

Congress of the United States
Washington, DC 20515

February 16, 2021

The Honorable Janet Yellen
Secretary
Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

The Honorable Charles Rettig
Commissioner
Internal Revenue Service
1111 Constitution Avenue, N.W.
Washington, D.C. 20224

Dear Secretary Yellen and Commissioner Rettig:

We write to follow up on the response to our December 15, 2020 letter from the Internal Revenue Service (IRS), dated January 21, 2021, regarding whether an individual who claims the Recovery Rebate Credit (RRC) on their 2020 tax return will receive the full amount of the credit even if they have outstanding tax liability. You stated that “an individual who has not fully paid their 2020 federal income tax liability will not receive the full amount of their RRC because the IRS will apply the RRC against the tax liability as a credit.” Further, you noted that if a taxpayer has an overpayment and is entitled to a refund, such refund would be subject to the normal offset rules.

We remain deeply concerned about the impact of the pandemic on struggling taxpayers and the economy and request that the IRS use any available administrative authority to ensure all taxpayers receive the full economic assistance they were promised.

The CARES Act, in which the first round of Economic Impact Payments (EIPs) was included, stipulates that any payment made to an individual will not be “reduced or offset by other assessed Federal taxes that would otherwise be subject to levy or collection.” However, the Consolidated Appropriations Act, 2021 (CCA) established differential treatment between EIPs paid in advance and RRCs, exclusively protecting EIPs from offsets but not the RRC that is included on the income tax return with other payments and refundable credits. The aforementioned IRS letter confirms this policy. The result of this policy is unfair treatment of taxpayers who did not receive their EIP, or the full amount of their EIP, and the policy undermines the effectiveness of stimulus payments.

We urge the IRS to follow recommendations in a recent National Taxpayer Advocate blog post entitled “*Many Taxpayers May Not Receive the Full Amount of Economic Impact Payments to Which They Are Entitled, but the IRS Has the Discretion to Correct the Resulting Injustice.*”^[1] The National Taxpayer Advocate, referencing President Biden’s “Executive Order on Economic Relief Related to the COVID-19 Pandemic,” concludes that “offsetting the RRC against federal tax debts runs counter to the objective of stimulus payments – to allow taxpayers to receive funds to meet their basic needs. Taking a taxpayer’s RRC and applying it to repay a tax debt is punitive and makes little economic sense in this context. Using the IRS’s authority to waive offsets of RRC-based refunds would go a long way toward meeting the Executive Order’s directive that the IRS take actions “within existing authorities to address the current economic crisis resulting from the pandemic.”^[2]

^[1] “*Many Taxpayers May Not Receive the Full Amount of Economic Impact Payments to Which They Are Entitled, but the IRS Has the Discretion to Correct the Resulting Injustice.*” National Taxpayer Advocate Blog, Taxpayer Advocate Services. January 28, 2021. <https://www.taxpayeradvocate.irs.gov/news/nta-blog-many-taxpayers-may-not-receive-the-full-amount-of-economic-impact-payments-to-which-they-are-entitled-but-the-irs-has-the-discretion-to-correct-the-resulting-injustice/>

^[2] *Ibid.*

Thank you for your consideration and for all your work to assist taxpayers during the COVID-19 pandemic. We look forward to working with you on this important matter.

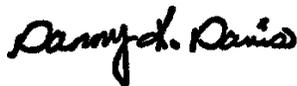
Sincerely,



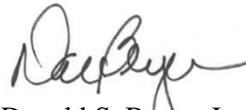
Brian Higgins
Member of Congress



Bill Pascrell, Jr.
Member of Congress



Danny K. Davis
Member of Congress



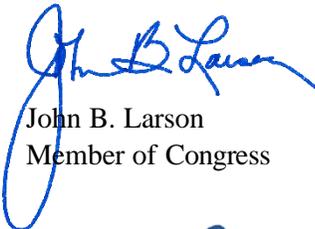
Donald S. Beyer, Jr.
Member of Congress



Earl Blumenauer
Member of Congress



Jimmy Panetta
Member of Congress



John B. Larson
Member of Congress



Suzan DeBene
Member of Congress



Daniel T. Kildee
Member of Congress