

# Defrauding the American Taxpayer - The Earned Income Tax Credit

## EITC Fraud

Part 3 of 7

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*For The Social Contract*  
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President Obama's stimulus program includes tax cuts for low income workers. The purpose, of course, is to put money back into taxpayer's hand so they'll spend it and boost the economy. But thanks to the EITC, much of the "tax relief" will go to people who have never paid a cent of tax – and may have already defrauded the government of huge sums each year.

How is this possible? EITC is a "refundable credit," – meaning that beneficiaries can receive more from the government than they pay in taxes. As a result, many low income workers who pay no income taxes will file a tax return for one reason: to get an EITC check

The incentive to cheat is huge: a worker with two children and earned income less than \$38,646 could receive an EITC payment of up to \$4,824 in 2008. A related tax credit – the Additional Child Tax Credit (ACTC) –pays this person another \$1,126 if his or her income was less than \$16,000. [Center on Budget and Policy Priorities, 2008 EITC Outreach Kit. <http://www.cbpp.org/eic2009/> ] For most families in this income bracket, the EITC check is the largest single sum of money they will receive in the course of the year.

Technically, EITC is available only to people with valid Social Security numbers. In practice, identity theft, counterfeit Social Security cards, and other scams, easily nullify such restrictions. EITC outreach groups – most prominently the Center for Budget and Policy Priorities – offer tips as to how immigrants can receive EITC payments for years in which they did not have a valid Social Security number. As a result, illegal aliens are estimated to receive EITC at even greater rates than their legal counterparts. (See More Evidence of EITC fraud section below.)

The ACTC is available to illegals even if they do not have a valid Social Security number. All they need is an Income Taxpayer Identification Number (ITIN) – which IRS is only too happy to provide. (See Illegal Aliens and the EITC section below.)

The General Accounting Office (GAO) verified the vast scale of the fraud, reporting that “...the IRS estimated [it is] between 27 and 32 percent of EITC dollars claimed.” [Ernest Istook, “Congress Will Send Billions to Tax Cheaters,” Heritage Foundation, February 5, 2008.

<http://www.heritage.org/Press/Commentary/ed020508a.cfm>

EITC scams are common, well-organized, and massive. In 1993 Dateline, a network television news program, filmed perpetrators paying housing project residents \$400 for their names and Social Security numbers. The con men used this information to file federal income tax returns electronically and receive bank loans using the estimated EITC refund as collateral. <http://www.window.state.tx.us/tpr/tpr4/c6.fr/c605.html>

Most illegal immigrants have fraudulent Social Security cards, according to Federal Security officials. Their favorite target: young children. SSNs assigned to infants are stolen from medical paperwork and used to file returns. The fraud can go undetected for years - until the child looks for a job as a teenager.

<http://transcripts.cnn.com/TRANSCRIPTS/0605/12/ldt.01.html>

Media exposure shamed the IRS into conducting its own study. After randomly selecting 1,000 EITC tax returns, the tax collection agency sent criminal investigators to interview the taxpayers. Based on the interrogations, IRS estimated that \$4 billion of the \$15 billion in EITC refunds paid in 1993 were made in error – a 27% error rate. This revelation led to new control system investments and policy changes including a slowdown in EITC refunds and a decision to make banks liable for loans made to EITC filers.

More than a decade later depressingly little changed, as evidenced by this written exchange between Senator Tom Coburn and McCoy Williams, GAO’s Director of Financial Management and Assurance:

Senator Coburn:

“As you know, the improper payments made in the Earned Income Tax Credit makes up the second largest portion of government-wide improper payments for fiscal year 2005, estimating \$9.6 to \$11.4 billion dollars paid improperly.

“In fiscal year 2004 EITC had an improper payment rate of 25 percent. For fiscal year 2005, it was 28 percent and this is on the low side, because it’s just an estimate. This program does not just need help, it needs a complete overhaul, with an improper payment rate that high.

