanceability of the CTC to affect improper payment rates currently associated with the credit?
- What is your assessment of the potential risks for identity theft, cyber-attacks, and fraud associated with the on-line portal?

Thank you in advance for your attention to this request. Given this proposal is being considered on an unusually expedited basis, we request your reply to the above questions by Friday, February 19, 2021.

Sincerely,



Mike Crapo  
United States Senator



Charles E. Grassley  
United States Senator

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<sup>1</sup> *Improper Payment Reporting Has Improved; However, There Have Been No Significant Reductions to the Billions of Dollars of Improper Payments*, Treasury Inspector General for Tax Administration, April 30, 2020, No. 2020-40-025, available at: <https://www.treasury.gov/tigta/auditreports/2020reports/202040025fr.pdf>

<sup>2</sup> *Id.*