RESOLVED, That the American Bar Association supports legislative and administrative actions to preserve and enhance the effectiveness of the earned income tax credit provided by Section 32 of the Internal Revenue Code of 1986, as amended (the "EITC"), or of any program, whether administered through the federal tax system or otherwise, which replaces the EITC in whole or in part and achieves the purposes of the EITC as set forth in its legislative history, such purposes being (i) to provide an incentive for low income individuals to work, thus reducing the unemployment rate and the welfare rolls, (ii) to lessen the burden of the social security payroll tax and the self-employment tax on low income individuals, and (iii) to alleviate poverty.

FURTHER RESOLVED, That the American Bar Association supports legislative and administrative actions which meet the goals set forth in the EITC's legislative history, including without limitation actions that (i) simplify EITC filing, computation and compliance, (ii) improve the ability of the Internal Revenue Service to verify the accuracy of claims made on taxpayer returns for the EITC while not unreasonably delaying EITC refunds to intended beneficiaries, (iii) assist taxpayers in determining whether they are eligible for the EITC and in properly claiming the EITC on their tax returns, (iv) discourage improper claiming of the EITC, and (v) eliminate from EITC eligibility unintended beneficiaries of the EITC (such as taxpayers with significant amounts of investment income).
I. Introduction

First enacted in 1975, the earned income tax credit (the "EITC") provides families with tax credits that can be applied to offset federal income taxes owed to the government. If the amount of the EITC exceeds a taxpayer's federal income tax liability, the excess is payable to the taxpayer. In practical effect, the EITC often serves to offset payroll and other taxes (such as excise taxes) for families with low earnings. The primary purposes of the EITC were (i) to provide an incentive for low-income persons to work, thus reducing the unemployment rate and the welfare rolls, and (ii) to lessen the burden of the social security payroll tax and the self-employment tax on low-income persons. Another EITC purpose that has developed over the years is the use of the EITC in alleviating poverty.

For the 1995 tax year, the maximum income at which a family with one child qualifies for the EITC is approximately $23,760, and with two children is approximately $25,300. Certain individuals with no qualifying children are eligible for the EITC if they have an income below $9,000. To be eligible for the EITC, an individual with no qualifying children must: (1) reside in the United States for half of the taxable year; (2) be between 25 and 65 years of age; and (3) must not be a dependent for whom a deduction is allowed to any other taxpayer. The maximum EITC payment for a family with one child is $2,038 and is $2,528 for a family with two or more children. The maximum EITC for individuals with no qualifying children is $396.

The proposed resolution supports legislative and administrative actions to preserve and enhance the effectiveness of the EITC in providing incentives to work, lessening the tax burden on low-income individuals, and helping to alleviate poverty. In addition, the proposed resolution supports efforts to simplify the EITC and reduce fraud.

The American Bar Association has long been concerned about poverty and the welfare of children and their families. The ABA House of Delegates adopted policy urging members of the legal profession, as well as state and local bar associations, to respond to issues affecting children including the implementation of statutory and programmatic resources to meet the health and welfare needs of children. Recommendation 103A, February 1984; and Recommendation 101, February 1991. This resolution noted the obligation of lawyers to articulate the "needs of children who have no effective voice of their own in government." In 1992, the ASA adopted policy urging that welfare programs be funded at a level required to meet the need for the basic essentials of life. Recommendation 122, August 1992. A report prepared by the ABA's Presidential Working Group on the Unmet Legal Needs of Children and their Families similarly urges that Congress and state legislatures ensure that public assistance programs be funded at a level sufficient to meet the need for the basic essentials of life. America's Children at Risk: A National Agenda for Legal Action, p. 11 (July 1993). In 1992 the ABA also adopted policy opposing efforts to link public assistance for needy persons to requirements that infringe upon individual freedoms, such as the right to privacy. Recommendation 122, August 1992; and Recommendation 105, February 1995. The ABA's Presidential Working Group on the Unmet
Legal Needs of Children and their Families set forth numerous recommendations in America's Children at Risk: A National Agenda for Legal Action, to help alleviate poverty and to address the unmet legal needs of children. The EITC was specifically identified as one approach for reducing childhood poverty. America's Children at Risk: A National Agenda for Legal Action, p. 11 (July 1993) (hereinafter "Children at Risk").

