



Legislation Text

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Res. No. 869

Resolution calling upon the United States Congress to reject the Senate's proposed directive to complicate the forms completed by taxpayers filing for the Earned Income Tax Credit, as set forth in the Senate's Committee on Appropriations report on S. 1910, which makes appropriations for financial services and general government for Federal Fiscal Year 2016

By Council Members Ferreras-Copeland, Koo, Rose and Cohen

Whereas, The Earned Income Tax Credit ("EITC"), first enacted by the federal government in 1975, is a benefit for low- and moderate-income working people provided in the form of a tax credit on federal income taxes and is intended to incentivize working over welfare; and

Whereas, The EITC is a refundable tax credit, which means that if an eligible taxpayer's personal income tax liability is less than the amount of the credit for which he or she qualifies, the taxpayer receives the remaining amount as a refund; and

Whereas, Over 27 million working families and individuals received the EITC in Tax Year 2013, with an average credit for working families with children of \$3,074 and an average credit for working families and individuals without children of \$281; and

Whereas, In Tax Year 2015, working families with children may qualify for the EITC if they have annual incomes below approximately \$39,000 to \$53,300 (depending on marital status and the number of dependent children); and

Whereas, In Tax Year 2015, working families and individuals without children may qualify for the EITC if they have annual incomes below approximately \$14,800, or \$20,300 for a married couple; and

Whereas, New York State and New York City each also offer an Earned Income Credit for those who qualify for the federal EITC, with New York State offering a credit up to 30% of the allowable EITC and New

York City offering a credit up to 5% of the allowable EITC; and

Whereas, In Tax Year 2012, more than 900,000 New York City households received the City's Earned Income Credit with an average credit of \$108; and

Whereas, Assuming that recipients of the New York City Earned Income Credit claimed the maximum allowable amounts, the average federal credit received would have been \$2,160 and the average State credit received would have been \$648; and

Whereas, The EITC has been described by researchers as the cornerstone of the country's anti-poverty policy and, in particular, is widely considered one of the most effective policies for increasing the work and earnings of female-headed families; and

Whereas, According to the Center on Budget and Policy Priorities, the income provided to working families and individuals through the EITC leads to work, income, educational, and health benefits at virtually all stages of life; and

Whereas, For example, studies have shown that children of families receiving the credit do better in school, are more likely to attend college, and can be expected to earn more as adults; and

Whereas, Other studies have demonstrated that the EITC boosts the work effort, which subsequently increases the size of Social Security retirement benefits received by the beneficiaries later in life, and that this boost in employment of single mothers has reduced the number of female-headed households that receive cash welfare assistance; and

Whereas, Given these tangible, holistic benefits, the federal government should endorse policies that encourage as many eligible taxpayers as possible to apply for and take advantage of the EITC; and

Whereas, However, rather than doing that, the United States Senate Committee on Appropriations has proposed an action that would make it more difficult for eligible taxpayers to successfully apply for the EITC; and

Whereas, The current EITC form consists of one page containing six questions; and

Whereas, In the Committee on Appropriations' report on S. 1910, which makes appropriations for financial services and general government for Federal Fiscal Year 2016, the Committee proposed that the Department of Treasury and the Internal Revenue Service ("IRS") be directed to lengthen the existing EITC application form to approximately four or five pages by adding at least twenty additional eligibility questions; and

Whereas, These additional questions would be similar to the complex questions that professional tax preparers are currently required to complete on a supplemental form when claiming the EITC on behalf of their clients; and

Whereas, Such action was proposed in response to lobbying efforts by the multi-billion dollar tax preparation company H&R Block which stands to increase its customer base and revenues if it is more difficult for taxpayers to independently fill out their tax forms without the help of a paid tax preparer; and

Whereas, The argument put forth by H&R Block and their lobbyists was that the additional eligibility questions would serve as a stronger checkpoint against the improper payment of the EITC to people who are not actually eligible to receive it; and

Whereas, In fact, errors made by paid tax preparers, who must already complete the additional eligibility questions, lead to more overclaims than those errors made by taxpayers who complete the EITC application form on their own; and

Whereas, In a study published by the IRS in August 2014 entitled "Compliance Estimates for the Earned Income Tax Credit Claimed on 2006-2008 Returns," the IRS found that, on the lower end of its estimates, paid tax preparer errors accounted for \$10.5 billion in overclaims while errors on self-prepared tax returns accounted for only \$3.4 billion in overclaims; and

Whereas, The new, lengthy tax form would only serve to create additional burdens and confusion to taxpayers who would either likely choose not to apply for the credit at all or, as H&R Block hopes, who would pay a tax preparer to complete the paperwork on their behalf; and

Whereas, The federal government should be lowering the barriers for the working poor to receive the EITC rather than making it more difficult for the target population to access these benefits; now, therefore, be it

Resolved, That the Council of the City of New York calls upon the United States Congress to reject the Senate's proposed directive to complicate the forms completed by taxpayers filing for the Earned Income Tax Credit, as set forth in the Senate's Committee on Appropriations report on S. 1910, which makes appropriations for financial services and general government for Federal Fiscal Year 2016.

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