



Sunset Caucus

Waste Action Alert

*A publication of the RSC Sunset Caucus from co-chairs Kevin Brady (R-TX) and Jason Chaffetz (R-UT)
Rep. Tom Price (R-GA), RSC Chairman*

Eliminate the Advanced Earned Income Tax Credit

September 29, 2010

Program or Item Targeted: The Advanced Earned Income Tax Credit (AEITC)

Cost of the Program or Item: H.R. 5885 would save taxpayers \$1.1 billion over 10 years.

Background on the Program or Item to Be Sunseted: The AEITC allows certain taxpayers who expect to qualify for the EITC, and have at least one qualifying child, to receive a portion of the benefit throughout the year as part of their paycheck instead of receiving a lump sum payment at the end of the tax year. If the taxpayer qualifies, then their employer adds additional money to their take-home pay in each paycheck. Self-employed taxpayers cannot qualify for AEITC payments.

Why This Program or Item Is Wasteful: Unlike many other benefit programs, recipients of the AEITC generally receive payments without advance, formal determinations of eligibility. The Government Accountability Office conducted an audit of the AEITC and found that some 80 percent of recipients did not comply with at least one program requirement; 20 percent had invalid Social Security numbers and thus may not have been eligible for the credit; 40 percent failed to file the annual tax return required to reconcile the credit; and of the 60 percent of recipients who did file a return, two-thirds misreported the amount received. The GAO also found that the participation rate for the AEITC is only around 3% of those potentially eligible. As a result, this program is particularly susceptible to waste, fraud, and abuse. This program was killed as part of H.R. 1586, the state bailout bill.

MEMBER ACTION ITEM: Rep. John Linder (GA-07) has introduced H.R. 5885, which would eliminate the advanced earned income tax credit. This legislation was chosen as [YouCut's](#) ninth week winner.

If you would like to participate in eliminating wasteful programs with the RSC Sunset Caucus, please e-mail Brad.Watson@mail.house.gov.

If you have a bill or amendment to highlight in the next Waste Action Alert please contact Kimberly.Ellis@mail.house.gov.

Note: Not every item featured in the Waste Action Alerts is necessarily endorsed by the RSC. These Alerts highlight the individual initiatives of members of the RSC Sunset Caucus.

*"The RSC Sunset Caucus uncovers government waste and seeks to eliminate it,
working to sunset programs that taxpayers shouldn't be paying for."*

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