Automated filing through a pre-populated tax form would be crucial to ensuring that all eligible workers receive the EITC credit they have earned.

OVERVIEW

According to the IRS, about 80 percent eligible workers actually receive their Earned Income Tax Credits: "Missing that one in five means millions of people are not taking advantage of this valuable credit they earned."[1] The IRS needs to take stronger measures to raise EITC uptake and reduce the share of refunds diverted to fees for tax preparers.

The IRS already sends a simple [CP-09 form](#) to taxpayers who have filed a return and appear eligible for the EITC but did not claim it, but a form pre-populated with IRS income data would likely boost uptake even more. The next step to increase EITC access among eligible workers is to mail a pre-populated form to those the IRS believes to be eligible for the EITC, based on income data the IRS has, but who have not filed a tax return. Previous experiments suggest that this targeted outreach alone could significantly increase federal EITC uptake by as much as 28%. **Nationwide, it could mean nearly 2 million additional households claiming the federal credit.**

Such a form would serve as both the taxpayer's EITC claim worksheet and tax return. The form would be pre-populated to the greatest possible extent, using a variety of data sources available to the IRS. It also provides for a cover letter that informs recipients of the EITC amount to which they may be entitled based on the data the IRS already has.

KEY RECOMMENDATIONS:

- The IRS should design a short EITC form that includes relevant fields necessary to claim the EITC that would also serve as the filer's tax return for the year, with the goal of increasing the EITC take-up rate.
    - Income lines: Wages, Self-employment income, Other income (dividend, interest, etc.)
    - Qualifying dependents
    - Filing status

- Pre-populate this short form, utilizing data from prior year tax returns.
    - Income reported to the IRS (e.g. on W2s and 1099s) should be pre-populated.

---

[1] IRS, https://www.eitc.irs.gov/eitc-central/about-eitc/about-eitc

- - - Dependents, marital status, and residency should also be pre-populated, but could alternatively be left blank for the taxpayer to complete.

- Filers should be instructed in a simple, easy to understand cover letter that the form has been populated with all the data of which the IRS is aware of, and that if this data is correct, they may be eligible for an EITC of up to [amount].
    - Recognizing that determining dependents is challenging (and often changes year to year), the cover letter could have a general statement such as, "You may be eligible for a refund of up to $X if you have qualifying dependents or $Y if you do not." Or, the cover letter could provide a simple table showing the maximum credits for 0, 1, 2, and 3+ dependents.
    - It should then invite them to verify the pre-populated data (with a blank space for corrected data next to each prepopulated entry) and/or provide changes and additional data if necessary.

- Send paper versions of this form and cover letter between April 15 and June 30 to those the IRS believes to be eligible (based on prior tax year wage data as well as dependent and other relevant information from prior year tax returns), but who have not yet filed.
    - Send a second mailing before September 30 to those whom the agency newly believes may be eligible based on info received from employers or other agencies, and to those who did not respond to the first mailing.

- The agency should also make this form available on the agency website, including if possible a mobile-optimized version that can be completed entirely on a smartphone.
    - IRS should work with the Free File Alliance to ensure the form is available as prefilled and optimized for use in their filing software, including for smartphones
    - Mailings should inform recipients that they can complete the form quickly and securely on their smartphone, with a URL linking to the form, and should alert claimants to free tax prep programs, including free online/in-person filing services.
    - Provide a hotline to assist EITC claimants, shown on the form and cover letter.

- Include an appropriation for the funds needed to administer this program, including design, staffing, postage, programming computers, and the hotline.

- Take necessary measures to provide for security of communication to and from taxpayers.
    - Initial outreach (including sending initial form) should be by mail, like other IRS outreach to taxpayers, but outreach should direct filers to the online filing site using phrases like "faster refunds," "check on refunds," and "update current tax filing and tax information."

CALCULATING POTENTIAL IMPACT:
- If, as recommended, the IRS sends pre-populated forms to (1) current year filers who appear eligible but did claim the credit; and (2) non-filers who appear eligible, we estimate nearly 2 million households might claim their federal EITC in response to simplified filing.
- This estimate relies on a 28% response rate in a New York pilot of outreach to apparently eligible households that had not claimed the credit. As an example, using IRS data for EITC claims and take-up rate, approximately 7 million households are eligible but not claiming the credit.[2]

---

[2] This pool is estimated using IRS data: federal EITC uptake rate of 78% results in 25.1 million federal EITC claims, so there are 32.1M eligible for federal EITC, and a 28% response from the 7M not claiming the credit = 1.960M.