In addition, the ABA has funded and otherwise supported staff and several committees of ABA entities which address the needs of children and their families, including low-income families. Included in the entities that address children's needs are the Center on Children and the Law, the Steering Committee on the Unmet Legal Needs of Children, and the Task Force on Children of the ABA Section of Litigation. The Young Lawyers Division, at both the national and affiliate level, has also placed a high priority on promoting the interests of children. See, e.g., The American Bar Association Young Lawyers Division Responds to the Unmet Legal Needs of Children: a Compilation of Projects Pertaining to Children's Issues (Aug. 1994 and Supp. 1995). The ABA also established the Representation of the Homeless Project in its Section of Individual Rights and Responsibilities, which was elevated to Commission status in 1991. Further, the ABA Tax Section created the Low-Income Taxpayers Committee while the Section of Real Property Probate and Trust created the Affordable Housing Committee.

II. Statutory Background.

The EITC is a refundable credit against federal income tax. The rules governing the EITC are currently set forth in Section 32 of the Internal Revenue Code of 1986, as amended (the "Code"). The EITC is based on a percentage of a taxpayer's earned income up to a maximum qualifying amount and is subject to phaseout for taxpayers with adjusted gross income (or, if greater, earned income) above a certain amount. Section 32(a)-(b) of the Code. The maximum qualifying amount of earned income and the phaseout start and end points are adjusted annually for inflation. Section 32(c) of the Code.

The EITC was added to the federal income tax law by the Tax Reduction Act of 1975, P.L. 94-12. The primary purposes of the EITC were (i) to provide an incentive for low income persons to work, thus reducing the unemployment rate and the welfare rolls, and (ii) to lessen the burden of the social security payroll tax and the self-employment tax on low income persons. See S. Rep. No. 94-36, 94th Cong., 1st Sess. 33 (March 17, 1975). Another EITC purpose that has developed over the years is use of the EITC in alleviating poverty. See H.R. Rep. No. 103-11, 103rd Cong., 1st Sess. 170 (May 16, 1993); S. Rep. No. 103-36, 103rd Cong., 1st Sess. 192 (June 23, 1993). The EITC was initially 10 percent of earned income, with a maximum qualifying earned income of $4,000. The initial phaseout beginning point was $4,000 of adjusted gross income (or, if greater, earned income), and the initial phaseout end point was $8,000 of adjusted gross income (or, if greater, earned income).

Subsequent legislation increased the EITC percentage, the maximum qualifying earned income and the phaseout beginning and end points. For tax years beginning after December 31, 1993
childless taxpayers became eligible to claim the EITC for the first time under amendments to Section 32 of the Code made by the Omnibus Budget Reconciliation Act of 1993, P.L. 103-66. Pursuant to P.L. 104-7, for tax years beginning after December 31, 1995, a taxpayer with disqualified income (i.e., taxable and tax-exempt interest, dividends and (if greater than zero) net rent and royalty income) exceeding $2,350 is not eligible for the EITC. Section 32(i) of the Code.

For 1995, the credit percentages, phaseout percentages, maximum amounts of earned income to which the applicable percentage may be applied and amounts of adjusted gross income (or, if greater, earned income) beyond which the EITC is phased out are as follows:

<table>
<thead>
<tr>
<th>Number of Qualifying Children</th>
<th>EITC Percentage</th>
<th>Phaseout Percentage</th>
<th>Maximum Earned Income*</th>
<th>Phaseout Amount*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>34</td>
<td>15.98</td>
<td>$8,000</td>
<td>$11,000</td>
</tr>
<tr>
<td>2</td>
<td>36</td>
<td>20.32</td>
<td>$8,425</td>
<td>$11,000</td>
</tr>
<tr>
<td>0</td>
<td>7.65</td>
<td>7.65</td>
<td>$4,000</td>
<td>$5,000</td>
</tr>
</tbody>
</table>

*Does not take into account inflation adjustments.

