

Ayotte Amendment #2603 Summary

This amendment fully pays for both a three month Unemployment Insurance (UI) extension and a repeal of the harmful cost of living reduction for military retirees (including disabled military retirees) that was included in the budget agreement passed by Congress on December 18, 2013. Instead of making our nation's veterans pay for the fiscal irresponsibility in Washington, the amendment makes a simple fix in our tax code to require that filers have Social Security Numbers in order to qualify for the Additional Child Tax Credit (ACTC).

In 2011, the Treasury IG reported that individuals who were not authorized to work in the U.S. received \$4.2 billion by claiming the ACTC. The ACTC is the refundable portion of the Child Tax Credit (CTC), which can reduce an individual's taxes owed by as much as \$1,000 for each qualifying child. The audit found that "the payment of Federal funds through this tax benefit appears to provide an additional incentive for aliens to enter, reside, and work in the United States without authorization, which contradicts Federal law and policy to remove such incentives." The audit was based upon an analysis of tax returns filed by persons with Individual Taxpayer Identification Numbers (ITINs), which are issued to individuals who are required to have a taxpayer identification number for tax purposes but are not eligible to obtain an SSN because they are not authorized to work in the United States. The IRS view is that the law does not provide sufficient legal authority for the IRS to disallow the ACTC to ITIN filers.

In a 2012 report from WTHR Indianapolis, one whistleblower characterized the issue as a "huge fraud" that allows undocumented workers to claim the tax credit for children who do not even live in the country. The whistleblower – a tax consultant – stated "we've seen sometimes 10 or 12 dependents, most times nieces and nephews, on these tax forms...the more you put on there, the more you get back." In fact, one of the workers interviewed in the investigation admitted that his address was used to file tax returns by four other undocumented workers who in total claimed 20 children, resulting in tax refunds totaling nearly \$30,000.

JCT estimates that this change will save approximately \$20 billion over 10 years.