Leveraging state and federal data to reach non-filers and help them claim the Child Tax Credit

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The largest and easiest-to-locate population of eligible Child Tax Credit recipients who will not receive the CTC automatically are those on state-administered benefits like Medicaid and SNAP. Using existing data sharing from the IRS to state revenue agencies, state governments can identify this population and, at a minimum, target them for outreach. However, states could go further by helping people claim their federal tax credits, or a program could be devised for states to pay benefits directly and get federal reimbursement. The White House or Treasury should convene a working group including IRS, state tax and benefits officials, and outside experts to explore opportunities in this area.

THE HARDEST HIT CONTINUE TO MISS OUT ON TAX CREDITS

The IRS will reach the vast majority of families eligible for the Child Tax Credit through automatic monthly payments to tax filers, but it's precisely the families still left out who need the money the most. Outreach to "non-filers" is a top priority for government as well as outside nonprofits.

One in four Californians (2.2 million people) who are enrolled in other benefits programs likely missed out on federal stimulus checks because they do not file taxes. Benefit recipients miss out on state credits and relief payments, too: Half of eligible SNAP recipients do not get their CalEITC. Research on the EITC shows that people of color are most at risk of not filing. This is crucial for families, and will bring billions of dollars into state economies.

Research shows awareness is not the main problem. Filing tax returns is complicated and often expensive, and many are daunted by the fear of penalty from making a mistake.

STATES CAN IDENTIFY ELIGIBLE NON-FILERS UNDER EXISTING IRS DATA SHARING RULES

The IRS already shares data on tax filers with state revenue agencies. These agencies can request data on CTC claims, but the IRS should proactively provide that CTC claim data to all states this year.

State governments can compare data between their benefit rolls (Medicaid, SNAP, UI, TANF, etc.) and the CTC claim data they have received. (The analysis above was made possible by a law Economic Security Project Action passed last year for data sharing between California agencies.)

STATES CAN HELP PEOPLE CLAIM TAX CREDITS

As a start, states could do outreach to CTC-eligible beneficiaries, leveraging existing state systems, such as incorporating claiming federal tax credits into regularly scheduled interactions. New, unpublished Columbia data suggest 3 in 4 non-filers may receive such benefits.

However, states could go further by helping people claim their federal tax credits, providing pre-filled tax forms to beneficiaries or simply applying on their behalf with beneficiaries' opt-out permission.

A program could also be explored for states to pay tax credits directly and get federal reimbursement.

A WHITE HOUSE STATE-FEDERAL SUMMIT

The White House or Treasury should convene a working group including the IRS, state tax and benefits officials, and outside experts to explore opportunities in this area, identify needs and challenges, and develop a shared framework for pursuing this work.

An initial meeting would be designed to reach alignment on a goal of identifying and reaching non-filers using state/federal data, unearth all the issues around opportunities and challenges, and give out assignments for further research or exploratory conversations, both for short-term solutions and for ideas that will take longer to come together.

Interested states might include Illinois, California, Wisconsin, Minnesota, and New York. Interested outside groups include Economic Security Project, Code for America, New America, Center on Budget and Policy Priorities, and California Policy Lab.