Comparable figures for years after 1995 are as follows:

<table>
<thead>
<tr>
<th>Number of Qualifying Children</th>
<th>EITC Percentage</th>
<th>Phaseout Percentage</th>
<th>Maximum Earned Income*</th>
<th>Phaseout Amount*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>34</td>
<td>15.98</td>
<td>$8,000</td>
<td>$11,000</td>
</tr>
<tr>
<td>2</td>
<td>40</td>
<td>21.06</td>
<td>$8,425</td>
<td>$11,000</td>
</tr>
<tr>
<td>0</td>
<td>7.65</td>
<td>7.65</td>
<td>$4,000</td>
<td>$5,000</td>
</tr>
</tbody>
</table>

*Does not take into account inflation adjustments.

To be able to claim the EITC, a taxpayer must be an "eligible individual." Section 32(a)(1) of the Code. Section 32(c)(1) of the Code defines "eligible individual" as (i) one who has a qualifying child for the taxable year and (ii) an individual without a qualifying child for the taxable year, if (a) such individual's principal place of abode is in the United States for more than one-half of such taxable year, (b) such individual (or, if the individual is married, either the individual or the individual's spouse) has attained age 25 but not attained age 65 before the close of the taxable year, and (c) such individual may not be claimed as a dependent for such taxable year on another person's federal income tax return. An "eligible individual" does not include (i) a person claiming the benefits of Section 911 of the Code (relating to certain citizens or residents living abroad) for the taxable year, or (ii) an individual who is a nonresident alien for any portion of the taxable year unless such individual is treated as a
resident pursuant to an election under Section 6013(g) or (h) of the Code.

Section 32(c)(3) of the Code defines "qualifying child" as an individual (i) who is the taxpayer's son or daughter (or a descendant of either), stepson or stepdaughter, or "eligible foster child" (as defined in Section 32(c)(5)(B)(ii) of the Code), (ii) having the same principal place of abode in the United States (with a special rule for military personnel stationed outside of the United States) as the taxpayer for more than one-half of the taxable year (the entire taxable year in the case of an "eligible foster child"), (iii) who is less than 19 years old as of the close of the taxable year (less than 24 if a "student" (within the meaning of Section 151(c)(4) of the Code)), or is "permanently and totally disabled" (as defined in Section 22(e)(3) of the Code) at any time during the taxable year, and (iv) whose name, age and taxpayer identification number are provided on the taxpayer's tax return for the taxable year.

Under Section 32(c)(2) of the Code, "earned income" is defined generally to include compensation for services performed (whether as an employee or independent contractor), computed without regard to community property laws, and not including pensions or annuities, income of nonresident alien individuals if such income is not effectively connected with the conduct of a United States trade or business; and compensation received when an individual is an inmate at a penal institution.

An employee with one or more qualifying children may elect to receive a portion of the EITC in the employee's paycheck pursuant to Section 3507 of the Code.

III. Impact of EITC.

A. Participation Rates, Aversion of Poverty.

The EITC has historically received strong bipartisan support as a means of supplementing the incomes of families with children in which the parent works for low wages and of rewarding work over welfare. Center on Budget and Policy Priorities, The Earned Income Tax Credit in the Senate Budget Resolution, p. 1 (May 15, 1995). The underlying concept of the credit was originally advanced by then-Governor Ronald Reagan in 1972 and became federal law in 1975. In 1986, the EITC was expanded by President Reagan and was expanded again in 1990 and in 1993 by President Bush and President Clinton, respectively. id, President Reagan called the EITC, "the best anti-poverty, the best pro-family, the best job-creation measure to come out of Congress." National Commission for Employment Policy, Long-Term Eligibility for the Earned Income Tax Credit, p. 2 June, 1995.

