



## IRS Gave \$14 Billion in Refundable Tax Credits to Illegals

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By [Terence P. Jeffrey](#)

Sen. Charles Schumer, D-N.Y., and Sen. Marco Rubio, R-Fla., both said the immigration bill they helped push through the Senate was designed to "bring people out of the shadows."

Yet, if illegal aliens are truly in the shadows, why has the Internal Revenue Service been able to find enough of them to pay them more than \$14 billion in refundable tax credits?

For well over a decade, the treasury inspector general for tax administration (TIGTA) has been pointing to the numerous problems the IRS caused when it made a bureaucratic decision to essentially amnesty illegal aliens for tax purposes and to decline to provide information it has about illegal aliens to federal immigration authorities.

In 1996, President Clinton signed a law requiring federal agencies to share information about illegal aliens with federal immigration authorities. "The Illegal Immigration Reform and Immigration Responsibility Act of 1996 (the Illegal Immigration Reform Act), states that information concerning illegal alien status should be provided to the Immigration and Naturalization Service (INS) **notwithstanding** any other law," TIGTA explained in a 1999 audit report.

TIGTA insisted on bolding the word "**notwithstanding**."

But that same year, the IRS issued a new regulation creating what it called Individual Taxpayer Identification Numbers (ITINs). The IRS would issue ITINs to two classes of people not qualified to receive Social Security Numbers: 1) aliens living outside the United States who nonetheless had a U.S. tax liability and 2) aliens living inside the United States who were not authorized to work here but who nonetheless owed U.S. taxes.

Those in the latter group who filed W-2s claiming income from employment in the United States were by definition illegal aliens.

The IRS said ITINs would be covered by Section 6103 of the Internal Revenue Code, which requires the IRS to maintain the confidentiality of tax return information. "The IRS provides disclosure protection to illegal alien applicants," explained the IG, who determined that conflicted with the immigration law Clinton had signed.

"IRS management and the Office of Disclosure Litigation indicated that the IRS intentionally will not provide the information to the INS," said the IG. "The rationale for this policy is that the Illegal Immigration Statute is a 'general' statute and does not change IRC Section 6103. ... This IRS policy, to 'legalize' illegal aliens, seems counterproductive to the Immigration and Naturalization Service (INS) mission to identify illegal aliens and prevent unlawful alien entry," said the IG.

The IG also said the IRS policy raised concerns that "fraudulent refund issues are present on illegal alien tax returns."

"Some of the tax advantages that are being realized by illegal aliens treated as residents include receiving spousal exemptions, standard deductions and even some erroneous earned income credits," said the IG.

The problem was not fixed.

In 2009, 13 years after the IRS initiated its policy to "legalize illegal aliens," TIGTA released an audit report on refundable tax credits going to ITIN users.

Here the IG detailed how the IRS was providing both the Child Tax Credit (CTC) and the Additional Child Tax Credit (ACTC) to illegal aliens. The Child Tax Credit (CTC) is deducted from the income tax liability someone otherwise owes. The Additional Child Tax Credit is the "refundable" portion of the CTC and is paid to people who owe no taxes at all or whose tax liability is less than the value of the credit.

The IG's 2009 audit report examined six tax years — 2000, 2001, 2004, 2005, 2006 and 2007 — to see how much the IRS had paid out in ACTC money to people using ITINs who were "not authorized to work" in the United States.

In 2000, according to the IG, the IRS paid \$62 million to 62,000 illegal aliens; in 2001, it paid \$161 million to 203,000 illegal aliens; in 2004,

it paid \$778 million to 626,000 illegal aliens; in 2005, it paid \$1.063 billion to 810,000 illegal aliens; in 2006, it paid \$1.407 billion to 1,016,000 illegal aliens; and in 2007, it paid \$1.777 billion to 1,220,000 illegal aliens.

"While the law also prohibits aliens residing without authorization in the U.S. from receiving most federal public benefits, IRS management's view is that the law does not provide sufficient legal authority for the IRS to disallow the ACTC to ITIN filers.

"Nonetheless, as it now stands," said the IG, "the payment of federal funds through this tax benefit appears to provide an additional incentive for aliens to enter, reside and work in the U.S. without authorization, which contradicts federal law and policy to remove such incentives."

In 2011, the IG released another report on IRS ACTC payments to illegal aliens.

In 2008, this report revealed, the IRS paid \$2.14 billion in ACTC money to 1.53 million illegal aliens; in 2009, it paid \$2.86 billion to 1.85 million illegal aliens; and in 2010, it paid \$4 billion to 2.18 million illegal aliens.

Over all nine years the IG audited, the IRS paid \$14.228 billion in ACTC money to illegal aliens.

When it comes to enforcing the immigration law, our government cannot find illegal aliens. When it comes to redistributing wealth to them, the IRS knows exactly where to send the checks.

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