

Ayotte Amendment Summary

This amendment repeals the harmful cost of living reduction for military retirees that was first included in the Bipartisan Budget Act and later modified by the omnibus legislation. 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' children have a valid Social Security Number (SSN) in order to qualify for the refundable 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. Under current law, there is no requirement that the filer – or the child – have a SSN to qualify. The absence of such common-sense requirements have led to massive fraud.

In a 2012 report from WTHR Indianapolis, one whistleblower characterized the credit 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.

The Ayotte amendment is intended to eliminate this fraud by requiring filers to include a valid Social Security Number for each child claimed for the credit. This is similar to the treatment of the Earned Income Tax Credit.

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