The need for the EITC to help lift working families out of poverty has increased over the years. Between 1977 and 1993, the poverty rate for families with children in which the head of the household works grew by nearly half. Center on Budget and Policy Priorities, The Earned Income Tax Credit: A Target for Budget Cuts?, p. 6 (June 1995). More than 60 percent of all poor families with children include a worker. In turn, the minimum wage is at its second lowest level in 40 years and, after accounting for inflation, is now 26 percent below its average level in the 1970s. EITC Cuts in the Senate Budget Resolution, at 2. The income of a family of three supported by a full-time, year-round
worker earning the minimum wage, for example, was only 75 percent of the poverty level in 1994; for a family of four, it was 58 percent of the poverty line. Center on Budget and Policy Priorities, State Income Tax Burdens on Low-Income Families and Opportunities for Relief, 1 (June 16, 1995).

In addition, the EITC has increasingly supplanted Aid to Families with Dependent Children (AFDC) as a means of supplementing the wages of poor single parents with children. In 1972, before the creation of the EITC, 49 states provided AFDC as a wage supplement to a mother with two children whose earnings equaled 75 percent of the poverty line. At this time, only three states provide the supplement. The Earned Income Tax Credit, at 9.

Today, the EITC assists about 15 million low-income working families with children and about four million poor workers without children. The Earned Income Tax Credit, at 6. According to the Joint Committee on Taxation, 67 percent of all returns claiming the EITC in 1994 will be filed by heads of households or single individuals with children. National Women's Law Center, The Earned Income Tax Credit: An Important Resource for Women and Their Families, 1 (May 1995).

The EITC helps substantially to make work more remunerative than welfare. It is also distinguishable from other means-transfer programs in that it is limited to those who work and, for very poor workers, the value of the EITC increases, rather than decreases, as earnings rise. Recent studies suggest it is significant in attracting single parents into the labor force. The Earned Income Tax Credit, at 3. As a consequence, the EITC increases the return to work for those with tangential ties to the workforce which include those who do not work at all, as well as those who work less than full-time at minimum wage throughout the year. Janet Hotzblatt, Janet McCubbin, & Robert Gillette, "Promoting Work Through the EITC," 47 National Tax Journal 591 (1994).


A study with respect to why the EITC participation rate is higher than that of welfare programs does not appear to have been undertaken. It is possible that the delivery of EITC benefits through the tax system is a substantial factor in the higher participation rates. Claiming the EITC through the tax system (i) may involve less stigma than claiming welfare benefits and (ii) may cause less intrusion into a claimant's life due to a claimant's ability to claim the EITC on a tax return rather than standing in line at a disbursement office. Joint Committee on Taxation, Description of Present Law and Discussion of Issues Relating to the Earned Income Tax Credit, JCX-37-95 12 (June 14, 1995) (the "JCT Report").
Over six million tax returns filed in 1975 (the first year in which the EITC could be claimed) claimed the EITC. The average credit per return was two hundred and one dollars. For 1993, the comparable figures were over fifteen million returns claiming the EITC and an average EITC per return of nine hundred forty-five dollars. \( \text{[Source]} \) at 20 (Table 1). It has been estimated that in 1993, over four and one-half million individuals were removed from poverty due to the EITC. \( \text{[Source]} \) Gene Steuerle, "The Future of the Earned Income Tax Credit," 67 Tax Notes 1670, Table 2 (June 19, 1995).

According to one study, the EITC not only serves as a tax offset and wage support for low-income families with children, but also as a tax offset and wage supplement for other families with children who normally did not have low incomes but experienced a short downturn. \( \text{[Source]} \) National Commission for Employment Policy Long Term Eligibility for the EITC, p. 2 (June, 1995). This study, conducted by the National Commission for Employment Policy, simulated what could have happened if the 1996 EITC eligibility criteria were applied to family circumstances that existed in the 1980s. \( \text{[Source]} \) The study found that the EITC can be used as support for lower middle-income families who face a serious temporary income loss due to having to move to a lower-paying job, a temporary lay-off, or illness or other family difficulty. These families are eligible for the EITC for only a year or two before climbing back up the income ladder. \( \text{[Source]} \) at 1.

