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HEADLINE: IRS RULE BIASED AGAINST POOR, CRITICS SAY

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BODY:

By claiming an **earned-income tax credit**, Linda and Ron Rose received an additional \$200 in their 2002 refund from the IRS.

Ron, a truck driver, and Linda, a part-time library worker and college student, have three teenagers and consider themselves "working-class poor." They used their \$1,000 refund to buy new furniture for the first time in their 20-year marriage.

Now, the Internal Revenue Service is considering a program that would make it more difficult for low-income families to receive the credit by requiring them to prove their children have lived with them for at least six months that year.

"That would be a bunch of bull," Linda Rose said. "We've not had to go to that extreme. I realize there's fraud out there and you have to go to that, but somebody's bored. It's just more paperwork."

The 28-year-old **earned-income tax credit** program allows working parents who earn \$32,121 a year or less to receive up to a \$4,000 credit on their tax bill.

According to the IRS, nearly 19 million taxpayers claimed more than \$32 billion of such credits on their 2001 returns. A study of 1999 tax returns showed that the government paid at least \$8.4 billion of an estimated \$31.3 billion in claims to ineligible tax-filers.

Starting next month, the agency plans to require that people provide a letter from a doctor, day-care provider, teacher or someone else familiar with the family attesting their children or grandchildren have lived with them for at least six months. The letter would have to be filed by the end of the tax year: So the deadline would be Dec. 31, 2003, for taxes due April 15, 2004.

The pilot program would be aimed at 45,000 people considered at high risk by the IRS, specifically fathers or grandparents who don't typically file as heads of low-income households

with children, said Chris Kearns of the IRS Cincinnati regional office. But the requirement could be expanded in 2004 and require those filing for the tax credit to prove their children live with them.

"There are people who are claiming the credits who are not eligible," Kearns said. "There are people who go into neighborhoods and round up low-income people and file credits on their behalf for tax refunds.

"We're just attempting to pay the people who are eligible for this tax credit. Pay them and pay no one else."

But it's unfair to require only poor people to prove their children live with them, said Matt Habash, Columbus City Council president.

The council has tried for two years to publicize the tax credits to low-income families. Habash sent a letter to the IRS on Monday that said the rule change would hurt families.

"I can understand the intent to cut down on fraud if fraud exists, but we don't do this with the rest of the country," he said. "We believe this is counterproductive to our efforts and want them to rescind their rules."

Councilwoman Charleta B. Tavares agreed: "We don't put that onus on anyone else, just the most vulnerable people and the people who are going to put it back into the economy. These are people who may not have homes to write off the interest rate and can't reduce their tax burden. But we want second, third and fourth parties to verify their children live with them."

Sandy Danduran of the Gladden Community House thinks elderly people raising their grandchildren will be the most confused. She said those who claim the credit won't know that they have to send the IRS a letter or that it's due by Dec. 31 rather than April 15.

"I think it's maybe one bad penny spoiling the whole bag," she said.

It's unfair, Rose said, that the IRS doesn't change its rules even though business executives commit tax fraud, but fraud among the poor leads to changes for everyone with a low income.

"If they're going to do this, everybody needs to go through the hoops, not just certain people, because then it's discrimination," she said. "It should be required from all of them -- the big moneymakers and all."

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