“I am familiar with the legislative proposals in the President’s fiscal year 2007 Budget. OMB believes that if enacted, this proposal would save \$232 million in the first year and \$5 billion over ten years. That seems a bit under-ambitious when EITC is making at least \$10 billion in improper payments every year. . . .Mr. Williams, has GAO done any analysis of the President’s proposals? If so, what is the GAO’s assessment? Has GAO made any recommendations regarding the administration and financial controls in the EITC program?”

McCoy Williams:

“To date, we have not performed an analysis or an assessment of the President’s legislative proposals as they relate to the Earned Income Tax Credit (EITC) program. Regarding any recommendations made, since fiscal year 2001, we have issued three reports that included seven recommendations related to the administration and financial controls in the EITC program. . . .” [GAO, Letter to Senator Coburn, September 6, 2006. <http://www.gao.gov/new.items/d061067r.pdf>]

GAO’s recommendations were not exactly earth shattering. Among other things, the agency urged IRS to take steps to: better quantify EITC payment error rates; to determine why IRS service centers had been unable to stop questionable EITC refunds; and to collect reliable cost/benefit data so as to better estimate the reduction in fraudulent tax refunds per dollar spent in EITC fraud prevention.

None of GAO’s recommendations have been fully implemented.

### **Getting a (fraudulent) EITC advance**

Most EITC recipients receive the benefit after filing their tax returns. A small number – about 3% - take advantage of the Advance Earned Income Tax Credit (AEITC). They receive a portion of the credit throughout the year in their paychecks.

While AEITC usage is low, the rate of fraud is high. A recent analysis of the AEITC program provides details:

“As many as 80 percent of AEITC recipients did not comply with at least one of the program requirements GAO reviewed, and some were noncompliant with more than one during the 3 years we reviewed.

“Almost 40 percent (about 200,000 recipients) did not file the required tax return; these individuals received \$42 million to \$50 million each year.

“Of the about 60 percent (more than 300,000) AEITC recipients who did file a return, about two-thirds misreported the amount received.” [GAO, “Advance Income

Tax Credit: Low Use and Small Dollars Impede IRS’s Efforts to Reduce High Noncompliance,” August 2007. <http://gao.gov/new.items/d071110.pdf>]

GAO’s notes that its findings are based on its analysis of the tax returns of those recipients who were “potentially” eligible for the advance. The agency cautions that “...about 20 percent, or more than 100,000 AEITC recipients, may not have been eligible for the AEITC because they had an invalid Social Security number...”

This seems to imply that, by analyzing only returns with valid SSNs, GAO may have underestimated the extent of AEITC fraud.

The problem is large, but not insurmountable:

“IRS could address AEITC noncompliance by sending “soft notices” to recipients, requiring employers to verify employee SSNs before providing the AEITC, or creating a Forms W-5, “EITC Advance Payment Certificate,” database.”

IRS’s obviously has not seen fit to devote enough resources to AEITC non-compliance. GAO charitably chalks this up to “resource constraints.” In fact, it smacks of politics as usual.

### **Everybody’s Doing It?**

Fraudulent payments are, of course, a long-standing problem that affects every federal program. Advocates for the poor insist that EITC fraud is unfairly singled out by those who would reduce all payments to deserving poor. But the size and intensity of EITC fraud is demonstrably larger than that in other federal programs. We know this because of new reporting requirements Congress recently imposed on federal agencies.

The Improper Payments Act of 2002 (IPIA) requires agencies to identify programs and activities susceptible to fraudulent payments, estimate the amount of such payments, and report on actions they have undertaken to reduce them. In fiscal 2005 GAO reviewed 18 such reports, covering 57 programs, with \$38.8 billion of improper payments reported. [GAO, “Challenges Remain in Meeting Requirements of the Improper Payments Information Act,” Testimony, March 9, 2006. <http://www.gao.gov/new.items/d06482t.pdf>]

The EITC ranked second among the 57 programs in fraudulent payments. Only Medicare, at \$12.1 billion, reported a larger dollar amount. As a percent of total program spending, however, EITC fraud far exceeds that of any other program:

<p><b>Table 1 Improper Payments Reported by Federal Agencies, 2005 (10 largest improper payments reported)</b></p>
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<u>Program</u>	<u>Amount (\$mils.)</u>	<u>% of Program</u>
Medicare	12,100.0	3.6%
Earned Income Tax Credit (EITC)	10,500.0	30.4%
Old Age and Survivors Insurance (OASDI)	3,681.0	0.8%
Supplemental Security Incomes (SSI)	2,910.0	8.2%
Food Stamps	1,432.0	4.4%
Student loans (Pell Grants)	617.0	5.0%
Section 8 Housing (tenant based)	551.0	11.6%
Military Pay	432.0	0.3%
VA Compensation	322.9	1.1%
VA Pension	261.0	7.7%
Sources: GAO, "Challenges Remain in Meeting Requirements of the Improper Payments Information Act," Testimony, March 9, 2006. Appendix II. <a href="http://www.gao.gov/new.items/d06482t.pdf">http://www.gao.gov/new.items/d06482t.pdf</a> (Improper payments.); OMB, FY2005 Budget. (Program payments.) Calculations by author.		

More than 30% of EITC outlays are “improper” according to the Treasury Department’s accountability report. This is by far the largest error rate of the major programs reviewed by GAO. The runner up – HUD’s notoriously corrupt Section 8 housing subsidy – estimated its improper payments at 11.6% of outlays, while Medicare’s payment fraud is estimated at 3.6%.

For the record, the following major programs did not submit Improper Payment reports in FY2005: School lunch programs, State Children’s Health Insurance Program (SCHIP), Woman, Infants, and Children (WIC), Medicaid, Child Care and Development Fund, Temporary Assistance for Needy Families (TANF), Community Development Block Housing Grant.

### **EITC Fraud in Context**

“The IRS estimates that a single type of illegal scheme - offshore sheltering of income -practiced by 505,000 taxpayers in 2000, resulted in tax losses of \$20 billion to \$40 billion. This one scheme, used by only a half million high-income evaders, cost the Treasury two to four times as much as the six million EITC noncompliers...”  
[Jeffrey Liebman, “Earned Income Tax Credit: The Compliance Challenge,” The Century Foundation. <http://www.tcf.org/Publications/EconomicsInequality/EITC.pdf> ]

My Lineman has a point: The amount of federal tax dollars lost to EITC fraud is trivial alongside the amount lost due to the fraudulent tax manipulations of middle- and upper-income Americans, who do not receive the credit. The latter amount, called the “tax gap,” is the difference between what these taxpayers should pay and what they actually pay on a timely basis.

In tax year 2001 the total tax gap ranged from \$312 billion to \$353 billion, according to the IRS. [IRS, “Understanding the Tax Gap,” March 2005. <http://www.irs.gov/newsroom/article/0,,id=137246,00.html>] That is about 30-times the amount lost to EITC fraud that year– estimated at about \$10 billion,

But wait a minute. There were 130 million federal tax returns filed in 2002, and only 19.6 million of them received the EITC. So on a per capita basis, the difference between EITC and middle/upper income tax fraud is only about one-sixth as large as the aggregate amounts would indicate.

Even more telling is to the percent of total tax liability each group fraudulently avoids.

In tax year 2001, middle and upper-income taxpayers paid the federal government \$1.767 trillion on time, a figure equal to 83.4% to 85.0% of their total tax liability. This implies that the noncompliance rate for all federal taxes is from 15% to 16.6% of the true tax liability. That is about half the estimated EITC fraud rate of 30%. [IRS, “Understanding the Tax Gap,” March 2005. <http://www.irs.gov/newsroom/article/0,,id=137246,00.html>]

So when you measure fraud relative to total tax liability, the EITC crowd is about twice as fraudulent as middle/upper-income taxpayers.

Moreover, late payments and enforcement efforts such as IRS audits and collection activities (payment arrangements, liens, levies and other legal actions) recover some of the tax gap. For 2001 the IRS expects to eventually collect \$55 billion of the tax gap, reducing the noncompliance rate.