B. Offset to Social Security Tax.

Because the Social Security tax system has no standard deductions or personal exemptions, taxpayers are subject to the Social Security tax starting with their first dollar of earned income. The EITC, however, substantially raises not only the Social Security tax threshold, but also the combined income and Social Security tax threshold. The following tables set forth the results of certain computations with respect to the poverty levels and net federal tax thresholds for 1995, after taking into account the EITC. For the source of the tables, see Testimony of Professor Jonathan Barry Forman, University of Oklahoma College of Law, Before the Subcommittees on Oversight and Human Resources, House Committees on Ways and Means, Earned Income Tax Credit 6 and n.22 (June 15, 1995) (the "Forman Testimony").
# TABLE 1

POVERTY LEVELS AND FEDERAL TAX THRESHOLDS AFTER THE EITC IN 1995 FOR FAMILIES OF 1, 2 AND 3 INDIVIDUALS

<table>
<thead>
<tr>
<th>Family Size</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty Levels</td>
<td>$7,470</td>
<td>$10,030</td>
<td>$12,590</td>
</tr>
<tr>
<td>Income Tax Threshold Before EITC</td>
<td>$6,400</td>
<td>$11,550</td>
<td>$14,050</td>
</tr>
<tr>
<td>Income Tax Threshold After EITC</td>
<td>$7,357</td>
<td>$11,550</td>
<td>$19,386</td>
</tr>
<tr>
<td>Social Security Tax Threshold</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Combined Income and Social Security Tax Threshold</td>
<td>$4,100</td>
<td>$4,100</td>
<td>$15,547</td>
</tr>
</tbody>
</table>
### TABLE 2*

**POVERTY LEVELS AND FEDERAL TAX THRESHOLDS AFTER THE EITC IN 1995**

**FOR FAMILIES OF 4, 5 AND 6 INDIVIDUALS**

<table>
<thead>
<tr>
<th>Family Size</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Poverty Levels</strong></td>
<td>$15,150</td>
<td>$17,710</td>
<td>$20,270</td>
</tr>
<tr>
<td><strong>Income Tax Threshold Before EITC</strong></td>
<td>$16,550</td>
<td>$19,050</td>
<td>$21,550</td>
</tr>
<tr>
<td><strong>Income Tax Threshold After EITC</strong></td>
<td>$22,360</td>
<td>$23,425</td>
<td>$24,490</td>
</tr>
<tr>
<td><strong>Social Security Tax Threshold</strong></td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Combined Income and Social Security Tax Threshold</strong></td>
<td>$18,370</td>
<td>$19,245</td>
<td>$19,350</td>
</tr>
</tbody>
</table>

*Assumptions for Tables 1 and 2:

- All family income consists of wages or salaries earned by one worker.
- Families of two or more include a married couple (rather than an unmarried head of household with one or more dependents).
- All family members are under age 65 and not blind.
- All family units meet applicable EITC eligibility guidelines.

As an example of an application of the above tables, consider a family of three individuals. Without the EITC, this family would be subject to a 7.65 percent Social Security tax beginning with the first dollar of income (see Section 3101(a)-(b) of the Code) and a federal income tax on every dollar earned over $14,050. Taking into account the EITC, such a family would not be subject to federal tax.
until income exceeded $15,547, which is $2,957 above the poverty level for a family of three individuals.

C. Work Incentive.

There does not appear to be a comprehensive study directly measuring whether, at various income levels, the EITC is an incentive or disincentive to work. The available studies generally simulate the effects of the EITC using behavioral assumptions drawn from various sources. See JCT Report, at 11. In theory, the effect of the EITC on work should be as follows:

• The EITC, by increasing the average wage, should induce those not currently in the labor force to enter the labor force. Id. at 10.

• For those already in the labor force, the EITC, by increasing the after-tax wage, may operate as an incentive for individuals to substitute work for leisure (the "substitution effect") and thus serve as an incentive to work. However, by increasing disposable income (the "income effect"), the EITC may operate as an incentive for individuals to work less. During the phase-in range of the EITC, the net change in work effort should depend upon the relative magnitude of the substitution effect and the income effect. For individuals in the plateau range, work effort should tend to fall because of the income effect. For individuals in the phaseout range, the decreasing after tax wage should make the substitution effect, as well as the income effect, operate as a work disincentive. Id.

