

108TH CONGRESS  
2D SESSION

# S. 2947

To provide additional protections for recipients of the earned income tax credit.

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IN THE SENATE OF THE UNITED STATES

OCTOBER 8, 2004

Mr. AKAKA (for himself, Mr. BINGAMAN, and Mr. DURBIN) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To provide additional protections for recipients of the earned income tax credit.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Taxpayer Abuse Pre-  
5       vention Act”.

6       **SEC. 2. PREVENTION OF DIVERSION OF EARNED INCOME**

7                               **TAX CREDIT BENEFITS.**

8       (a) IN GENERAL.—Section 32 of the Internal Rev-  
9       enue Code of 1986 (relating to earned income tax credit)

1 is amended by adding at the end the following new sub-  
2 section:

3       “(n) PREVENTION OF DIVERSION OF CREDIT BENE-  
4 FITS.—The right of any individual to any future payment  
5 of the credit under this section shall not be transferable  
6 or assignable, at law or in equity, and none of the moneys  
7 paid or payable or right shall be subject to any execution,  
8 levy, attachment, garnishment, offset, or other legal proc-  
9 ess except for any outstanding Federal obligation. Any  
10 waiver of the protections of this subsection shall be  
11 deemed null, void, and of no effect.”.

12       (b) EFFECTIVE DATE.—The amendment made by  
13 this section shall take effect on the date of the enactment  
14 of this Act.

15 **SEC. 3. PROHIBITION ON DEBT COLLECTION OFFSET.**

16       (a) IN GENERAL.—No person shall, directly or indi-  
17 rectly, individually or in conjunction or in cooperation with  
18 another person, engage in the collection of an outstanding  
19 or delinquent debt for any creditor or assignee by means  
20 of soliciting the execution of, processing, receiving, or ac-  
21 cepting an application or agreement for a refund anticipa-  
22 tion loan or refund anticipation check that contains a pro-  
23 vision permitting the creditor to repay, by offset or other  
24 means, an outstanding or delinquent debt for that creditor  
25 from the proceeds of the debtor’s Federal tax refund.

1 (b) REFUND ANTICIPATION LOAN.—For purposes of  
2 subsection (a), the term “refund anticipation loan” means  
3 a loan of money or of any other thing of value to a tax-  
4 payer because of the taxpayer’s anticipated receipt of a  
5 Federal tax refund.

6 (c) EFFECTIVE DATE.—This section shall take effect  
7 on the date of the enactment of this Act.

8 **SEC. 4. PROHIBITION OF MANDATORY ARBITRATION.**

9 (a) IN GENERAL.—Any person that provides a loan  
10 to a taxpayer that is linked to or in anticipation of a Fed-  
11 eral tax refund for the taxpayer may not include manda-  
12 tory arbitration of disputes as a condition for providing  
13 such a loan.

14 (b) EFFECTIVE DATE.—This section shall apply to  
15 loans made after the date of the enactment of this Act.

16 **SEC. 5. TERMINATION OF DEBT INDICATOR PROGRAM.**

17 The Secretary of the Treasury shall terminate the  
18 Debt Indicator program announced in Internal Revenue  
19 Service Notice 99–58.

20 **SEC. 6. DETERMINATION OF ELECTRONIC FILING GOALS.**

21 (a) IN GENERAL.—Any electronically filed Federal  
22 tax returns, that result in Federal tax refunds that are  
23 distributed by refund anticipation loans, shall not be taken  
24 into account in determining if the goals required under  
25 section 2001(a)(2) of the Restructuring and Reform Act

1 of 1998 that the Internal Revenue Service have at least  
2 80 percent of all such returns filed electronically by 2007  
3 are achieved.

4 (b) REFUND ANTICIPATION LOAN.—For purposes of  
5 subsection (a), the term “refund anticipation loan” means  
6 a loan of money or of any other thing of value to a tax-  
7 payer because of the taxpayer’s anticipated receipt of a  
8 Federal tax refund.

9 **SEC. 7. EXPANSION OF ELIGIBILITY FOR ELECTRONIC**  
10 **TRANSFER ACCOUNTS.**

11 (a) IN GENERAL.—The last sentence of section  
12 3332(j) of title 31, United States Code, is amended by  
13 inserting “other than any payment under section 32 of  
14 such Code” after “1986”.

15 (b) EFFECTIVE DATE.—The amendment made by  
16 this section shall apply to payments made after the date  
17 of the enactment of this Act.

18 **SEC. 8. PROGRAM TO ENCOURAGE THE USE OF THE AD-**  
19 **VANCE EARNED INCOME TAX CREDIT.**

20 (a) IN GENERAL.—Not later than 6 months after the  
21 date of the enactment of this Act, the Secretary of the  
22 Treasury shall, after consultation with such private, non-  
23 profit, and governmental entities as the Secretary deter-  
24 mines appropriate, develop and implement a program to

1 encourage the greater utilization of the advance earned in-  
2 come tax credit.

3 (b) REPORTS.—Not later than the date of the imple-  
4 mentation of the program described in subsection (a), and  
5 annually thereafter, the Secretary of the Treasury shall  
6 report to the Committee on Finance of the Senate and  
7 the Committee on Ways and Means of the House of Rep-  
8 resentatives on the elements of such program and progress  
9 achieved under such program.

10 (c) AUTHORIZATION OF APPROPRIATIONS.—There is  
11 authorized to be appropriated such sums as are necessary  
12 to carry out the program described in this section. Any  
13 sums so appropriated shall remain available until ex-  
14 pended.

15 **SEC. 9. PROGRAM TO LINK TAXPAYERS WITH DIRECT DE-**  
16 **POSIT ACCOUNTS AT FEDERALLY INSURED**  
17 **DEPOSITORY INSTITUTIONS.**

18 (a) ESTABLISHMENT OF PROGRAM.—Not later than  
19 1 year after the date of the enactment of this Act, the  
20 Secretary of the Treasury shall enter into cooperative  
21 agreements with federally insured depository institutions  
22 to provide low- and moderate-income taxpayers with the  
23 option of establishing low-cost direct deposit accounts  
24 through the use of appropriate tax forms.

1 (b) FEDERALLY INSURED DEPOSITORY INSTITU-  
2 TION.—For purposes of this section, the term “federally  
3 insured depository institution” means any insured deposi-  
4 tory institution (as defined in section 3 of the Federal De-  
5 posit Insurance Act (12 U.S.C. 1813)) and any insured  
6 credit union (as defined in section 101 of the Federal  
7 Credit Union Act (12 U.S.C. 1752)).

8 (c) OPERATION OF PROGRAM.—In providing for the  
9 operation of the program described in subsection (a), the  
10 Secretary of the Treasury is authorized—

11 (1) to consult with such private and nonprofit  
12 organizations and Federal, State, and local agencies  
13 as determined appropriate by the Secretary, and

14 (2) to promulgate such regulations as necessary  
15 to administer such program.

16 (d) AUTHORIZATION OF APPROPRIATIONS.—There is  
17 authorized to be appropriated such sums as are necessary  
18 to carry out the program described in this section. Any  
19 sums so appropriated shall remain available until ex-  
20 pended.

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