Advocates to Treasury Secretary Yellen: Protect CTC and EITC Payments in Tax Refunds

February 17, 2022

WASHINGTON - Today, advocates at over 100 organizations, including the National Consumer Law Center (on behalf of its low income clients), The Center for Law and Social Policy (CLASP), and The Institute for College Access & Success (TICAS) sent a letter to U.S. Treasury Secretary Janet Yellen urging the Treasury Department to protect the Child Tax Credit (CTC) and Earned Income Tax Credit (EITC) from seizure. The groups expressed concern that the Treasury Department’s practice of intercepting these payments from tax refunds to low-income families as a method of collecting federal student loans and other government debts threatens to push millions of children into poverty.

“The CTC and EITC are rightly celebrated for lifting millions of children out of poverty, and the CTC expansion this year has significantly reduced food insufficiency among families,” said Abby Shafroth, staff attorney at the National Consumer Law Center. “But the Treasury Department’s practice of seizing tax refunds to collect government debt puts millions of low-income families at risk of losing these critical lifelines.”

“Advocates have fought for years to ensure the expansion and implementation of the CTC and EITC. People rely on them for much-needed necessities - a new washing machine, a car repair, and even eyeglasses or dental care. It is cruel that families can lose these vital tax credits to offsets,” said Maryann Broxton, Community Partnership Group Member with the Center for Law and Social Policy (CLASP). “We encourage the Department of the Treasury to ensure these vital supports reach families with lower incomes by excluding CTC and EITC refunds from being offset.”

While Congress protected advance CTC payments from offset, families who receive some or all of their CTC and EITC payments through tax refunds are at risk of having those refunds withheld for government debts. Recognizing this problem, Education Secretary Cardona proclaimed last week that “[t]he Child Tax Credit should be accessible, no matter your student loan repayment status,” and on Tuesday, the Education Department stated that it will suspend all seizure of tax refunds to collect on past-due student loans through November 1, 2022. This is an important step forward. But this reprieve for student loan borrowers is temporary, and families with other debts remain vulnerable to offset of CTC and EITC payments this year.

“We applaud the Education Department for extending key protections from Treasury offsets for student loan borrowers — but more must be done,” said Sameer Gadkaree, President of The Institute for College Access & Success. “The vast majority of those who experience student loan default have faced a lifetime of economic and social vulnerability, and the penalties of default plunge them deeper into financial instability, perpetuating rather than helping to resolve the vicious cycle of poverty. Policymakers should make permanent reforms to this punitive and self-defeating system.”

The groups, which also include Children’s Defense Fund, First Focus on Children, Center for Taxpayer Rights, and Coalition on Human Needs, urged Secretary Yellen to consider ways to protect the EITC and CTC from offset and to work with Congress and others in the Administration to develop solutions. They also asked that the Treasury provide data to allow policymakers and the public to
better understand the scope of this problem, including data reflecting the number of taxpayers eligible for the CTC or EITC who experienced offsets and the total dollar amount of offset from those taxpayers.

NCLC, CLASP, and TICAS also submitted a more detailed memorandum to staff at the Treasury Department further explaining the need for legal protection of the EITC and CTC to ensure these funds reach low-income families and children as intended.

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Since 1969, the nonprofit National Consumer Law Center® (NCLC®) has used its expertise in consumer law and energy policy to work for consumer justice and economic security for low-income and other disadvantaged people in the United States. NCLC’s Student Loan Borrower Assistance Project provides information about student loan rights and responsibilities for borrowers and advocates. It also seeks to increase public understanding of student lending issues and to identify policy solutions to promote access to education, lessen student debt burdens, and make loan repayment more manageable.

The Center for Law and Social Policy (CLASP) is a national, nonpartisan, anti-poverty organization advancing policy solutions for people with low incomes. Because poverty in America is inextricably tied to systemic racism, CLASP focuses its policy and advocacy efforts for economic and racial justice on addressing systemic racism as the primary cause of poverty for communities of color.

The Institute for College Access & Success is a trusted source of research, design, and advocacy for student-centered public policies that promote affordability, accountability, and equity in higher education.