IRS to delay tax refunds for millions of working class families

Marcus Day
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The Internal Revenue Service (IRS), the US agency responsible for tax collection and enforcement, will delay processing refunds by nearly a month for more than 40 million low-income families this year.

The delays will impact families claiming either the Earned Income Tax Credit (EITC) or Additional Child Tax Credit (ACTC), both of which are relied upon by families who are "working poor."

The extended screening time is being carried out under the pretext of preventing tax fraud and identity theft, and is mandated as part of the Protecting Americans from Tax Hikes (PATH) Act passed in 2015. The PATH Act was a bipartisan deal consisting primarily of pro-business tax cuts.

While the tax filing period officially begins January 23 in the US, many families in precarious or desperate economic situations file as soon as possible in order to receive their refunds. Under the PATH Act, the IRS won't process refunds claiming either the EITC or ACTC until February 15 at the earliest. However, the agency has noted that even after the refunds are processed they probably won't reach families' bank accounts until the week of February 27.

In an admonishment on its web site to those seeking refunds from the tax credits, the IRS states, "Be careful not to count on getting a refund by a certain date, especially when making major purchases or paying other financial obligations."

The EITC was initially enacted in 1975 as a "work incentive." It has become the third-largest social assistance program for the poor, following Medicaid and food stamps (otherwise known as SNAP benefits).

In a policy review of the tax credit last October, the Center on Budget and Policy Priorities (CBPP) noted, "In 2015, the EITC lifted about 6.5 million people out of poverty, including about 3.3 million children. The number of poor children would have been more than *one-quarter higher* without the EITC. The credit reduced the severity of poverty for another 21.2 million people, including 7.7 million children" (emphasis added).

For the 2016 tax year, a family with three or more children earning roughly between $14,000 and $24,000 could claim a maximum credit of $6,269, substantially boosting their yearly income. The CBPP review noted that the average credit claimed for the 2015 tax year was $3,186, the equivalent of adding $265 in wages per month.

IRS Commissioner John Koskinen admitted in an interview with the Associated Press, "For most of these people it's the biggest check they are going to receive all year."

Nina E. Olson, head of the Office of the Taxpayer Advocate, noted in her 2016 Annual Report to Congress the disproportionate rate of audits of tax returns claiming the EITC, stating, "EITC audits make up approximately 36 percent of all IRS individual audits despite the fact that EITC returns account for only about 19 percent of all individual tax returns filed."

Olson's report further indicated that the IRS' automatic fraud detection systems were highly inaccurate. False-positive rates were often over 50 percent, and for one system were found to be roughly 91 percent. In 2016, roughly 1.2 million legitimate refunds, totaling $9 billion, were delayed an average of 30 days. In some cases, families were forced to wait months for their refunds.

Those working class and poor families inadvertently flagged by the IRS' fraud and identity theft detection systems will often find themselves caught up in a bureaucratic nightmare, as they spend countless hours attempting to prove their identity or the legitimacy of their returns.

Olson's report also pointed to some of the ramifications of delaying refunds to low-income families: "Not only can scrutinizing a legitimate return unnecessarily subject

taxpayers to a frustrating process, but it may also create a significant financial strain. For example, a delay of more than a month could pose severe consequences for a taxpayer who was relying on the refund to assist with medical expenses, rent, heating, or other necessary living expenses."

In addition to all the obstacles thrown up to prevent working class families from receiving the EITC, the IRS estimated that as of 2014 over 20 percent of those who are eligible for the credit didn't claim it. Such families may speak limited English, or simply lack the resources to secure assistance in deciphering the byzantine tax code and preparing their returns.

While the IRS seeks to wring every last cent from workers, the poor, and sections of the middle class, the financial oligarchy, with small armies of accountants and attorneys at its disposal, continues to dodge its nominally modest tax obligations, by means both legal and illegal.

The amount of "improper payments" estimated for the EITC—approximately $15.6 billion for the 2015 tax year—is dwarfed, to put it mildly, by the gargantuan scale of tax evasion by the super-rich.

A report released last fall revealed that 73 percent of Fortune 500 companies "maintained subsidiaries in offshore tax havens," enabling them to avoid paying a total of $717.8 billion in taxes for 2015. The study estimated that the companies were stashing nearly $2.5 trillion in profits in offshore accounts.

During the presidential campaign last year, president-elect Donald Trump's tax returns were leaked to the press, revealing that he had declared paper losses of close to $1 billion in 1995, enabling him to offset income up to that amount over the next 18 years.

Trump bragged about his tax avoidance when questioned on it during the presidential debates, saying, "That makes me smart," and has pledged to slash taxes for corporations and the ultra-wealthy still further.