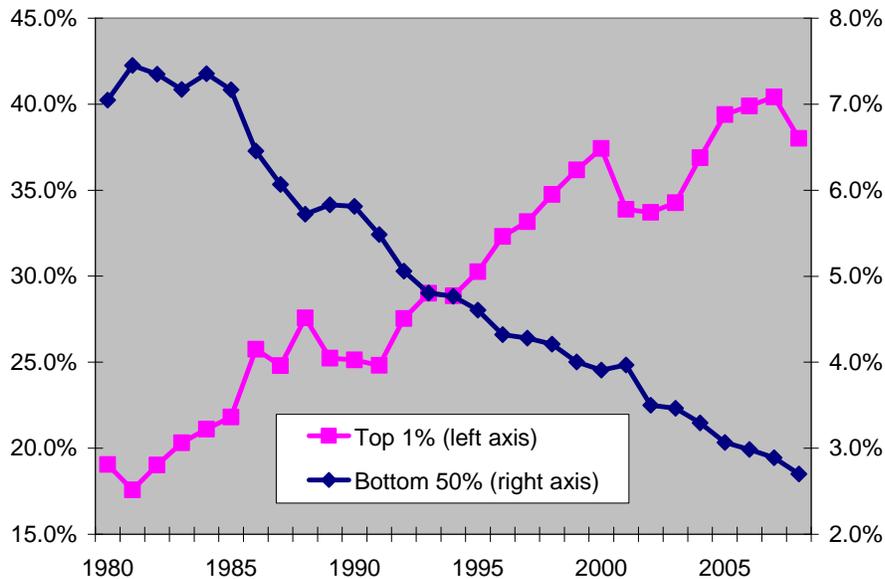
By comparison, fraudulent EITC payments are rarely recovered.

It’s not that middle or upper income taxpayers are more honest than EITC recipients – although that may indeed be the case. Most of us simply cannot avoid paying taxes because of withholding. And most of us cannot “hide” income because employers report our wages and salaries are tips directly to the IRS through form W-2. Less than 1.5% of income subject to withholding is misreported on income tax returns. [IRS, Understanding the tax gap, March 2005. <http://www.irs.gov/newsroom/article/0,,id=137246,00.html>]

Skeptics still believe the tax code is tilted toward the rich, and that the EITC should be expanded to ease the burden on low income workers. The data simply do not support this view:

## Federal income tax shares: richest 1% and poorest half of taxpayers, 1980-2008

(Tax Foundation Data)



In 1980 the richest 1% of taxpayers paid 19% of all federal income taxes; by 2008, their tax share had doubled, to 38%. Over the same period the share paid by the bottom half of taxpayers fell sharply – to 2.7% in 2008 from 7.1% in 1980. [Tax Foundation: <http://www.taxfoundation.org/taxdata/show/23408.html>]

Tax rates have declined for all taxpayers since the 1980s – thanks to the Reagan revolution. But the poorest half has been the biggest beneficiaries of the trend. Their average tax rate (taxes as a percent of Adjusted Gross Income) fell from 6.1% in 1980 to 2.6% in 2008. For the top 1%, the decline was more muted: from 34% in 1980 to 23% in 2008.

Bottom line: the tax system is far more progressive today than it was in 1980.

Most of the increased progressivity reflects changes in tax rates and other policies designed to ease the burden on lower income taxpayers. Some of it, however, is unintended – the result of high rates of tax fraud among low income taxpayers. The EITC is responsible for much of this troubling trend.

### Illegal Aliens and the EITC

The Internal Revenue Code does not prohibit illegal aliens from receiving

the EITC if they meet the prescribed eligibility requirements. Foremost among them: filing a legitimate tax return.

Since 1996 the IRS has encouraged illegal aliens to file tax returns using income taxpayer identification numbers (ITINs.) At first illegals were reluctant to apply, fearing the IRS would share the information with INS or its successor agency, the Department of Homeland Security. But illegals without ITINs found themselves shunned by employers.

