



Written by [R. Cort Kirkwood](#) on September 19, 2011

## Illegals Collecting Billions In Child Tax Credits

According to the U.S. Treasury Department, illegal aliens are bilking the federal government for billions because they are filing fraudulent returns, and the sum is much higher than even a top group opposed to illegal immigration has estimated.

The [Treasury reported](#) in July that the [Internal Revenue Service](#) coughed up \$4.2 billion in child tax credits for illegal aliens in 2010.

Given how nasty the IRS gets with taxpayers [who err even honestly](#) on their taxes, or those who do not err at all, observers note that the agency is rather insouciant about the indirect subsidy to those who aren't supposed to be in the country.



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### Data

The [Treasury reported](#) that illegals are fraudulently using the [Additional Child Tax Credit](#), which was created to give more money to taxpayers who cannot claim a full tax credit for children.

The question is how illegals get away with gaming the system. Answer: Because all wages, even those earned illegally, are taxed, but since illegals cannot get valid Social Security numbers, the government needs a way to track their income and collect what is due. It does so using individual taxpayer identification numbers (ITINs), which, again, are for those taxpayers who cannot obtain a Social Security card.

These ITINs create the problem, and it's a big one, [according to](#) the Treasury: The booty claimed by illegals using the ACTC has rocketed from \$924 million in 2005 to \$4.2 billion in 2010.

[According to](#) the report, "ITINs are issued regardless of immigration status, because both resident and nonresident aliens may have a U.S. filing or reporting requirement under the Internal Revenue Code."

ITINs are for Federal tax reporting only and are not intended to serve any other purpose. Even income obtained illegally is subject to income taxes. Therefore, the IRS issues ITINs to help individuals comply with the U.S. tax laws and to provide a means to process and account for tax returns and payments for those not eligible for SSNs. An ITIN does not authorize an individual to work in the United States or provide eligibility for Social Security benefits or the Earned Income Tax Credit (EITC); however, the IRS currently processes claims for the Additional Child Tax Credit (ACTC), a refundable tax credit, filed by taxpayers with ITINs.

The report also made clear why permitting illegals to claim the ACTC is draining the Treasury and is also a wildly imprudent policy: The credit can be claimed even if a filer does not pay income tax:

The ACTC is the refundable portion of the Child Tax Credit (CTC). The CTC can reduce an



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individual's taxes owed by as much as \$1,000 for each qualifying child. The ACTC is provided in addition to the CTC to individuals whose taxes owed were less than the amount of CTC they were entitled to claim. The ACTC is always the refundable portion of the CTC, which means an individual claiming the ACTC receives a refund even if no income tax was withheld or paid. As with all refundable credits, the risk of fraud for these types of claims is significant.

Unsurprisingly, the [report concluded](#) that "[t]he payment of Federal funds through this tax benefit appears to provide an additional incentive for aliens to enter, reside, and work in the United States without authorization, which contradicts Federal law and policy to remove such incentives."

And one interesting fact all but proves that a massive conspiracy to commit fraud is afoot.

ITIN filers are much more likely to claim the ACTC than other individual taxpayers. We found that in Processing Year 2010, 72 percent of all ITIN filers claimed the ACTC, while only 14 percent of non-ITIN filers claimed the ACTC.

The two top recommendations [from the Treasury](#) to the IRS to correct the problem are simple common sense. First, simply clarifying that illegals should not get the ACTC would enable the IRS to deny them, which in turn would save \$.84 billion in two years. Second, the IRS "should require individuals filing with ITINs and claiming the ACTC to provide specific verifiable documentation to support that their dependents meet the qualifications for the credit, including residency."

## Reaction

Predictably, the IRS denies it has made an error. "Any suggestion that the IRS shouldn't be paying out these credits under current law to ITIN holders is simply incorrect," an [IRS spokesman told](#) the *Fiscal Times*, adding, "The IRS administers the law impartially and applies it as written. If the law were changed, the IRS would change its programs accordingly."

[The Fiscal Times observed](#), "The audit underscores a broader debate about the contribution of illegal immigrants to the U.S. economy, as well as who is ultimately charged with enforcing immigration law."

Ira Mehlman, of the [Federation for American Immigration Reform](#) (FAIR), said the truth that some of the children of those claiming the ACTC are living abroad show how insane the policy is, [telling the Fiscal Times](#) that "[t]he IRS doesn't seem to think its job is to make sure people who are claiming these credits are entitled to them."

The children may or may not be living abroad — or even exist. It's absurd, almost a joke.

The IRS scares the heck out of most Americans, so there's no reason why they shouldn't be just as vigilant against people in the country illegally ... especially when the deficit is topping \$1.5 trillion.

Naturally, some groups argue that illegals are owed the ACTC because they pay so much in taxes.

However, in 2010, [FAIR reported](#) that illegal aliens cost the country \$113 billion annually in state and federal subsidies, almost half of it due to the expense of educating them and their children. Even counting some \$13.5 billion in federal and state tax receipts from illegals, they are still draining the country of \$100 billion annually.

[That report's estimate](#) of the ACTC subsidy, it turns out, was a little low. It has estimated the figure is \$2.2 billion, and estimated another \$1.8 billion was going to illegals via the Earned Income Tax Credit, for which they are also ineligible because it can be claimed only by taxpayers with Social Security



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numbers.

While the question of whether border jumpers can claim the ACTC seems open, a common-sense understanding of the law would disallow it, given that those using ITINs file for the ACTC much more often than filers with Social Security cards, and the IRS does not verify that filers are eligible for the credit.

As the [Treasury report said](#):

[F]ilers using an ITIN are not eligible for the EITC. The change in the law was made prior to the establishment of the ACTC. However, the same law prohibits aliens residing without authorization in the United States from receiving most Federal public benefits, with the exception of certain emergency services and programs.

As well, as [Treasury reminded](#) readers, the ITINs “are for Federal tax reporting only and are not intended to serve any other purpose.”

In other words, nothing needs clarification. Some observers suggest that perhaps someone at the IRS simply needs to stop the ACTC from funneling \$4.2 billion annually to the illegal-alien host that has invaded the country with plans to [take it over](#).



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