

July 11, 2003

CC:PA:RU (Announcement 2003-40)
Room 5226
Internal Revenue Service
POB 7604
Ben Franklin Station
Washington, DC 20044

To: Internal Revenue Service and Treasury Department

I am writing from the Woodstock Institute in Chicago to comment on major proposed changes in the application procedures for the Earned Income Tax Credit. The Woodstock Institute is a 29-year old nonprofit that is dedicated to promoting asset accumulation in lower-income areas. The EITC is one of the most successful anti-poverty programs in the history of the country. Under the proposed changes, certain EITC claimants raising a child would be required to pre-certify their eligibility by proving that the child lived with them for more than half of the year. The new procedures are likely to make it more difficult for many low-income working families to receive the credit. In short, this initiative is likely to have an unintended chilling effect on EITC participation.

The IRS plans to send out the new EITC pre-certification form in August and ask for the form and the accompanying documents to be returned by December 31, before the tax-filing season starts. But most tax preparation sites are not open during those months. Since there are few resources in place to assist filers receiving pre-certification notices, and little time remaining to develop such resources this summer, the IRS should delay implementation of pre-certification until the summer 2004.

We strongly urge that the IRS should not expand pre-certification beyond the initial group of 45,000 filers before a comprehensive evaluation has been completed that demonstrates that pre-certification is effective in reducing overpayments and can be conducted without significant harm to eligible filers. The IRS has indicated it plans to conduct an evaluation that examines both the effect of the pre-certification procedure in reducing overpayments and the degree to which eligible filers do not respond to pre-certification notices (or drop out during correspondence with the IRS) and lose the EITC. The evaluation should determine which aspects of the pre-certification procedure kept such eligible filers from participating.

Also, the IRS' documentation requirements are too restrictive. Since finding documentary proof of a child's residence can be difficult, many filers are

likely to seek to obtain an affidavit instead. However, IRS rules would not allow neighbors or relatives to complete them. Other federal programs, in contrast, encourage use of neighbors as a source of third-party information. Neighbors and relatives, including anyone over the age of 18 who provides child care, should be permitted to sign the affidavit saying they have personal knowledge of the taxpayer's living arrangements.

The IRS should also clarify the instructions to define "landlord or property manager" for the purpose of signing affidavits. Pharmacists should also be allowed to sign affidavits under the instructions that specify that a health care provider may fulfill this role. Finally, other programs in the federal government use third-party statements for verification, but none require that these statements be made under penalty of perjury. In this case, some third parties may be intimidated from attesting to specifics, fearing they could be in error. The affidavit should be revised to ask questions enabling signers to state their awareness that the child and taxpayer lived together during a particular time period and to indicate at which address or addresses. Instead of penalty of perjury language, the affidavit should instruct signers that they are providing information to assist the IRS to enforce tax laws and that they are responsible for the truthfulness of their statements. This, plus the statement on the form that the IRS may contact those signing the affidavits, should be sufficient.

Thank you for your attention to these comments. We hope that the EITC will be disbursed to every qualifying filer in order to lift families out of poverty. If you require further information, please do not hesitate to contact me.

Sincerely,
Katy Jacob
Project Director