Low wage employers opted against paying illegals “off the books.” To them, the EITC was a valuable wage subsidy paid for by taxpayers. Illegals receiving the EITC were willing to work for less than their counterparts who did not file for the credit. IRS’s decision to make ITINs available to illegals was made solely to increase the likelihood that they would pay taxes – not to enforce the immigration laws. (In its publications, website, and forms, the IRS makes clear that the ITIN is “for tax purposes only.”) <http://www.cis.org/articles/2003/back303.html> Perhaps because of its stated limited purpose, the IRS makes little or no effort to authenticate the documents presented by foreign nationals to obtain the ITIN.

Illegal aliens soon realized they had nothing to fear, and lots to gain, from filing for the EITC. The stampede for ITINs was on:

<b>Table 2 Illegal Alien IDs?: Individual Taxpayer Identification Numbers Assigned by the IRS</b>	
<u>Year</u>	<u>Volume</u>
1996	60,682
1997	1,363,071
1998	566,745
1999	615,413
2000	818,392
2001	1,088,837
2002	1,493,284
2003	1,229,097
2004	838,070
2005	1,195,397
2006	1,548,802
2007	1,768,902
2008	1,628,354
2009	1,847,463
2010	1,801,169
Total, 1996-2010	17,863,678
Source: e-mails to author from IRS analysts, Feb. 2009. and April 2011. (202) 874-0945	

Since 1996 more than 17 million ITINs have been issued by the IRS. Annual issuance has exceeded 1 million in nine of the last ten years., peaking in 2009 – a year when rising unemployment is widely believed to have reduced the illegal alien workforce. The ITIN trend suggests otherwise.

Prior to 1998 immigrants with ITINs were eligible for EITC. The 1996 welfare reform law, in an effort to curb illegal alien reciprocity, tightened eligibility requirements to include a valid Social Security number. Effective in 1998, immigrants who do not have SSNs, or whose EITC-qualifying dependents don't have SSNs, do not qualify, even if they have ITINs.

Despite this alleged “crackdown” on illegal immigrants, the total number of tax returns claiming the EITC rose steadily after 1997. This could not have happened if illegal alien households were actually shut out of the EITC program. Obviously the illegals had no problem replacing ITINs with bogus Social Security numbers. Welfare reform is no match for identity theft.

The IRS does little to verify the validity of SSNs on tax returns, the existence of immigrant children, or to ascertain that they have lived with the taxpayer for more than six months of the year as required by law. Illegals still claim all kinds of dependents – including some in Mexico. Prompted by tax preparation services, illegal alien husbands and wives often file separate returns on which BOTH claim the same kids.

### **More Evidence of EITC fraud**

Illegal immigrants have defrauded the tax credit program long before the IRS effectively encouraged them to do so. This is from GAO report issued in October 1994:

“Limited data from manual reviews under the 1994 EITC Compliance Initiative show that a minimum of 160,000 taxpayers, out of about 8.7 million who filed paper returns claiming the EIC, entered 205(c) instead of an SSN for a qualifying child. According to IRS officials, the taxpayers who filed these returns likely are illegal aliens. IRS expects most of these refunds to be denied because taxpayers will not be able to support their claims. For example, IRS expects many claims to be denied because dependents will not meet residency requirements. In addition to the 160,000, an unknown number of illegal aliens would have received the EIC because the amount they claimed was below the Compliance Initiative’s dollar threshold.”

<http://www.gao.gov/archive/1995/gg95027.pdf>

This finding is the result of a special “Compliance Initiative” undertaken to measure the extent of the fraud. Such initiatives are few and far between. The vast majority of fraudulent EITC claims go unreported and unpunished.

IRS forms do not require illegal aliens to identify themselves as such; therefore the agency does not know how many illegal aliens receive EITC. Estimates of EITC usage among illegal aliens have been published by private think tanks, however.

Steven A. Camarota, of the Center for Immigration Studies, examines EITC reciprocity among Mexican immigrants in a report issued in July 2001. Camarota finds that immigrants in general, and Mexican immigrants in particular, use every major means-tested program at higher rates than natives.