The studies that have been undertaken to date conclude that (i) hours worked as a result of the EITC increases for individuals in the phase-in range, (ii) hours worked as a result of the EITC decreases for individuals in the plateau and phaseout ranges, and (iii) labor force participation increases as a result of the EITC. Id. at 11-12. However, as discussed above, these studies do not examine directly the impact of the EITC on labor supply. This lack of direct examination may distort the results of these studies, as is indicated by the following example.

[The] findings...presume that individuals correctly perceive the effect of the credit on their after-tax wage.

Most of the EITC claimants receive their credit in a lump-sum at the time they file their tax returns. If they do not make the connection between the amount they receive in credit and their earned income, these estimates of labor supply effects may be incorrect. Id. at 11.
IV. Compliance Issues.

Congress, the Administration, the Internal Revenue Service and private individuals and
groups have recently focused a significant amount of attention on compliance issues with respect
to the EITC. See generally United States Senate, Committee on Finance, Hearing on the Earned
Income Tax Credit (June 8, 1995) (the "Finance Committee Hearing"). The compliance issues
arise from (i) the complexity of the EITC and the general difficulty in filling out federal tax returns,
and (ii) fraudulent actions to obtain the benefit of the EITC. See generally Forman Testimony, at
2, 3 (discussing taxpayer difficulties in filing federal income tax returns in general and claiming the
EITC in particular); JCT Report, at 15 (goal of the Internal Revenue Service to pay refunds quickly
may make the EITC susceptible to fraud).

In January of 1994, the Internal Revenue Service conducted a study (the "IRS Study")
involving 1,059 electronically filed returns over the last two weeks in January. On the basis of the
study, the Internal Revenue Service concluded that 26.1 percent of the dollar value of the EITC
claimed by taxpayers over the two-week period was claimed in error, and that the dollar value of
the EITC not claimed but to which such taxpayers were entitled was 0.9 percent of the total
amount of EITC claimed for such period. See Finance Committee Hearing, Statement of Margaret
Michel Richardson, Commissioner of Internal Revenue Appendix (the "Richardson Testimony").

The IRS Study probably understates the current overall EITC error rate because (i)
electronically filed returns are more subject to fraud than returns filed on paper and (ii) the Internal
Revenue Service instituted tightened EITC eligibility verification procedures during the 1995 filing
season. See JCT Study, at 15. In addition, the IRS Study does not estimate what proportion of
EITC benefits claimed in error would have been caught by the Internal Revenue Service.

In the 1995 filing season, the Internal Revenue Service took steps to reduce improper
claiming of the EITC and to reduce delays in receipt of EITC refunds. The steps included (i) a
substantial amount of public messages with respect to the importance of using accurate Social
Security numbers, (ii) matching names and Social Security numbers listed on tax returns with the
Social Security Administration's database, (iii) increasing scrutiny of returns claiming the EITC and
(iv) conducting monitoring visits of electronic return originators. Richardson Testimony; JCT Study,
at 15.

V. Reform Proposals.

EITC reform proposals may be classified under two broad categories. The first category
consists of reform proposals designed to improve compliance within the current EITC framework.
The second category consists of proposals to replace the EITC with an alternative means of
assistance to low-income workers through the tax system. Examples of reform proposals within
the first category (see Forman Testimony, at 4-5) are as follows:
• Modify the basic federal income tax forms to eliminate the necessity of filing a Schedule EIC in order to claim the EITC.

• Simplify EITC eligibility requirements (for example, elimination of the difference between the "qualifying child" definition and the definition of "dependent" used for dependency exemption purposes).

• Simplify the definition of "earned income" to allow the EITC to be readily computed from information on the W-2 or 1099 forms and on tax returns.

• Limit the EITC for self-employed workers to the amount of their self-employment taxes or require that to be includible in the credit base of self-employed workers, earned income must be reported on a Form 1099.

• Allow the Internal Revenue Service to prepare income tax return of taxpayers claiming the EITC. The Internal Revenue Service currently takes the position that OMB Circular A-76 prevents it from preparing income tax returns.

