



Legislation Text

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**File #:** Res 0867-2003, **Version:** A

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Proposed Res. No. 867-A

Resolution calling upon the Federal Internal Revenue Service (IRS) to reverse its decision to promulgate rules requiring the working poor to meet a higher standard of proof of eligibility for the Federal Earned Income Tax Credit than it requires for other tax benefits, and, if the IRS fails to reverse itself, calling upon Congress to act legislatively to stop the proposed action.

By The Speaker (Council Member Miller) and Council Members Rivera, DeBlasio, Reyna, Baez, Barron, Clarke, Davis, Felder, Fidler, Gennaro, Gerson, Gioia, Jackson, Katz, Koppell, Lopez, Martinez, McMahon, Nelson, Perkins, Quinn, Recchia, Sanders, Seabrook, Sears, Serrano, Stewart, Vann, Yassky, The Public Advocate (Ms. Gotbaum) and Brewer

Whereas, Since 1975, the Federal Internal Revenue Code has instituted an Earned Income Tax Credit (EITC) that provides the working poor with a refundable credit on federal personal income taxes which can exceed the taxes paid, as an incentive for low wage workers to work; and

Whereas, This tax credit, which is based on income and family size, but which in tax year 2002 was not available to households with modified adjusted incomes of \$34,178 or more (or single wage earners with incomes of \$11,060 or more), has been hailed as one of the most successful anti-poverty programs; and

Whereas, On April 25, 2003, the New York Times reported that the IRS was in the process of promulgating rules that would require "the most exhaustive proof of eligibility ever demanded of any class of taxpayers" by low wage earners prior to claiming the EITC; and

Whereas, According to the New York Times, this proof would involve the submission to the IRS, in advance of claiming the EITC by those categorized as "high error" claimants, of documentation such as marriage certificates or sworn affidavits from third parties which may be difficult, if not impossible, for low wage workers to obtain in a timely manner; and

Whereas, Many believe that this proposed requirement of advance proof, as well as a higher standard of proof, which is not imposed on wealthier taxpayers who claim tax credits or use tax shelters that result in much larger federal tax benefits, would set a double standard and constitute a wasteful allocation of IRS enforcement resources, and that the likely result of such regulations would be to prevent a portion of the working poor who might be eligible for the EITC from receiving it and to cause others who are eligible to incur the costs of commercial tax preparers in order to satisfy the requirements; and

Whereas, There are approximately 700,000 New York City residents who currently claim the federal EITC and rely on the income afforded by this tax credit to survive on their income from low wage jobs, and, consequently, could be among those targeted by this unfair rule; now therefore, be it

Resolved, That the Council of the City of New York calls upon the Federal Internal Revenue Service (IRS) to reverse its decision to promulgate rules requiring the working poor to meet a higher standard of proof of eligibility for the Federal Earned Income Tax Credit than it requires for other tax benefits and, if the IRS fails to reverse itself, calling upon Congress to act legislatively to stop the proposed action.

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