EITC stands out as the program most likely to be received by illegal alien households:

Program	Natives	All Immigrants	Mexican illegal Immigrants
SSI	3.9%	5.3%	0.7%
Public Housing	4.2	4.9	1.9
General Assistance (TANF)	2.1	3.2	1.2
Food Stamps	5.3	6.7	8.0
Medicaid	12.1	18.6	22.4
Unemployment Compensation	4.7	5.0	7.2
EITC	13.1	25.5	39.4

Source: Steven A. Camarota, "Immigration from Mexico: Assessing the Impact on the United States," CIS, July 2001.  
<http://www.cis.org/articles/2001/mexico/mexico.pdf>

Households headed by illegal Mexican immigrants are more than three times as likely to receive EITC than households headed by a native-born American. In no other means tested program do illegals receive such de facto preferential treatment.

Moreover, immigrants receive larger average benefit payments than natives. For EITC, average payment amounts in 1999 were as follows: Natives \$1,456; All immigrants, \$1,693; Mexican immigrants, \$1,887. This is because EITC payments, like payments for public assistance and food stamps, typically reflect the number of people in the households. Because immigrant households are larger on average (primarily because of higher fertility), the size of their average payment is also larger.

Mr. Camarota issues a cautionary note to those who yearn for an amnesty or would confer guestworker status on all illegal aliens:

“Use of means-tested programs by illegal immigrants from Mexico points to a fundamental problem that would almost certainly exist with any guestworker program. Even if guestworkers are made technically ineligible for means-tested programs, it seems almost certain that they would make use of them anyway by receiving benefits on behalf of their native-born children. After all, the findings ... indicate that despite an outright ban on their use, illegals from Mexico actually use such programs at higher rates than natives in many cases.” <http://www.cis.org/articles/2001/mexico/mexico.pdf>

### **EITC reciprocity by state**

Further evidence of a link between EITC and illegal aliens is seen from state data. States with large illegal alien populations have above average fractions of federal tax returns claiming the credit.

The positive correlation is evident in the table:

**Table 4**  
**Illegal Aliens and EITC Reciprocity, by State**  
**(15 States with largest illegal alien populations)**

	Illegal aliens as % of total State population	% of federal Returns claiming the EITC	Average EITC payment	Memo: Illegal Alien Population (mils.)
Arizona	9%	17.49%	1,776.14	579
California	8%	16.54%	1,745.90	2,840
Texas	7%	23.25%	1,967.75	1,702
Florida	6%	20.08%	1,781.61	1,012
Nevada	6%	15.33%	1,653.64	160
Georgia	5%	22.79%	1,944.01	504
Maryland	5%	13.44%	1,676.38	268
New Jersey	5%	12.14%	1,691.43	429
Colorado	4%	12.85%	1,593.07	170
Illinois	4%	14.94%	1,754.98	480
North Carolina	4%	20.40%	1,829.85	363
Washington	4%	12.63%	1,614.43	277
Massachusetts	3%	10.09%	1,521.31	220
New York	3%	17.42%	1,738.15	552
Virginia	3%	14.58%	1,712.23	259
15 illegal alien states	6%	17.28%	1,733.39	9,815
Rest of Nation	1%	16.64%	1,688.72	1,513
Nation - all states	4%	17.01%	1,701.86	11,328

Note: Alien population estimates are for 2005; EITC data is for the 2003 tax year.  
Sources: Steven A. Camarota, "Immigrants in the United States, 2007," CIS, November 2007. Table 21.

<http://www.cis.org/articles/2007/back1007.pdf>

Congressional Research Service, "The Earned Income Tax Credit (EITC): Percentage of Total Tax

Returns and Credit Amount by State," November 4, 2005, Table 1.

<http://digital.library.unt.edu/govdocs/crs/permalink/meta-crs-7962:1>

The table ranks the states on their illegal alien population share. At the top is Arizona, where an estimated 9% of residents are illegals. California ranks second, with 8% illegal, although it has the largest illegal population – 2.84 million. Tied for last place are Massachusetts, New York, and Virginia, each with 3%.

