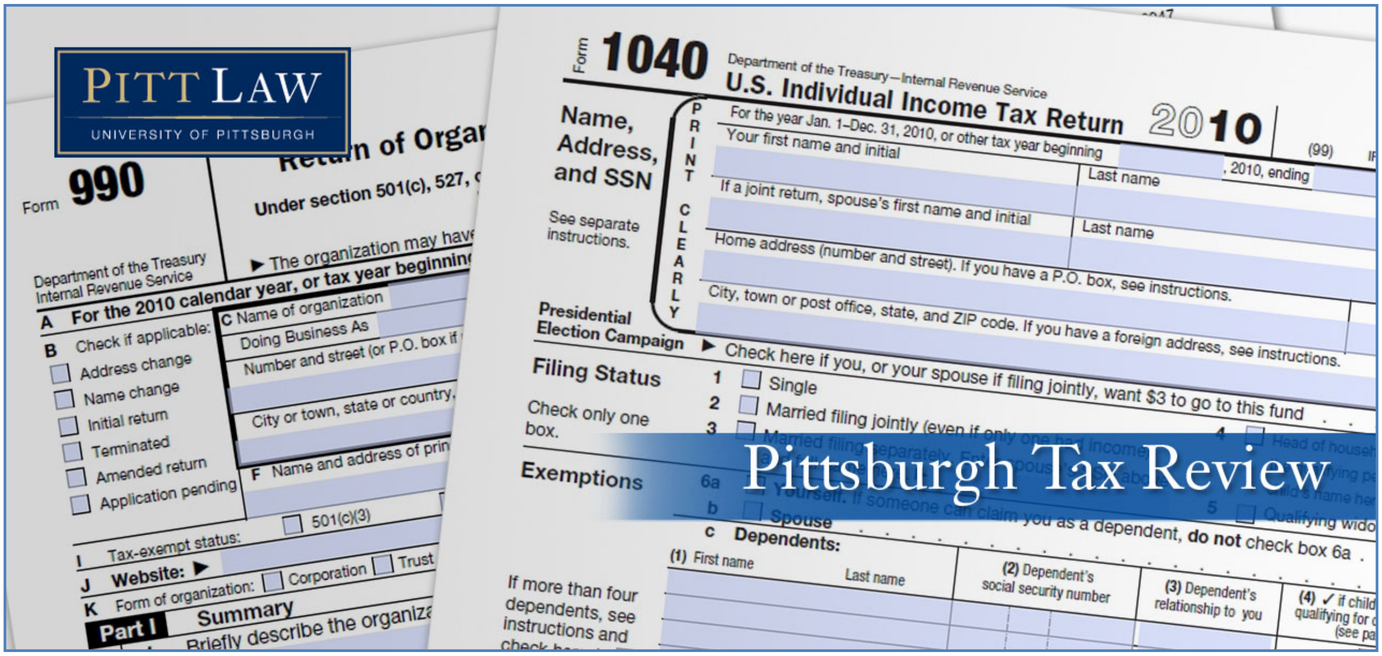

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WHERE'S MY REFUND(ABLE CREDIT)? REFORMING FILING REQUIREMENTS TO CLOSE THE "TAX-BENEFIT GAP"

Orli Oren-Kolbinger

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WHERE'S MY REFUND(ABLE CREDIT)? REFORMING FILING REQUIREMENTS TO CLOSE THE "TAX-BENEFIT GAP"

Orli Oren-Kolbinger[*]

INTRODUCTION

The main goal of a tax system in society is to fund the government.[1] Tax laws also shape economic behavior through incentives[2] and redistribute wealth in society.[3] A well-designed tax system can mitigate poverty, primarily through progressive tax rates and targeted tax expenditures.[4] In the United States, two tax credits have also been proven to reduce poverty:[5] the Earned Income Tax Credit (EITC)[6] and Child Tax Credit (CTC),[7] which

[*] Assistant Professor, University of Oregon School of Law. I thank Shayak Sarkar and Joan Rocklin for their thoughtful feedback on the Essay and the 117th National Tax Association Annual Conference participants for engaging with my work. I also thank Matthew Lee for providing excellent research assistance and the *Pittsburgh Tax Review* editorial team for their diligent work throughout the publication process. Email: orli@uoregon.edu.

[1] Kristin E. Hickman, *Administering the Tax System We Have*, 63 DUKE L.J. 1717, 1723–24 (May 2014).

