

December 10, 2019

The Honorable Richard Neal
Chairman
Ways and Means Committee
Washington, D.C. 20515

The Honorable Kevin Brady
Ranking Member
Ways and Means Committee
Washington, D.C. 20515

RE: The Stop EITC and CTC Seizures Act (H.R. 5114)

Dear Chairman Neal and Ranking Member Brady,

We the undersigned 29 national, state and local civil legal aid, civil rights, consumer, labor, religious, veteran, and public interest organizations, write to strongly urge you to take up and pass the Stop EITC and CTC Seizures Act (H.R. 5114), introduced by Rep. Sylvia Garcia (TX-29). H.R. 5114 would prohibit the Secretary of the Treasury from seizing federal Child Tax Credit (CTC) or Earned Income Tax Credit (EITC) refunds to pay back student loan debt owed to the U.S. Department of Education.

The need for the Stop EITC and CTC Seizures Act is clear. In the United States, student debt has grown exponentially to a collective \$1.6 trillion, second only to mortgage debt.¹ Our federal tax policy can mitigate the growth of this debt and its negative effects on financial wellbeing.

In the last 12 months alone, over a million Direct Loan borrowers entered default.² Under current law, the Department of Education can administratively garnish 15% of wages, offset certain government benefits or payments, and seize income tax refunds to recover student loans in default.³ Often, the ways the government recoups student loans in default compound financial instability, squeezing borrowers in multiple ways. The National Consumer Law Center reports

¹Board of Governors of the Federal Reserve System (FRB), Consumer Credit – G.19, June 2019 (released Aug. 7, 2019).

²Calculations by TICAS using data from the U.S. Department of Education, Federal Student Aid Data Center, Direct Loans Entering Default, <https://bit.ly/2Rs7IbK>. Accessed October 28, 2019. Figures represent the number of Direct Loan borrowers whose loans entered default from July 1, 2018 through June 30, 2019. Borrowers who entered default during multiple quarters in the same 12-month period are counted more than once.

³ National Consumer Law Center, Student Loan Law, ch 9 (6th ed. 2019), *updated at* www.nclc.org/library.

that the loss of tax refunds compromises borrowers' ability to keep or move to stable housing, provide for their children, pay for basic necessities, and pay back debt obligations.⁴

The government's policy of seizing borrowers' refundable tax credits in particular puts working families at risk of housing and financial instability and runs counter to almost every goal Congress set for the EITC, the CTC, and its student loan programs.⁵ These tax credits reduce poverty, promote economic mobility, and increase economic activity in local communities. The latest data shows the Child Tax Credit and EITC lifted 10.6 million people out of poverty in 2018, 5.5 million of whom were children.⁶ Children whose families receive the EITC or Child Tax Credit do better in school, have higher educational attainment, have better health outcomes, and earn more money as adults.⁷ The credits provide much-needed financial resources for low and moderate-income families and individuals, and in particular women of color who face systemic wage gaps.⁸

Seizing tax credits traps low-income working families in poverty by making it harder to access work, stable and safe housing, and to pay for basic necessities and medical care. This practice disproportionately targets and harms people of color and low- or moderate income earners because students who default on loans are more likely to belong to a marginalized group or be first-generation college students.⁹ The main victims of both CTC and EITC seizures are children, as the majority of EITC credits go to families with children.¹⁰ A number of childless adults who are also eligible for EITC, and receive very little to no tax credit, are especially vulnerable because this category is at high risk of falling into poverty.¹¹

The policy of seizing refundable tax credits of student loan borrowers also compounds the harms borne by low-income borrowers, who in many cases were denied the promised benefits of education: they were lured in to attend a fraudulent school or a school that closed in mid-course, or life circumstances forced them to leave school before completing.

⁴ Persis Yu, "[Voices of Despair: Student Borrowers Trapped in Poverty When the Government Seizes Their Earned Income Tax Credit](#)," National Consumer Law Center, March 2018.

⁵ Thomas L. Hungerford and Rebecca Thiess, "[The Earned Income Tax Credit and the Child Tax Credit History, Purpose, Goals, and Effectiveness](#)," Economic Policy Institute, September 25, 2013.

⁶ Samantha Washington "[Child Tax Credit and Earned Income Tax Credit Lifted 10.6 Million People out of Poverty in 2018](#)," Center on Budget and Policy Priorities, October 31, 2019.

⁷ Chuck Marr, Chye-Ching Huang, Arloc Shermon, and Brandon Debot, "[EITC and Child Tax Credit Promote Work, Reduce Poverty, and Support Children's Development, Research Finds](#)," Center on Budget and Policy Priorities, October 1, 2015.

⁸ Chuck Marr and Yixuan Huang, "[Women of Color Especially Benefit from Working Family Tax Credits](#)," Center on Budget and Policy Priorities, September 9, 2019.

⁹ Michelle Lyon Drumb, "Protecting the Antipoverty Element" Tax Credits for the Working Poor: A Call to Reform, September 2019, p.199.

¹⁰ Yael Shavit and Persis Yu, "[Stop Taking the Earned Income Tax Credit from Struggling Student Loan Borrowers](#)," National Consumer Law Center, October 2016.

¹¹ Chuck Marr and Yixuan Huang, "[Childless Adults Are Lone Group Taxed Into Poverty](#)," Center on Budget and Policy Priorities, June 10, 2019.

In light of the EITC's intended purpose of helping to lift working families out of poverty and the harms caused by the seizure of borrowers' EITC payments, we call on the Ways and Means Committee to take up and pass the Stop EITC and CTC Seizures Act to end the harmful practice of seizing tax credits from individuals and families who struggle with outstanding student loan debt and depend on tax credits to make ends meet. If you have any questions, please contact Giovana Oaxaca at goaxaca@networklobby.org or Persis Yu at pyu@nclc.org.

Sincerely,

American Federation of Teachers
Americans for Financial Reform
Augustus F. Hawkins Foundation
Center for Law and Social Policy (CLASP)
Center for Responsible Lending
Clearinghouse on Women's Issues
Coalition on Human Needs
Community Legal Services (Philadelphia, PA)
Consumer Action
Disability Rights Education & Defense Fund
EMPath:Economic Mobility Pathways
Feminist Majority Foundation
Hildreth Institute
Housing and Economic Rights Advocates (HERA)
Maryland Consumer Rights Coalition (MCRC)
Mobilization for Justice
National Alliance for Partnerships in Equity (NAPE)
National Association of Consumer Advocates
National Association of Consumer Bankruptcy Attorneys (NACBA)
National Consumer Law Center (on behalf of its low-income clients)
National LGBTQ Task Force Action Fund
National Urban League
New York Legal Assistance Group
PHENOM (Public Higher Education Network of Massachusetts)
Project on Predatory Student Lending
Public Law Center
Student Veterans of America
The Institute for College Access & Success
Young Invincibles