EITC was claimed on 17.28% of tax returns filed by residents living in these fifteen states, versus 16.64% of returns from residents living in other states. The average EITC benefit was also significantly larger - \$1,733 in the top 15 illegal alien venues against \$1,689 in the rest of the country.

Zeroing in on states with the five highest illegal alien population shares (Arizona, California, Texas, Florida, and Nevada), the reciprocity rate differences are even more pronounced. Residents of those states claimed EITC on 19.10% of their tax returns, versus 16.22% reciprocity in the rest of the country.

Residents of the top five illegal alien states also received significantly larger benefits - an average \$1,785 – or 5.2% more than the \$1,696 average in the rest of the country. The differential reflects, in part, the relatively large number of children in illegal immigrant households.

As discussed elsewhere, EITC benefits rise dramatically when children enter the picture. There is thus a strong incentive for low income households – including illegals – to have children (anchor babies), or misrepresent their status as custodial parents, in order to qualify for larger EITC payments.  
Is EITC Under-utilized?

“Given the income of the people we are talking about I would prefer "fraud" of people taking it when they are NOT eligible for it, than people NOT taking it when there [sic] eligible for EITC.” [democraticunderground.com blog  
[http://www.democraticunderground.com/discuss/duboard.php?az=view\\_all&address=114x7297#7369](http://www.democraticunderground.com/discuss/duboard.php?az=view_all&address=114x7297#7369)]

The blogger is not alone. Many liberals believe the EITC application process is overly complex and difficult for low-income workers to understand – a deliberate ploy to discourage legitimate beneficiaries from applying. A little fraud on the part of individuals who are not eligible for the credit is, well, poetic justice.

The perception that millions of eligible individuals do not file for the credit and end up forgoing millions of dollars for which they are qualified has fueled a well-funded EITC outreach campaign. (See the section on liberal activism.)

Is the EITC underutilized? Is it a well-kept secret relative to, say, Food Stamps or Medicaid?

Au contraire! When GAO studied the issue a few years ago they found EITC was the *most* accessible of the major entitlement programs. The proportion of eligible people who were enrolled varied as follows:

<b>Table 5</b>		
<b>Estimated Participation Rates of Entitlement Programs</b>		
<u>Program (year)</u>	<u>Eligibility unit</u>	<u>Participation rate (%)</u>
EITC (1999)	Households	75
Food Stamps (2002)	Households	48
Medicaid (2000)	Individuals	66-70
SSI (2001)	Individuals and married couples	66-73
Data source: GAO, "MEANS-TESTED PROGRAMS: Information on Program Access Can Be an Important Management Tool," March 2005, Table 4. <a href="http://www.gao.gov/new.items/d05221.pdf">http://www.gao.gov/new.items/d05221.pdf</a>		

EITC is utilized by 75% of households eligible for the benefit. (For eligible households with 2 children, EITC participation rises to an amazing 96%.)

GAO calls these estimates "conservative" because they exclude households that are estimated to have received EITC benefits in error. Despite the adjustment, EITC's overall participation rate is about 50% higher than that of Food Stamps, and significantly above Medicaid's.

Why are EITC participation rates so high? Factors include the ease with which potential participants can access the program. For example, local Medicaid, TANF, and Food Stamp Offices typically require face-to-face interviews before individuals can receive benefits. Traditional office hours – 8:00 AM to 5:00 PM – pose a barrier to potential applicants who work and would have to take time off to apply.

By comparison, getting an EITC check is breeze. All persons who file a return and are eligible should receive the EITC automatically, because the IRS processes it automatically. Only persons whose employment is not reported to the IRS (i.e., they work off the books.) or who do not file an income tax return will not receive the credit.

Perhaps the greatest incentive to participate in EITC is the size of the benefit: A two-person family could receive up to \$4,824 in 2008. For most recipients it is the largest single check they receive during the year. And unlike Food Stamps or Medicaid, it is cash, and therefore available for the most pressing needs.