February 17, 2022

The Honorable Janet Yellen
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Secretary Yellen,

We, the undersigned 105 organizations, focus on promoting the well-being of children and families, financial security of low-income families, reduction of poverty and inequality, and protection of taxpayer rights. We write to express our concern that the Treasury Department’s practice of reducing or eliminating payments made in tax refunds to low-income families undermines the social safety net and threatens to push millions of children into poverty.

The Child Tax Credit (CTC) and Earned Income Tax Credit (EITC) are intended to support families and low-income workers, and are rightly celebrated for lifting millions of children out of poverty. The expansion of the CTC this year cut child poverty nearly in half and reduced food insufficiency among families by 26 percent since July 2021. This years’ fully refundable credit was especially effective in reaching the 27 million children (including half of Black, Latinx, and rural children) who previously lost out on the full credit because their parents’ income was too low. But due to Treasury’s practice of offsetting tax refunds to collect government debt, millions of low-income families are at risk of not receiving these critical lifelines. While Congress protected advance CTC payments from offset, families who receive some or all of their CTC and EITC payments through tax refunds are at risk of having those refunds withheld for government debts. These offsets hurt families that are already demonstrably in financial distress and unable to afford their bills, and deprive low-income children of critical resources.

Recognizing this problem, Education Secretary Cardona recently proclaimed that “[t]he Child Tax Credit should be accessible, no matter your student loan repayment status,” and committed to ensuring that families with student loans in default will not experience offset of CTC funds this year. This is an important step forward. But this reprieve is temporary. Many families will be subject to offset due to unaffordable federal student loan debt once the suspension of student debt collection ends: over 8 million people are currently in default on their federal student loans, and they are overwhelmingly from low-income, low-wealth families and are disproportionately people of color. Roughly half of borrowers who default have dependent children, suggesting that millions of families could lose out on these antipoverty payments as a result of Treasury offset. Further, taxpayers with non-student loan debts remain vulnerable to offset of CTC and EITC payments this year.

We therefore urge you to consider ways to protect the EITC and CTC from offset, and to work with others in the Administration to develop solutions. The IRS has the authority to bypass the
offset requirement when it would create economic hardship, but the National Taxpayer Advocate reports that just 511 taxpayers received offset bypass refunds (OBR) in 2021. We ask you to immediately direct the IRS to make maximum use of its existing authority to waive offsets, to support the National Taxpayer Advocate’s recommendation to prohibit offset of the EITC portion of tax refunds, and to include recommendations for additional legislative protections in the Administration’s FY 2023 request to Congress (the Green Book).

We also ask that the Treasury provide data to allow policymakers and the public to better understand the scope of this problem, including data reflecting the number of taxpayers eligible for the CTC or EITC who experienced offsets and the total dollar amount of offset from those taxpayers. Treasury should also implement systems to readily identify offsets of the CTC and EITC. We welcome the opportunity to meet with you and Treasury Department staff to discuss ways to address this problem and ensure that children and families are not driven into poverty by the Treasury Offset Program.

Sincerely,

Center for Law and Social Policy (CLASP)
National Consumer Law Center (on behalf of its low-income clients)
The Institute for College Access & Success
20/20 Vision DC
Alaska PIRG
American Friends Service Committee
American Muslim Health Professionals (AMHP)
Americans for Financial Reform
Bet Tzedek Legal Services
Bread for the World
Californians for Economic Justice
CARPLS Legal Aid
CASH Campaign of Maryland
Center for American Progress
Center for Economic Integrity
Center for LGBTQ Economic Advancement & Research (CLEAR)
Center for Responsible Lending
Center for Taxpayer Rights
Center for the Study of Social Policy
Chicago Urban League
Child Welfare League of America
Children's Defense Fund
Children's Home & Aid
Clearinghouse on Women's Issues
Coalition on Human Needs
Community Economic Development Association of Michigan (CEDAM)
Community Legal Services of Philadelphia
Congregation of Our Lady of Charity of the Good Shepherd, U.S. Provinces
Connecticut Legal Services, Inc.
Consumer Action
Consumer Federation of America
Consumers for Auto Reliability and Safety
Criminalization of Poverty Project at The Institute for Policy Studies
Delaware Community Reinvestment Action Council, Inc.
Economic Security Project
Faith in Public Life
Feminist Majority Foundation
Financial Inclusion for All Illinois
First Focus on Children
Florida Consumer Action Network
Fordham Law School Feerick Center for Social Justice
Georgia Watch
Greater Boston Legal Services
Heartland Alliance
Hispanic Federation
Housing and Economic Rights Advocates
Indiana Community Action Poverty Institute
Institute on Taxation and Economic Policy
Iowa Citizen Action Network
Legal Action Chicago
Legal Aid Center of Southern Nevada
Legal Aid Society of the District of Columbia
Legal Services of New Jersey
Lewis and Clark LITC
Maine Equal Justice
Massachusetts Law Reform Institute
MI/Welfare Rights Organization
Michigan's Children
National Advocacy Center of the Sisters of the Good Shepherd
National Association of Consumer Advocates
National Association of Consumer Bankruptcy Attorneys (NACBA)
National Association of Social Workers
National Association of Student Financial Aid Administrators
National Center for Law and Economic Justice
National Community Action Partnership
National Consumers League
National Women’s Law Center
Network Lobby for Catholic Social Justice
New America Higher Education Program
New Economy Project
New Mexico Center on Law & Poverty
New York Legal Assistance Group (NYLAG)
Northwest Consumer Law Center
Ohio Poverty Law Center
Ohio Student Association
Oregon Food Bank
ParentsTogether Action
PHAT Technologies, LLC
Prince George's CASH Campaign
Prosperity Indiana
Prosperity Now
Prosperity Works
Public Good Law Center
Public Justice Center
Public Law Center
RESULTS
SaverLife
SC Appleseed Legal Justice Center
Student Borrower Protection Center
Student Debt Crisis Center
The Arc of the United States
The Education Trust
The Hope Center for College, Community, and Justice
The National Domestic Violence Hotline
Tzedek DC
Union for Reform Judaism
Universal Income Project
University of Baltimore Low Income Taxpayer Clinic
VOICE (Voices Organized in Civic Engagement)
Voices for Vermont's Children
Western Center on Law & Poverty
Wildfire: Igniting Community Action to End Poverty in Arizona
Woodstock Institute
Young Invincibles
ZERO TO THREE