

procedures to prevent unintentionally biased outcomes to parts of its customer base. TAS will also determine if it needs to raise awareness of its services and conduct outreach to particular demographic groups.

Objective 2 for FY 2025 – TAS will provide a report to the National Taxpayer Advocate detailing whether TAS case receipts, case quality, and problem relief are consistent among taxpayers regardless of their demographic classification.

- Activity 1: Analyze TAS receipts by demographic representation.
- Activity 2: Analyze TAS case quality review program data to determine if TAS case quality is consistent across demographic groups.
- Activity 3: Determine if TAS provides relief for taxpayers proportionally across demographic groups.

3. STUDY THE FINANCIAL BENEFITS PROVIDED TO LOW-INCOME FAMILIES THROUGH TAX CREDITS AND THE ROLE OF THE IRS IN ADMINISTERING THESE CREDITS

The IRS plays a critical role in distributing financial benefits to low-income taxpayers, especially those with children, through both refundable and non-refundable tax credits. The IRS is responsible for fostering participation in the tax return filing system for taxpayers to receive eligible benefits, processing tax returns claiming these credits, and ensuring that the credits are only paid to individuals who meet the legal requirements to receive these benefits. Taxpayers often have difficulty understanding the complex legal requirements to claim many of these credits, particularly since the eligibility rules often stem from a time when family structures were vastly different. The IRS often has an equally difficult time determining if a taxpayer is eligible for the credit and often lacks the necessary resources to stop all ineligible claims. This study aims to determine the population of children who could benefit from these tax credits, absent the ability of their caregivers to meet complicated and technical eligibility requirements. In addition to conducting its own research, TAS will obtain input and analyses of other experts in this area to create insights that will assist policymakers in considering new legislation to lift more children out of poverty, improve the administrability of tax credits for low-income taxpayers, and reduce improper claims of these credits.

The impact of the EITC and the Other Dependent Credit to low-income taxpayers is extensive. For tax year (TY) 2022, taxpayers filed nearly 23 million returns claiming EITC benefits worth nearly \$58 billion. These same taxpayers claimed over \$11 billion in the Other Dependent Credit on TY 2022 returns.⁶ TAS published a study in the National Taxpayer Advocate 2022 Annual Report to Congress that significantly focused on splitting the EITC between a worker and a child credit and the potential impact of changes in the EITC structure on reducing the EITC improper payment rate.⁷ This study will further examine possible ways to reduce the EITC improper payment rate and explore the effect on other tax credits available to low-income families, the economic impact of these credits, and the role of the IRS in administering these credits.

Objective 3 for FY 2025 – TAS will provide a report to the National Taxpayer Advocate that explores changes to the structure of the EITC and the Other Dependent Credit, the economic impact of potential changes in the structures of these credits, and how such changes would impact the IRS's ability to administer these credits.

- Activity 1: Analyze payment distributions for a worker credit and a child component of EITC and explore possibilities for merging this credit with the Other Dependent Credit.

⁶ IRS, Compliance Data Warehouse, TY 2022 returns processed as of April 25, 2024 (May 7, 2024).

⁷ National Taxpayer Advocate 2022 Annual Report to Congress 243 (Research Study: *Exploring Earned Income Tax Credit Structures: Dividing the Credit Between a Worker and Child Component and Other Considerations*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/02/2022-ARC_Research_EITC_02022023.pdf.

- Activity 2: Determine the effect of simplifications to the definition of a qualifying child for claiming the EITC.
- Activity 3: Describe current IRS challenges for administering the EITC and Other Dependent Credit and how changes to the structures of these two credits would likely affect the IRS's ability to administer these credits.
- Activity 4: Quantify the effects on changes in the structure of these credits on their improper payment rate as well as their economic impact on low-income families.

4. ASSESS THE TAXES PAID AND CREDITS RECEIVED BY INDIVIDUAL TAXPAYER IDENTIFICATION NUMBER FILERS AND THEIR DEPENDENTS AND THE BARRIERS THEY FACE IN NAVIGATING RELATED IRS ADMINISTRATIVE PROCEDURES

Non-citizens who live or work in the United States often find their tax treatment confusing. Taxpayers with Individual Taxpayer Identification Numbers (ITINs) may face multiple challenges in fulfilling their requirement to pay taxes or in receiving the tax benefits for which they may be eligible, such as the Other Dependent Credit. This assessment will briefly examine how the tax system treats non-citizens, discuss ITIN filers in the broader landscape of non-citizens, including undocumented workers, and detail the amount of taxes these individuals pay and the tax credits they receive.

This study will explore the taxes paid and credits received by ITIN filers over the past several years as well as the barriers individuals face when applying for and using ITINs and related difficulties as they navigate the IRS's ITIN process from year to year. It will estimate the amount of taxes not paid by individuals eligible for an ITIN who choose to avoid the complicated IRS ITIN guidance. The study will build upon previous TAS work on the IRS administration of the ITIN program, including two prior National Taxpayer Advocate Reports to Congress discussing how the IRS ITIN program was one of the most serious problems facing taxpayers.⁸ TAS may also consult other experts who have studied taxpayer usage of ITINs. The study will describe the economic characteristics of typical ITIN filers, the challenges they face in meeting their filing obligations, and the deterrent effects these challenges may have on others who are eligible for or who might otherwise obtain ITINs.

Objective 4 for FY 2025 – TAS will describe the IRS ITIN process, quantify the taxes paid and credits received by ITIN filers, and estimate the revenue lost due to undocumented workers who do not participate in the tax system by obtaining and using an ITIN.

- Activity 1: Describe the IRS administration of the ITIN program.
- Activity 2: Determine the size and composition of the ITIN program and quantify its impact on U.S. taxation.
- Activity 3: Estimate the tax revenue lost due to taxpayers who avoid obtaining an ITIN and reporting their income.

⁸ National Taxpayer Advocate 2016 Annual Report to Congress 239 (Most Serious Problem: *Individual Taxpayer Identification Numbers (ITINs): IRS Processes for ITIN Applications, Deactivations, and Renewals Unduly Burden and Harm Taxpayers*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2020/08/ARC16_Volume1_MSP_18_ITINS.pdf; National Taxpayer Advocate 2017 Annual Report to Congress 181 (Most Serious Problem: *Individual Taxpayer Identification Numbers (ITINs): The IRS's Failure to Understand and Effectively Communicate With the ITIN Population Imposes Unnecessary Burden and Hinders Compliance*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2020/08/ARC17_Volume1_MSP_16_ITINS.pdf.