

109TH CONGRESS
1ST SESSION

S. 324

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

IN THE SENATE OF THE UNITED STATES

FEBRUARY 9, 2005

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

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 such right or any
 7 moneys paid or payable under this section shall not be
 8 subject to any execution, levy, attachment, garnishment,
 9 offset, or other legal process except for any outstanding
 10 Federal obligation. Any waiver of the protections of this
 11 subsection shall be 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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