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113TH CONGRESS
2D SESSION

H. R. 5070

To amend the Internal Revenue Code of 1986 to provide for improved compliance with the requirements of the earned income tax credit.

IN THE HOUSE OF REPRESENTATIVES

JULY 10, 2014

Mr. GARDNER (for himself and Mr. STEWART) introduced the following bill; which was referred to the Committee on Ways and Means

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A BILL

To amend the Internal Revenue Code of 1986 to provide for improved compliance with the requirements of the earned income tax credit.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Earnings Advancement and Recovery Now Act'' or the ''EARN Act''.

SEC. 2. DEDICATION OF EITC COMPLIANCE SAVINGS TO EXPANDING THE EITC.

(a) FINDINGS.—The Congress finds the following:

(1) The March 2014 report of the Treasury Inspector General for Tax Administration on the In-

ternal Revenue Service's compliance with the Improper Payments Elimination and Recovery Act of 2010 highlights significant improper payments related to the earned income tax credit under section 32 of the Internal Revenue Code of 1986.

(2) The Improper Payments Elimination and Recovery Act of 2010 defines an improper payment as ''any payment that should not have been made or that was made in an incorrect amount . . . under statutory, contractual, administrative, or other legally applicable requirements''.

(3) The Internal Revenue Service estimates that 22 percent to 26 percent of earned income tax credit payments were issued improperly in fiscal year 2013, with the dollar value of these improper payments estimated to be between $13.3 billion and $15.6 billion.

(4) The Treasury Inspector General for Tax Administration has concluded that the Internal Revenue Service has made little improvement in reducing improper earned income tax credit payments since being required to report estimates of these payments to Congress, and as a result, the earned income tax credit program remains at high risk for improper payments.

(5) The Joint Committee on Taxation estimates that for tax year 2014 there will be 28.5 million filers that will receive the earned income tax credit.

(6) Billions of dollars of improper payments will continue to made unless reforms and improvements take place with respect to the earned income tax credit and its administration by the Internal Revenue Service.

(b) SENSE OF CONGRESS.—Any budgetary savings resulting from the reforms and improvements enacted by this Act with respect to the earned income tax credit should be dedicated to expanding the credit for working families eligible for the earned income tax credit.

SEC. 3. INCREASE THE PENALTY APPLICABLE TO PAID TAX PREPARERS WHO ENGAGE IN WILLFUL OR RECKLESS CONDUCT.

(a) IN GENERAL.—Section 6694(b)(1)(B) of the Internal Revenue Code of 1986 is amended by striking ''50 percent'' and inserting ''75 percent''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to returns prepared for taxable years ending after the date of the enactment of this Act.

SEC. 4. EXPANSION OF DISALLOWANCE PERIOD FOR TAXPAYERS WHO IMPROPERLY CLAIM EITC BASED ON RECKLESS OR INTENTIONAL DISREGARD OF THE RULES.

(a) IN GENERAL.—Section 32(k)(1)(B)(ii) of the Internal Revenue Code of 1986 is amended by striking ''2 taxable years'' and inserting ''5 taxable years''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2013.

SEC. 5. EXPANSION OF MATH-ERROR AUTHORITY TO COVER EITC CLAIMS DURING PERIOD WHEN TAXPAYER IS BARRED FROM CLAIMING THE CREDIT.

(a) IN GENERAL.—Section 6213(g)(2)(K) of the Internal Revenue Code of 1986 is amended by striking ''section 32(k)(2)'' and inserting ''section 32(k)''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years ending after the date of the enactment of this Act.

SEC. 6. PENALTY FOR ERRONEOUS CLAIM OF CREDIT MADE APPLICABLE TO EARNED INCOME CREDIT.

(a) IN GENERAL.—Section 6676(a) of the Internal Revenue Code of 1986 is amended by striking ''(other

than a claim for a refund or credit relating to the earned income credit under section 32)''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to claims filed after the date of the enactment of this Act.

SEC. 7. STUDY ON EARNED INCOME CREDIT AND IMPROPER PAYMENTS.

(a) IN GENERAL.—The Comptroller General of the United States shall conduct a study on—

(1) the effectiveness and impact of the earned income tax credit under section 32 of the Internal Revenue Code of 1986, and

(2) the incidence and cause of improper payments made by the Internal Revenue Service with respect to the credit.

(b) RECOMMENDATIONS.—The study required under subsection (a) shall include recommendations to—

(1) improve the efficiency and effectiveness of the earned income tax credit, and

(2) reduce the improper payments made by the Internal Revenue Service with respect to the credit.

(c) REPORT.—Not later than 6 months after the date of the enactment of this Act, the Comptroller General shall submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance

of the Senate a report with the results of the study conducted under subsection (a) and recommendations required under subsection (b).

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