[2] *How Do Taxes Affect the Economy in the Long Run?*, TAX POL'Y CTR., URB. INST. & BROOKINGS INST. (Jan. 2024), https://www.taxpolicycenter.org/briefing-book/how-do-taxes-affect-economy-long-run.

[3] *How Do Taxes Affect Income Inequality?*, TAX POL'Y CTR., URB. INST. & BROOKINGS INST. (Jan. 2024), https://www.taxpolicycenter.org/briefing-book/how-do-taxes-affect-income-inequality.

[4] *See generally* I.R.C. § 1 (providing current tax rates and schedules).

[5] CTR. ON BUDGET & POL'Y PRIORITIES, THE EARNED INCOME TAX CREDIT 3 (2023) ("The EITC and Child Tax Credit together lifted 10.6 million people above the SPM poverty line and made poverty less severe for 17.5 million others in 2018. The EITC reduces poverty by supplementing the earnings of workers paid low wages.").

[6] *See generally Earned Income Tax Credit (EITC)*, I.R.S. (Sept. 30, 2024), https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit-eitc.

[7] *See generally Child Tax Credit*, I.R.S. (Oct. 3, 2024), https://www.irs.gov/credits-deductions/individuals/child-tax-credit.

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includes a refundable portion known as the Additional Child Tax Credit (ACTC).[8]

However, many low-income taxpayers who are eligible for the EITC or CTC face significant hurdles to claiming these benefits and often fail to claim them yearly.[9] Some face informational barriers, meaning they are unfamiliar with the benefits or may not know the eligibility and filing requirements.[10] Others may know these benefits and requirements but encounter administrative and financial barriers.

First, they must file a tax return to claim the EITC and CTC, even if they are not otherwise required to file because their income is below the filing threshold.[11] In this context, the filing requirement represents a paradox: the same low income that exempts households from filing, simultaneously makes them eligible for critical tax credits.

Second, the marginal cost of filing a tax return can be significantly higher in terms of money and time.[12] Because they may be unable to file their return independently, low-income taxpayers often rely on professional tax

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[8] *What You Need to Know About CTC, ACTC and ODC*, I.R.S. (Aug. 8, 2024), https://www.eitc.irs.gov/other-refundable-credits-toolkit/what-you-need-to-know-about-ctc-and-actc/what-you-need-to-know.

[9] *EITC Participation Rate by States Tax Years 2014 Through 2021*, I.R.S. (Aug. 9, 2024), https://www.eitc.irs.gov/eitc-central/participation-rate-by-state/eitc-participation-rate-by-states; Jacob Goldin et al., *Tax Filing and Take-Up: Experimental Evidence on Tax Preparation Outreach and EITC Participation*, 2 (Nat'l Bureau of Econ. Rsch., Working Paper No. 28398, 2021), https://www.nber.org/system/files/working_papers/w28398/w28398.pdf ("For example, an estimated one in five of the individuals who qualify for the Earned Income Tax Credit (EITC)—the largest anti-poverty program in the United States today—fail to claim it."); KRIS COX ET AL., CTR. ON BUDGET & POL'Y PRIORITIES, STATE AND LOCAL CHILD TAX CREDIT OUTREACH NEEDED TO HELP LIFT HARDEST-TO-REACH CHILDREN OUT OF POVERTY 5–6 (2021) ("The majority of the roughly 4 million or more children not receiving Child Tax Credit payments automatically are in families with low incomes, many of whom aren't required to file federal income tax returns.").

[10] COX ET AL., *supra* note 9, at 5 ("Knowing more about these roughly 4 million or more children in low-income families can help inform outreach efforts.").

[11] I.R.S., Pub. No. 501, Dependents, Standard Deduction, and Filing Information 5 (2024) ("Even if you don't have to file, you should file a tax return if you can get money back. For example, you should file if one of the following applies. . . . 3. You qualify for the earned income credit. See Pub. 596 for more information. 4. You qualify for the additional child tax credit. See the Instructions for Form 1040 for more information.").

[12] Youssef Benzarti, *Estimating the Costs of Filing Tax Returns and the Potential Savings from Policies Aimed at Reducing These Costs*, 35 TAX POL'Y & ECON. 55, 55–56, 59 (2021).

