



**Congress has enacted extraordinary relief for families hard hit by the COVID-19 pandemic.** That relief includes two rounds of Economic Impact Payments (EIPs) and measures to help the poorest families, who got even poorer in 2020, to claim the Earned Income Tax Credit (EITC) despite a lack of income in 2020. President Biden has also proposed to expand the child tax credit (CTC) to help families cope.

**Congress also took steps to ensure that funds actually make their way to families.** In both the CARES Act and last December's stimulus bill, Congress specified that EIPs would not be reduced ("offset") to repay back student loans or other federal debts. In the December bill, with [broad bipartisan support](#), Congress corrected an oversight by prohibiting debt collectors from garnishing the second EIP. That bill also protected those EIPs from being offset to repay old child support debts owed to state government agencies, not custodial parents.

**But there is a big gap in all of these protections:** They only applied to "advance" EIPs – those paid last year or in early January 2021. Debt collectors and federal offsets can still seize the EIPs due to tens of millions of people who claim them through the [Recovery Rebate Credit](#) (RRC) on their 2020 tax returns. Millions of EIPs may have bounced because they were sent to temporary tax preparer bank accounts that are closed after tax season. The IRS also missed up to [8 million people](#) who did not make enough money to file a tax return in 2018 or 2019. Others need to claim missing payments for dependents. **All of these people can claim their EIP through the RRC but they might never see it.**

**The EITC – which [a bipartisan group of senators](#) worked to preserve this year – is also at risk.** Seizure of the EITC and the CTC, key anti-poverty measures with broad bipartisan support, is always problematic, but it can leave people [homeless and hopeless](#) during a pandemic.

## Easy Solutions, But Congress Must Act Immediately

In this extraordinary year, Congress should direct the Treasury Department to forgo federal offsets of tax refunds and to protect refunds from garnishment. The [IRS Taxpayer Advocate](#) has noted that "it is unfair to harm some of these taxpayers [who did not get their EIP yet] a second time by seizing some, or all, of their stimulus payments." The Advocate urged the IRS to use its discretion to stop federal tax offsets for people making under 250% of the Federal Poverty Level. That approach, while creative, has two problems: It would not protect EIPs, the EITC, or CTC from other types of offsets or from debt collectors. And, critically, there is simply not time for the IRS to implement it.

Far simpler, Congress could prohibit offsets of all 2020 tax refunds by changing only a couple of words in the December stimulus bill. Similarly, it would only take a small statutory tweak and a [tiny "XX" code](#) on Treasury direct deposits to protect tax refunds from garnishment. Both are easy to implement quickly.

Tax refunds may start going out in late February. These are extraordinary times and Congress is passing extraordinary measures to support families struggling with mounting debts. **We must make sure that stimulus, EITC, and CTC payments made through tax refunds go to the people who need that money to feed their families.**

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