



Executive Actions for Immediate COVID Financial Relief

January 2021

SUMMARY

Automatically pay direct cash and refundable tax credits to eligible households

- Automatically pay outstanding Economic Impact Payments
- Automatically pay childless Earned Income Tax Credit
- Streamline monthly payment of Child Tax Credit

Align federal and state tax credits

- Share and protect data between federal and state agencies
- Encourage advance & periodic federal and state credits

Protect privacy of immigrant taxpayers

- Protect data privacy (e.g., ensure tax data is used only for tax purposes, and not immigration enforcement or other purposes)

Audit re-prioritization

- Shift resources from auditing EITC recipients to auditing corporate tax avoiders

Direct cash assistance – in the form of Economic Impact Payments – has been a critical lifeline for the vast majority of American families. The Biden administration can take a few steps on day one to get more much-needed cash into the hands of American families still struggling the most to get by.

AUTOMATIC PAYMENT OF DIRECT CASH AND TAX CREDITS TO ELIGIBLE HOUSEHOLDS

- **Automatically pay outstanding Economic Impact Payments (EIPs) to eligible households who have not received them.** President Biden should direct the Treasury Department to use current income and wage data to automatically pay any remaining CARES Act EIP payments to people who have not yet received payments, and to those who didn't apply on the online Non-Filer Portal but who appear eligible based on forms W2, 1099-MISC, and 1099-NEC.¹ Congress should also instruct the IRS to release detailed data on payments and Portal users to date to help identify who hasn't been paid, including the number of payments that were attempted and completed, the number of returns in examination queues, and statistics by zip code.

¹ Fewer than 10% of taxpayers overall are over-income for the EIP, and these taxpayers are likely to be heavily under-represented among the population who has not yet filed taxes by July 15; the IRS could further weed out these taxpayers by removing individuals with significant investment income. The IRS could also remove workers under 24 who share an address with a filing adult over 36, who are likely dependents. With these filters, the mistaken payment rate would be negligible.

If additional EIPs are authorized by Congress, they should similarly be paid automatically to all people for whom the IRS has eligible wage data.

- **Automatically pay Earned Income Tax Credit for filers without dependents.** In early 2021, families will begin filing their 2020 tax returns, and many will file as early as possible to ensure they receive their annual tax refunds (from EITC and other credits) as quickly as possible. But [one in five](#) eligible low-income individuals and families miss out on the EITC because of barriers to filing. The Biden administration can streamline and automate payment of earned tax credits, starting with [automatically paying the EITC for filers without dependents](#).

The IRS already receives nearly all income and wage information necessary to automatically pay childless EITC. IRS can use its internal Form W-2 and 1099-MISC-NEC data to identify both: (1) taxpayers who used the Non-Filer Portal and appeared to qualify for the childless worker EITC, but didn't claim the EITC; and (2) people who didn't file taxes or use the Non-Filer Portal but who appear eligible based on income and wage data. With the information gathered from the new Non-Filer Portal (developed for EIP applications), IRS can automatically pay out the amount of EITC based on the earnings information.² IRS could also be directed to either update the current Portal, or create a new simple portal for claiming dependents, enabling those who get a childless EITC automatically to claim the rest of their credit.

- **Streamline monthly payment of the Child Tax Credit to all eligible families.** Using the EIP payment infrastructure and building on the existing IRS Non-Filer Portal, the Department should streamline and automate monthly payments to families who qualify for the Child Tax Credit (CTC). As with EITC and EIPs, IRS already has almost all of the necessary income and wage data to determine who is likely income-eligible for the CTC. IRS can build on the technical infrastructure for EIP payments to make monthly electronic payments to families who qualify. As with the improvements recommended for automatic EITC payments above, IRS could add a few key questions to the Non-Filer Portal to allow parents to include necessary information about their children, which would allow the IRS to pay out CTCs (and potentially EITC for filers with children) automatically.

ALIGNMENT BETWEEN FEDERAL AND STATE TAX CREDITS

- **Examine opportunities to align processes and share data (while ensuring data security) between IRS and states to facilitate automatic filing of state EITCs.** The federal government can play a pivotal role in connecting people who claim federal tax credits to state tax credits. The administration should instruct the IRS to identify ways to support automatic filing, such as facilitating claiming both federal and state credits at the same time and using EBT as a mechanism to automatically pay out state and federal EITCs.

² The only necessary information not included in the Non-Filer Portal or the data IRS receives automatically in forms W-2 and 1099 is satisfaction of the residency requirement (that taxpayers live in the U.S. 6 months out of the year). For 2020, IRS can elect to administratively deem this requirement met if the taxpayer has a U.S. address, and unless there is clear and convincing evidence to the contrary. For future filing seasons, it can add the question to the Non-Filer Portal.

- **Encourage advance and/or periodic disbursement of federal, state, and local tax credits.** Currently, tax credits like the EITC and CTC are only available at tax time – at the earliest in January – based on the previous year’s earnings. However, as the economy continues to struggle and millions of people earn less income, tax credits that boost earnings would be much [more effective](#) if received in real time, to supplement income as it’s earned. The Biden administration should direct IRS to develop a process for people to elect to receive tax credits as they are earned, and on a periodic basis. The IRS should also work with state tax agencies to encourage and support state and local tax credits to be disbursed in advance and/or periodically in alignment with federal credits.

PROTECT PRIVACY OF ITIN FILERS

- **Protect the privacy of undocumented immigrants.** By executive memorandum, President Biden can ensure that any data gathered by federal agencies, including IRS, about ITIN holders is used solely for its intended purpose, and not for use by ICE or any other agency to identify people who are undocumented. President Biden should rescind the [Executive Order](#) issued by the Trump administration in 2019 that required agencies to provide any information to the Department of Commerce that would assist in identifying undocumented people.

AUDIT RE-PRIORITIZATION

- **Shift resources from investigating erroneous EITC payments to corporate tax avoidance.** IRS data show that EITC recipients are about [as likely to be audited](#) as those in the highest income brackets. Not only should the Biden administration encourage Congress to replenish funding for IRS to do its job effectively, it should direct the agency to re-prioritize its efforts to uncover fraud among the wealthy and powerful who intentionally cheat the tax system, rather than low-income families. Doing so could [generate \\$1 trillion](#) over the next decade. As part of this effort, President Biden should direct IRS not to audit overpayments of EITC that are under a specified threshold, and direct IRS to do more EITC awareness outreach in the hardest-to-reach communities. IRS should also be directed to refocus its enforcement efforts on high-value targets like the ultra-wealthy and powerful corporations.