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preparation services, which come at a cost.[13] In addition, even when relying on less costly support, such as certain online preparation services or in-person options (e.g., Low-Income Tax Clinics, VITA services, or Taxpayer Assistance Centers), the learning curve or the need to travel for assistance has a higher marginal effect on low-income taxpayers.[14] These barriers can reduce the value of the tax credits and result in fewer claims or errors on returns.[15]

To assess the effectiveness of the existing policy or potential alternatives, it is essential to keep in mind a foundational question: Is the goal to increase tax filing rates among low-income households below the filing threshold or to ensure they receive funds with minimal costs and barriers? This question is a reminder that the latter is the basic goal and that it may have been overlooked in the complexities of policy design.

Based on this goal, evaluating a tax credit's full poverty reduction potential requires considering multiple factors. These include not only the cost of applying for and collecting these credits but also the broader societal cost of eligible taxpayers failing to claim them. The discrepancy between the benefits designed to be distributed through the tax system and those received by eligible recipients is what I call the "tax-benefit gap."[16]

This Essay explores this idea of a tax-benefit gap for low-income households whose income falls below the filing threshold but who are also

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[13] NAT'L TAXPAYER ADVOC., 2022 ANNUAL REPORT TO CONGRESS 31 (2022) ("An individual taxpayer is estimated to spend 13 hours and $240 out-of-pocket costs just to prepare and file one annual tax return."); I.R.S., PUB. NO. 5969, IRS DIRECT FILE PILOT PROGRAM 8 (2024) ("On average, including all associated forms and schedules for non-business income, individual taxpayers spend approximately 9 hours and $150 preparing their taxes each year.").

[14] NAT'L TAXPAYER ADVOC., *supra* note 13, at 185; *Free Tax Return Preparation for Qualifying Taxpayers*, I.R.S. (Oct. 17, 2024), https://www.irs.gov/individuals/free-tax-return-preparation-for-qualifying-taxpayers; *Contact Your Local IRS Office*, I.R.S. (Aug. 27, 2024), https://www.irs.gov/help/contact-your-local-irs-office.

[15] *See generally* KARA LEIBEL, I.R.S., PUB. NO. 5161, TAXPAYER COMPLIANCE AND SOURCES OF ERROR FOR THE EARNED INCOME TAX CREDIT CLAIMED ON 2006–2008 RETURNS (2014), https://www.irs.gov/pub/irs-soi/15rpeitctaxpayercompliancetechpaper.pdf.

[16] It can be described as a mirror image of the "tax gap." *See IRS: The Tax Gap*, I.R.S. (Oct. 10, 2024), https://www.irs.gov/statistics/irs-the-tax-gap. Like the tax gap (the difference between taxes owed and taxes collected), the tax benefit gap measures the difference between benefits that should be claimed and those that are claimed.

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eligible for credits like the CTC and EITC. It focuses on the filing requirement as a key contributor to the gap and examines a range of potential solutions to close it.

The Essay begins in Part I introducing the role of the tax system in combatting poverty. Part I focuses on refundable credits such as the EITC and CTC and the distribution of critical benefits during the COVID-19 pandemic.

Part II examines the filing requirement as an institutional barrier for low-income households eligible for the EITC and CTC but below the filing threshold.[17] This requirement represents a paradox, perpetuating the tax-benefit gap: the low income that exempts households from filing also makes them eligible for critical tax credits, but only if they file.

Part III sets forth a range of institutional solutions that allocate the administrative responsibilities between eligible households and the government. These solutions aim to balance the administrative need for filing with the substantive goal of alleviating poverty for low-income families and children. This Part begins by examining the current system, where taxpayers are responsible for applying for benefits. It finds that this has not resolved the informational barrier or the paradox of requiring low-income households to file when they are exempt. It then considers suggestions that the government should take responsibility for administering benefits. However, this approach presents challenges, too. Therefore, this Essay proposes a shared responsibility model, where the government and taxpayers participate in benefit administration. This hybrid model offers a viable path forward based on lessons from the COVID-19 pandemic's benefit distribution mechanisms.

The Essay concludes by setting the stage for future research on improving tax filing mechanisms for low- and middle-income taxpayers.

I. The Tax System's Role in Fighting Poverty: The Promise

The U.S. government provides financial support to low-income households, especially those with children, through multiple channels. These

[17] *See infra* Figures 1–4 (representing the overlap between the filing threshold and credit eligibility criteria).

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include benefits administered through the tax system, whether tied to an income threshold or not, and others through the Social Security and welfare systems. These benefits may be in-kind (e.g., food or housing) or monetary (e.g., tax credits or welfare transfers).[18]

This Part examines the role of the tax system in fighting poverty. It highlights how the government provides benefits to low-income households. It then focuses on refundable tax credits, which play a central role in helping low-income families access tax relief.

