

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

A BILL

To amend the Internal Revenue Code of 1986 to provide for improved compliance with the requirements 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 “Earnings Advancement
5 and Recovery Now Act” or the “EARN Act”.

6 **SEC. 2. DEDICATION OF EITC COMPLIANCE SAVINGS TO EX-**
7 **PANDING THE EITC.**

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

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

1 ternal Revenue Service’s compliance with the Im-
2 proper Payments Elimination and Recovery Act of
3 2010 highlights significant improper payments re-
4 lated to the earned income tax credit under section
5 32 of the Internal Revenue Code of 1986.

6 (2) The Improper Payments Elimination and
7 Recovery Act of 2010 defines an improper payment
8 as “any payment that should not have been made or
9 that was made in an incorrect amount . . . under
10 statutory, contractual, administrative, or other le-
11 gally applicable requirements”.

12 (3) The Internal Revenue Service estimates
13 that 22 percent to 26 percent of earned income tax
14 credit payments were issued improperly in fiscal
15 year 2013, with the dollar value of these improper
16 payments estimated to be between \$13.3 billion and
17 \$15.6 billion.

18 (4) The Treasury Inspector General for Tax
19 Administration has concluded that the Internal Rev-
20 enue Service has made little improvement in reduc-
21 ing improper earned income tax credit payments
22 since being required to report estimates of these
23 payments to Congress, and as a result, the earned
24 income tax credit program remains at high risk for
25 improper payments.

1 (5) The Joint Committee on Taxation estimates
2 that for tax year 2014 there will be 28.5 million fil-
3 ers that will receive the earned income tax credit.

4 (6) Billions of dollars of improper payments will
5 continue to made unless reforms and improvements
6 take place with respect to the earned income tax
7 credit and its administration by the Internal Rev-
8 enue Service.

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

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

17 (a) IN GENERAL.—Section 6694(b)(1)(B) of the In-
18 ternal Revenue Code of 1986 is amended by striking “50
19 percent” and inserting “75 percent”.

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

1 **SEC. 4. EXPANSION OF DISALLOWANCE PERIOD FOR TAX-**
 2 **PAYERS WHO IMPROPERLY CLAIM EITC**
 3 **BASED ON RECKLESS OR INTENTIONAL DIS-**
 4 **REGARD OF THE RULES.**

5 (a) IN GENERAL.—Section 32(k)(1)(B)(ii) of the In-
 6 ternal Revenue Code of 1986 is amended by striking “2
 7 taxable years” and inserting “5 taxable years”.

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

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

15 (a) IN GENERAL.—Section 6213(g)(2)(K) of the In-
 16 ternal Revenue Code of 1986 is amended by striking “sec-
 17 tion 32(k)(2)” and inserting “section 32(k)”.

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

21 **SEC. 6. PENALTY FOR ERRONEOUS CLAIM OF CREDIT**
 22 **MADE APPLICABLE TO EARNED INCOME**
 23 **CREDIT.**

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

1 than a claim for a refund or credit relating to the earned
2 income credit under section 32)”.
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4 (b) EFFECTIVE DATE.—The amendment made by
5 this section shall apply to claims filed after the date of
6 the enactment of this Act.

7 **SEC. 7. STUDY ON EARNED INCOME CREDIT AND IM-
8 PROPER PAYMENTS.**

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

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

14 (2) the incidence and cause of improper pay-
15 ments made by the Internal Revenue Service with
16 respect to the credit.

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

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

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

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

1 of the Senate a report with the results of the study con-
2 ducted under subsection (a) and recommendations re-
3 quired under subsection (b).

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