



# THREE STEPS TO ENSURE FULL AND EQUITABLE DISTRIBUTION OF COVID CASH RELIEF

*Policy solutions to make sure the hardest-to-reach aren't left out of monthly CTC, EITC, and EIPs*

*April 2021*

## **Step 1. Reopen and improve the IRS's Non-Filer Portal, so low-income people can claim their new CTC**

- Reopen the successful Non-Filer Portal and keep it open all year long
- Make the portal more accessible – in multiple languages and mobile-friendly
- Add questions to allow filers to claim EITC and CTC at the same time as EIPs

## **Step 2. Pay direct cash payments and tax credits automatically**

- Whenever possible, automatically pay all future EIPs, monthly CTC, and EITC
- Strengthen outreach and target policies to hard-to-reach populations, including homeless and unbanked

## **Step 3. Include immigrant families and dependents of all ages**

- Make immigrant taxpayers and dependents of all ages eligible for EIP, EITC, and CTC payments

## **ENSURING EVERYBODY GETS THEIR FULL COVID CASH ASSISTANCE IS A MATTER OF EQUITY**

The U.S. tax system is complicated, and it unintentionally locks millions of Americans out of benefits they're earned. This has been evident in the impressive but imperfect distribution of Economic Impact Payments (EIPs, also called stimulus checks), as well as in the administration of the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC). The people most harmed by these administrative hurdles are the most vulnerable, including many communities of color. Automatic filing and payment is the best way to make sure that all Americans get the tax credits for which they qualify – and IRS already has the information it needs to do so. This would make the recovery and the tax code more equitable for low-income people as well as for communities of color.

**Millions of people will miss out on their tax credits without further action.** An estimated [6 million](#) EITC-eligible households – [one in five](#) eligible households – don't get the work credits they've earned. Though the IRS doesn't publish participation rates for CTC, it's likely that several million are left out and the [same patterns exist](#) in terms of who those taxpayers are. People miss out on these critical lifelines chiefly because they either don't file taxes at all (because they earn too little to be required to) or they don't know to claim the credit when they do file taxes (because tax filing is complicated). The people most likely to miss out include many [people of color](#), people who: live in areas with a high concentration of Latinx people; [Native Americans](#); have lower incomes than people who claim the EITC – in which people of color are overrepresented; participate in food stamp programs – in which people of color are [overrepresented](#); and have a language other than English as their first language.

This exclusion is wrong and completely avoidable. IRS has income data for an estimated [99.5% of American households](#) through information returns and wage and income data. [Former National Taxpayer Advocate Nina Olson](#) notes that “the IRS has sufficient data to be fairly confident about the eligibility of *nearly all* households.” In fact, the agency routinely uses this information to analyze who is very likely eligible for EITC, and even sends out notices to those households to inform them of their eligibility. Instead of sending notices, which too often

go unanswered, the IRS should use the same information to simply pay the credits to those households automatically.

**8 million people have missed out on their direct cash payments.** IRS estimates that [more than 8 million](#) Americans were eligible for EIPs (the original \$1,200 CARES Act checks) but still have not received them, despite the fact that the agency knows who these people are and how to contact them. In September, IRS [sent notices](#) to households the agency determined were likely eligible for the payment (based on the wage and income data IRS [already has](#)), but who nonetheless had likely not received their payment. According to research from the [Urban Institute](#), those who had to wait longer or likely never got their payments were disproportionately Black and Latinx, in poverty, and unbanked. In recent data from a national survey by David Binder Research, Black people were [60% more likely](#) to say they didn't get their \$1,200 CARES Act check compared to white recipients.

**Automatic payments are the way to get tax credits and EIPs to the people who need help the most.** Because the significant majority of those who didn't receive their EIPs are not tax filers – they earn too little and they did not use the Non-Filer Portal when it was open – chances are good that they will never take the action required to get their payments, even months late. The only sure way to get them their checks is to send checks, starting with the new \$1,400 checks. Making payments automatic demonstrates a commitment to getting much-needed cash to these groups – disproportionately people of color. And it ensures that those who need the most help, who are facing multiple barriers not only to cash but to other relief, aren't excluded from this critical lifeline.

## THREE STEPS TO ENSURE THAT ALL ELIGIBLE PEOPLE GET CTC, EITC, AND DIRECT CASH PAYMENTS

### **Step 1. Reopen and improve the IRS's Non-Filer Portal, so low-income people can claim their new CTC**

The IRS's Non-Filer Portal was absolutely critical to getting very low-income people into the tax system to ensure that they could access their EIPs. The same will be true for the expanded monthly CTC and EITC – both of which expanded eligibility to populations who are at higher risk of not getting EIPs and tax credits for which they are eligible: very low-income people and low-income people without kids. Reopening the successful Non-Filer Portal and keeping it open all year is a critical next step to successful implementation of both future EIPs and the expanded CTC and EITC. To ensure that people can use the filer to claim their CTC and EITC, the IRS can add a [few simple questions](#) to allow filers to claim their EITC and CTC at the same time as EIPs. The portal should be made more accessible, both available in multiple languages and made mobile-friendly.

### **Step 2. Pay direct cash payments, monthly CTC, and EITC automatically**

The best way to ensure that everybody who is eligible for a tax credit or direct payment gets it is for the IRS to automatically pay them, using the vast income and wage data that it already has. This should be accompanied by robust community outreach to hard-to-reach populations, including people experiencing homelessness and the unbanked, through local organizations who know these populations best. Getting payments to the unbanked and people without permanent addresses requires the use of an all-of-the-above approach, including using electronic payment options, including mobile money transfer apps, as well as exploring the creation of fee- and barrier-free bank accounts, such as Fed Accounts, for all residents.

### **Step 3. Include immigrant families and dependents of all ages**

Immigrant families and adult dependents were either completely or partially left out of almost every cash-relief program Congress authorized during the economic crisis, though some states covered them. Good administration begins with equitable policy, and the explicit exclusion of adult dependents, older teenagers and young adults, and immigrant families is unfair policy that only exacerbates the inequitable outcomes that result from implementation challenges.