Proposals that would replace the EITC (see id., at 5-7) include the following:

• Provide, in lieu of the EITC, a Social Security tax exemption and a refundable tax credit for taxpayers with dependent children.

• Replace the EITC with an employer tax credit. This proposal is based on economic analysis to the effect that the employer tax credit benefits would pass through to low-wage workers in the form of relatively higher wages.

• Combine the EITC with other welfare programs into a comprehensive program administered by a single agency (for example, the Department of Health and Human Services or the Social Security Administration).

Respectfully submitted,

N. Jerold Cohen
Chair, Section of Taxation

Peter W. Salsich
Chair, Commission on Homelessness and Poverty

Catherine J. Ross
Chair, Steering Committee on Unmet Legal Needs of Children

February, 1996
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GENERAL INFORMATION FORM
To Be Appended to Reports with Recommendations
(Please refer to instructions for completing this form.)

Submitting Entities: Section of Taxation: Commission on Homelessness & Poverty: Steering Committee on Unmet Legal Needs of Children

Submitted By: N. Jerold Cohen; Peter W. Salsich; Catherine J. Ross

1. Summary of Recommendation(s).

To support legislative and administrative actions (i) to preserve and enhance the effectiveness of the earned income tax credit (the "EITC") or any alternative program in meeting the purposes of the EITC (such purposes being providing a work incentive to low income individuals, lessening the employment tax burden on low income individuals and alleviating poverty) and (ii) to facilitate EITC simplification and use of the EITC by intended beneficiaries while discouraging improper EITC claims and preventing EITC use by unintended beneficiaries.

2. Approval by Submitting Entity.

Section of Taxation Council approved on November 11, 1995. This is submitted contingent on Section approval at its Midyear Meeting on January 20, 1996. The Commission on Homelessness and Poverty approved on October 7, 1995. The Steering Committee on Unmet Legal Needs of Children approved on November 11, 1995.

3. Has this or a similar recommendation been submitted to the House or Board previously?

No.

4. What existing Association policies are relevant to this recommendation and how would they be affected by its adoption?

Recommendations 103A (February 1994), 101 (February 1991), 122 (August, 1992) and 105 (February 1995). This recommendation supports previous policy which urges the profession, as well as governments, to meet the health and welfare needs of children.

5. What urgency exists which requires action at this meeting of the House?

The EITC has been the subject of intense public discussion in 1995. Much of the discussion has focused on restructuring and administering the EITC so that it better serves its intended beneficiaries, and reducing improper claiming of the EITC. The EITC is likely to remain a focus of intense public discussion in the foreseeable future, and the proposed recommendations will allow the Association to participate more effectively in such discussion. In this regard, it should be noted that none of the policies listed in "4" specifically addresses the EITC.
6. **Status of Legislation.** (If applicable.)

Legislation currently being considered by a Congressional Conference Committee would make certain changes to the EITC, including reducing EITC benefits and eliminating the ability of childless individuals to claim the EITC. Whatever the final form of such legislation, the issues addressed by the recommendations will continue to be of substantial significance.

7. **Cost to the Association.** (Both direct and indirect costs.)

None.

8. **Disclosure of Interest.** (If applicable.)

No member of the originating Committees or of the Council of the Section of Taxation, the Commission on Homelessness and Poverty nor the Steering Committee on Unmet Legal Needs of Children is known to have a material interest in the Resolutions by virtue of a specific employment or engagement to obtain the result of the Resolutions.

9. **Referrals.**

All Sections and Divisions.

10. **Contact Person.** (Prior to the meeting.)

Christine A. Brunswick
Director, Section of Taxation
American Bar Association, 10th Floor
740 Fifteenth Street, NW
Washington, DC 20005
202/662-8676
202/662-8682 fax

11. **Contact Person.** (Who will present the report to the House.)

Irwin L. Treiger
Bogle & Gates
Suite 4700
601 Union Street
Seattle, WA 98101-2346
206/682-5151
206/621-2660 fax

12. **Contact Person Regarding Amendments to This Recommendation.** (Are there any known proposed amendments at this time? If so, please provide the name, address, telephone, fax and ABA/net number of the person to contact below.)

No.