THE HOUSE BUDGET BILL TAKES AIM AT THE EARNED INCOME TAX CREDIT

MILLIONS OF QUALIFIED FAMILIES MAY LOSE OUT ON THE CREDIT DUE TO NEWLY CREATED RED TAPE

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Tucked inside the House-passed budget bill, which has been widely criticized for making drastic cuts to vital programs that women and families rely on, is a lesser-known measure that would make devastating changes to the Earned Income Tax Credit (EITC).

The EITC is a tremendously effective tax credit that helps to lift millions of women and children out of poverty every year. The House version of the budget bill would undermine this program by adding a burdensome documentation requirement to the EITC, which could prevent millions of qualified families from claiming this benefit.

These new requirements would force families, who are already stretched thin, to navigate a burdensome and confusing bureaucratic process every year in order to certify each qualifying child under their care.

This additional hurdle, which has already proven to be ineffective in a 2003 pilot program, is one of many measures in the bill that takes direct aim at lower-income families in order to help pay for more billionaire tax cuts.

The EITC is a Vital Program for Women and Families

The EITC—which provides income support to working individuals and families—has traditionally enjoyed bipartisan support. It moved nearly 4.1 million people out of poverty in 2023, including 2.1 million children and 1.2 million women. The credit has proven especially critical for women, helping single women enter the work force, increasing women's retirement benefits, and improving maternal and infant health. Women of color, who are disproportionately represented in low-paid jobs, are especially likely to benefit.

More Red Tape Will Keep Eligible Families from Benefiting

Under the proposal in the House-passed budget bill, taxpayers who want to claim their children for the EITC must provide third-party documentation for each qualifying child every single year, beginning in tax year 2028. This would require 17 million families to navigate this burdensome, confusing requirement and supply such documentation for 29 million children. One in five eligible families already

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do not claim the EITC, and this requirement would lead to more families losing out on these vital benefits, both by dissuading families from filing and by incorrectly denying some families the credit.

The Requirement Has Already Proven to be Ineffective

Imposing additional documentation requirements for the EITC has already been tried before—and soundly rejected. In 2003, a pilot program imposed this requirement on a small population of people determined to be "at risk" of claiming a nonqualifying child.

The IRS decided not to move forward with the documentation requirement once the pilot program was completed, finding that the requirement not only prevented many eligible families from receiving the credit, but also was not an effective or cost-efficient way to reduce filing errors.

It Will Burden an Already Over-taxed IRS

During the 2003 pilot period, the IRS incurred additional burdens and costs ($6.6 million for a pilot of 50,000 people) because the agency had to develop templates and design the procedure, process and review completed documents, and respond to taxpayers' questions about the requirement.

The House budget bill would expand this failed pilot nationwide, increasing the burdens on the IRS at a time when the IRS is already dealing with massive funding and staffing cuts. This will likely cause refund delays even for eligible families who are able to correctly file their documentation—and may strain the IRS to its breaking point.

> The House-passed budget bill would prevent women and families from accessing crucial programs and income supports, including the EITC.
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> The Senate must do what the House wouldn't: **reject this cruel bill and protect the women and families who stand to lose the most if it passes.**