

111TH CONGRESS
2^D SESSION

H. R. 5693

To provide additional protections for recipients of the earned income tax credit and the child tax credit.

IN THE HOUSE OF REPRESENTATIVES

JULY 1, 2010

Ms. LEE of California (for herself, Ms. SCHAKOWSKY, Ms. NORTON, Mr. SERRANO, Mr. FILNER, Mr. STARK, Ms. WOOLSEY, Mr. ELLISON, and Mr. GRIJALVA) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Financial Services, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To provide additional protections for recipients of the earned income tax credit and the child tax credit.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Taxpayer Abuse Pre-
5 vention Act”.

1 **SEC. 2. PREVENTION OF DIVERSION OF EARNED INCOME**
2 **TAX CREDIT AND CHILD TAX CREDIT BENE-**
3 **FITS.**

4 (a) **EARNED INCOME.**—Section 32 of the Internal
5 Revenue Code of 1986 is amended by adding at the end
6 the following new subsection:

7 “(n) **PREVENTION OF DIVERSION OF CREDIT BENE-**
8 **FITS.**—The right of any individual to any future payment
9 of the credit under this section shall not be transferable
10 or assignable, at law or in equity, and such right or any
11 moneys paid or payable under this section shall not be
12 subject to any execution, levy, attachment, garnishment,
13 offset, or other legal process except for any outstanding
14 Federal obligation. Any waiver of the protections of this
15 subsection shall be deemed null, void, and of no effect.”.

16 (b) **CHILD TAX CREDIT.**—Section 24 of such Code
17 is amended by adding at the end the following new sub-
18 section:

19 “(g) **PREVENTION OF DIVERSION OF CREDIT BENE-**
20 **FITS.**—The right of any individual to any future payment
21 of the credit under this section shall not be transferable
22 or assignable, at law or in equity, and such right or any
23 moneys paid or payable under this section shall not be
24 subject to any execution, levy, attachment, garnishment,
25 offset, or other legal process except for any outstanding

1 Federal obligation. Any waiver of the protections of this
2 subsection shall be deemed null, void, and of no effect.”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall take effect on the date of the enactment
5 of this Act.

6 **SEC. 3. PROHIBITION ON DEBT COLLECTION OFFSET.**

7 (a) IN GENERAL.—No person shall, directly or indi-
8 rectly, individually or in conjunction or in cooperation with
9 another person, engage in the collection of an outstanding
10 or delinquent debt for any creditor or assignee by means
11 of soliciting the execution of, processing, receiving, or ac-
12 cepting an application or agreement for a refund anticipa-
13 tion loan or refund anticipation check that contains a pro-
14 vision permitting the creditor to repay, by offset or other
15 means, an outstanding or delinquent debt for that creditor
16 from the proceeds of the debtor’s Federal tax refund.

17 (b) REFUND ANTICIPATION LOAN.—For purposes of
18 subsection (a), the term “refund anticipation loan” means
19 a loan of money or of any other thing of value to a tax-
20 payer because of the taxpayer’s anticipated receipt of a
21 Federal tax refund.

22 (c) EFFECTIVE DATE.—This section shall take effect
23 on the date of the enactment of this Act.

1 **SEC. 4. PROHIBITION OF MANDATORY ARBITRATION.**

2 (a) IN GENERAL.—Any person that provides a loan
3 to a taxpayer that is linked to or in anticipation of a Fed-
4 eral tax refund for the taxpayer may not include manda-
5 tory arbitration of disputes as a condition for providing
6 such a loan.

7 (b) EFFECTIVE DATE.—This section shall apply to
8 loans made after the date of the enactment of this Act.

9 **SEC. 5. TERMINATION OF DEBT INDICATOR PROGRAM.**

10 The Secretary of the Treasury shall terminate the
11 Debt Indicator program announced in Internal Revenue
12 Service Notice 99–58.

13 **SEC. 6. EXPANSION OF ELIGIBILITY FOR ELECTRONIC**
14 **TRANSFER ACCOUNTS.**

15 (a) IN GENERAL.—The last sentence of section
16 3332(j) of title 31, United States Code, is amended by
17 inserting “other than any payment under section 32 of
18 such Code” after “1986”.

19 (b) EFFECTIVE DATE.—The amendment made by
20 this section shall apply to payments made after the date
21 of the enactment of this Act.

22 **SEC. 7. PROGRAM TO ENCOURAGE THE USE OF THE AD-**
23 **VANCE EARNED INCOME TAX CREDIT.**

24 (a) IN GENERAL.—Not later than 6 months after the
25 date of the enactment of this Act, the Secretary of the
26 Treasury shall, after consultation with such private, non-

1 profit, and governmental entities as the Secretary deter-
2 mines appropriate, develop and implement a program to
3 encourage the greater utilization of the advance earned in-
4 come tax credit.

5 (b) REPORTS.—Not later than the date of the imple-
6 mentation of the program described in subsection (a), and
7 annually thereafter, the Secretary of the Treasury shall
8 report to the Committee on Finance of the Senate and
9 the Committee on Ways and Means of the House of Rep-
10 resentatives on the elements of such program and progress
11 achieved under such program.

12 (c) AUTHORIZATION OF APPROPRIATIONS.—There is
13 authorized to be appropriated such sums as are necessary
14 to carry out the program described in this section. Any
15 sums so appropriated shall remain available until ex-
16 pended.

17 **SEC. 8. PROGRAM TO LINK TAXPAYERS WITH DIRECT DE-**
18 **POSIT ACCOUNTS AT FEDERALLY INSURED**
19 **DEPOSITORY INSTITUTIONS.**

20 (a) ESTABLISHMENT OF PROGRAM.—Not later than
21 1 year after the date of the enactment of this Act, the
22 Secretary of the Treasury shall enter into cooperative
23 agreements with federally insured depository institutions
24 to provide low- and moderate-income taxpayers with the

1 option of establishing low-cost direct deposit accounts
2 through the use of appropriate tax forms.

3 (b) **FEDERALLY INSURED DEPOSITORY INSTITU-**
4 **TION.**—For purposes of this section, the term “federally
5 insured depository institution” means any insured depository
6 institution (as defined in section 3 of the Federal De-
7 posit Insurance Act (12 U.S.C. 1813)) and any insured
8 credit union (as defined in section 101 of the Federal
9 Credit Union Act (12 U.S.C. 1752)).

10 (c) **OPERATION OF PROGRAM.**—In providing for the
11 operation of the program described in subsection (a), the
12 Secretary of the Treasury is authorized—

13 (1) to consult with such private and nonprofit
14 organizations and Federal, State, and local agencies
15 as determined appropriate by the Secretary, and

16 (2) to promulgate such regulations as necessary
17 to administer such program.

18 (d) **AUTHORIZATION OF APPROPRIATIONS.**—There is
19 authorized to be appropriated such sums as are necessary
20 to carry out the program described in this section. Any
21 sums so appropriated shall remain available until ex-
22 pended.

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