A. General Overview

The tax system has several purposes: raising revenue for the government,[19] reducing inequality and poverty through redistribution,[20] and influencing behavior through economic incentives.[21] At its core, wealth redistribution involves transferring resources from higher-income to lower-income households to alleviate poverty.[22] Such redistribution occurs through transfer payments, such as Social Security or direct cash payments, or by reducing the tax burden on low-income earners.

The U.S. income tax system is designed to be progressive, meaning the average tax rate increases with income. While this structure aims to address income inequality, it is not sufficient on its own and can be politically challenging to implement and sustain.[23] Tax deductions can also reduce the

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[18] GENE FALK ET AL., CONG. RSCH. SERV., R46825, NEED-TESTED BENEFITS: IMPACT OF ASSISTANCE ON POVERTY EXPERIENCED BY LOW-INCOME FAMILIES AND INDIVIDUALS 2–4 (2021) ("Need-tested benefits provide benefits in either cash or noncash forms (e.g., food, housing, medical benefits. They sometimes subsidize the purchase of certain goods or services, and those subsidies are considered a form of income. The refundable tax credits provide lump-sum benefits once a year as part of federal income tax refunds.").

[19] *See* Hickman, *supra* note 1.

[20] *See* TAX POL'Y CTR., *supra* note 3.

[21] *See* TAX POL'Y CTR., *supra* note 2.

[22] While redefining poverty thresholds could also achieve this reduction, this discussion focuses on real increases in available income.

[23] Cameron Ballard-Rosa et al., *The Structure of American Income Tax Policy Preferences*, 79 J. POL. 1, 2–3 (2016).

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tax burden by reducing taxable income.[24] However, they disproportionately benefit higher-income earners who itemize deductions rather than lower-income earners who often elect the standard deduction.[25] As a result, deductions can exacerbate inequality instead of mitigating it.

To address these limitations, the government also reallocates wealth through tax credits to reduce income inequality.[26] Among these, the EITC and CTC—which are at the heart of this Essay—stand out as key tools for delivering financial relief to low-income households.

Tax credits are "dollar-for-dollar" reductions of the taxes owed.[27] Unlike deductions, tax credits directly affect tax liability by reducing it and sometimes resulting in refunds to taxpayers.[28] While tax credits can improve fairness, they can also add complexity to the tax system, especially when calculated based on criteria such as household size and income.[29] Additionally, tax credits come with an administrative cost to taxpayers, who must file returns to claim credits, and to the IRS, which must act as a benefits administrator in addition to its fundamental role as a tax collector.[30]

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[24] *Deductions for Individuals: What They Mean and the Difference Between Standard and Itemized Deductions*, I.R.S. (Mar. 4, 2024), https://www.irs.gov/newsroom/deductions-for-individuals-what-they-mean-and-the-difference-between-standard-and-itemized-deductions.

[25] *What Are Itemized Deductions and Who Claims Them?*, TAX POL'Y CTR., URB. INST. & BROOKINGS INST. (Jan. 2024), https://taxpolicycenter.org/briefing-book/what-are-itemized-deductions-and-who-claims-them ("High-income taxpayers are much more likely to itemize than others. In tax year 2020, nearly two-thirds of tax returns reporting adjusted gross income (AGI) over $500,000 itemized deductions, compared with 11 percent of those with AGI between $50,000 and $100,000 and two percent of those with AGI under $30,000.").

[26] CONG. BUDGET OFF., THE DISTRIBUTION OF HOUSEHOLD INCOME IN 2021, at 3 (Sept. 2024), https://www.cbo.gov/publication/60706.

[27] *Tax Credits for Individuals: What They Mean and How They Can Help Refunds*, I.R.S. (Mar. 4, 2024), https://www.irs.gov/newsroom/tax-credits-for-individuals-what-they-mean-and-how-they-can-help-refunds.

[28] *Id.*

[29] NAT'L TAXPAYER ADVOC., *supra* note 13, at 46, 51; Jonathan H. Choi & Ariel Jurow Kleiman, *Subjective Costs of Tax Compliance*, 108 MINN. L. REV. 1255, 1275–76 (2024) ("Many provisions that increase complexity also increase efficiency or improve distributive justice. The Earned Income Tax Credit (EITC), the Child and Dependent Care Tax Credit, and the medical expense deduction all increase the complexity of a tax return.").

[30] 3 NAT'L TAXPAYER ADVOC., PUB. NO. 4054-D, EARNED INCOME TAX CREDIT 4–5 (2019).

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A notable example of the tax system delivering urgent financial assistance was the distribution of Economic Impact Payments (EIPs) during the COVID-19 pandemic.[31] The government designed the EIPs to provide rapid relief during an unprecedented economic crisis.[32] Unlike the EITC and CTC, which target mid- and low-income households with children, the EIPs provided direct payments to all adults who met income qualifications and a fixed amount per child.[33]

The EIPs relied on information from prior tax filings.[34] Therefore, administering them to households who had already filed tax returns was straightforward.[35] However, the government quickly realized that many low-income eligible households not required to file returns would miss the payments. To address this issue, the IRS, in coordination with Congress, created an online portal allowing non-filers to submit their information and claim payments.[36]

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[31] KRIS COX ET AL., CTR. ON BUDGET & POL'Y PRIORITIES, STIMULUS PAYMENTS, CHILD TAX CREDIT EXPANSION WERE CRITICAL PARTS OF SUCCESSFUL COVID-19 POLICY RESPONSE 2 (2022), https://www.cbpp.org/sites/default/files/6-22-22fedtax.pdf ("To provide income support and shore up overall consumer demand, relief legislation enacted in 2020 and 2021—the CARES Act of March 2020, relief legislation enacted in December 2020, and the American Rescue Plan of March 2021—provided a total of three rounds of EIPs to most households.").

[32] *Id.* at 1 ("When COVID-19 began to spread rapidly across the United States in March 2020, the economy quickly shed more than 20 million jobs. Amid intense fear and hardship, federal policymakers responded. . . ."), and 2–3 (The first two rounds alone lifted 11.7 million people above the poverty line in 2020, including 3.2 million children. . . . The third round similarly lifted more than 11 million people above the poverty line in 2021. . . . People of all racial and ethnic groups benefited from this strong anti-poverty effect. . . .").

[33] *Id.* at 2 (". . . ranging from $600 to $1,400 per adult and $500 to $1,400 per child. . . ."); *Calculating the Economic Impact Payment*, I.R.S. (Oct. 15, 2024), https://www.irs.gov/newsroom/calculating-the-economic-impact-payment.

[34] I.R.S., *supra* note 33 ("Eligible individuals who filed a tax return for tax years 2018 or 2019 or who are not required to file a tax return for those years but receive Social Security retirement . . . will get an Economic Impact Payment (EIP or payment) automatically. Others may need to act. . . .").

[35] COX ET AL., *supra* note 31, at 2 ("The IRS also issued initial payments automatically within weeks of the bills' enactment.").

[36] *Id.* at 4 ("For individuals who did not file a return but were not eligible for automatic payment of EIPs, the IRS set up a portal, or "Non-Filer" tool, which provided an imperfect but simplified online form. Around 8 million people claimed EIPs using the Non-Filer tool, the IRS estimates.").

Despite these efforts, households without internet access or digital literacy faced significant barriers.[37] These challenges revealed the limitations of relying on the tax system for benefit distribution but also demonstrated its potential for large-scale redistribution during crises.[38]

The following subparts explore the EITC, the CTC, and the ACTC, along with temporary expansions under the American Rescue Plan Act of 2021 (ARP).[39] These measures alleviated financial hardship during the pandemic. I focus on the substantive requirements determining eligibility for these benefits and the administrative requirements that create barriers to successfully claiming them.

B. Earned Income Tax Credit (EITC)

The EITC is one of the U.S. tax system's most significant refundable tax credits.[40] It assists low- to moderate-income working households by directly reducing taxes owed and potentially providing a refund when the credit exceeds the tax bill.[41] The EITC was enacted in the Tax Reduction Act of 1975 under Section 32.[42] The credit incentivizes employment and reduces poverty by supplementing earned income.[43]

Eligibility depends on earned income, filing status, qualifying children, and investment income limits.[44] Eligible individuals must also have earned

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[37] *Id.* at 5 ("Further, policymakers should explore ways to reach eligible households who may have missed out on EIPs because they don't typically file tax returns and face barriers to filling out the Non-Filer tool. . . .").

[38] *Id.* at 5 ("Policymakers should heed the lessons learned from the three rounds of EIPs to help prepare for—and respond to—future crises. For example, ...").

[39] American Rescue Plan Act of 2021, Pub. L. No. 117-2, 135 Stat. 4, 144–45.

[40] *Earned Income Tax Credit*, I.R.S. (Sept. 30, 2024), https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit-eitc.

[41] *Id.*

[42] I.R.C. § 32; Tax Reduction Act of 1975, Pub. L. No. 94-12, 89 Stat. 26 (1975).

[43] Margot L. Crandall-Hollick, Cong. Rsch. Serv., R43805, The Earned Income Tax Credit (EITC): How It Works and Who Receives It 15 (2023), https://crsreports.congress.gov/product/pdf/R/R43805.

[44] Ctr. on Budget & Pol'y Priorities, *supra* note 5, at 1 ("The amount of the EITC depends on a recipient's income, marital status, and number of children.").

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income from wages, self-employment, or other taxable sources.[45] The credit phases in as a percentage of earned income, plateaus at a maximum amount, and phases out as income exceeds certain thresholds.[46] In 2023, the maximum credit ranged from $600 (no qualifying children) to $7,430 (three or more qualifying children),[47] with phase-out thresholds up to $63,398 for married taxpayers filing jointly.[48]

As a refundable credit, the EITC benefits recipients even if they owe no income tax.[49] However, Congress imposes strict compliance measures, including penalties for improper claims and fraud bans to discourage misuse.[50]

In response to the COVID-19 pandemic, Congress made significant changes to the EITC for tax year 2021.[51] The ARP temporarily expanded the EITC for "childless" workers by increasing the credit, lowering the minimum age for eligibility, and raising phase-out thresholds.[52] These changes enabled more workers to qualify, particularly those previously ineligible.[53]

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[45] I.R.C. Section 32; *Earned Income Tax Credit*, I.R.S., *supra* note 40. For special rules that apply to military, clergy, and certain disability cases, see *Military and Clergy Rules for the Earned Income Tax Credit*, I.R.S. (Aug. 20, 2024), https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/military-and-clergy-rules-for-the-earned-income-tax-credit; *Disability and the Earned Income Tax Credit (EITC)*, I.R.S. (Aug. 20, 2024), https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/disability-and-the-earned-income-tax-credit-eitc.

[46] *See* MARGOT CRANDALL-HOLLICK, TAX POL'Y CTR., URB. INST. & BROOKINGS INST., How the American Rescue Plan's Temporary EITC Expansion Impacted Workers Without Children 1 (Sept. 6, 2024), https://taxpolicycenter.org/publications/how-american-rescue-plans-temporary-eitc-expansion-impacted-workers-without-children.

[47] *Earned Income and Earned Income Tax Credit (EITC) Tables*, I.R.S. (Aug. 26, 2024), https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/earned-income-and-earned-income-tax-credit-eitc-tables.

[48] *Id.*

[49] *Id.*

[50] I.R.C. § 32(k); CRANDALL-HOLLICK, *supra* note 43, at 4 (describing the rule).

[51] American Rescue Plan Act of 2021, Pub. L. No. 117-2, 135 Stat. 4, 144–45.

[52] CRANDALL-HOLLICK, *supra* note 46, at 3.

[53] *Id.* at 4 ("The number of childless EITC recipients nearly doubled from 7.6 to 15.1 million taxpayers."), and 5 ("While the number of taxpayers who received the expanded credit in 2021 increased

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Despite these changes, non-filers, who are not required to file a return, could not automatically claim the EITC, even with the expanded provisions.[54] Unlike the CTC and EIPs, which included non-filer portals to reach non-filers, the EITC required traditional filing, creating barriers for those without tax resources.[55]

C. Child Tax Credit (CTC) and Additional Child Tax Credit (ACTC)

The CTC is a partially refundable credit designed to offset the costs of raising children.[56] Enacted as part of the Taxpayer Relief Act of 1997, the CTC primarily benefits middle- and lower-income families.[57] Eligibility depends on earned income and having qualifying children under seventeen meeting specific criteria.[58] The child must also have a valid Social Security number to be eligible.[59]

The CTC phases in at a rate of 15% of earned income above $2,500, up to $2,000 per qualifying child. If the credit reduces a taxpayer's liability to zero, the taxpayer may receive part of the remaining balance as a refund, referred to as the ACTC.[60] For the tax year 2023, the ACTC was capped at

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across all age groups, the largest increase was among younger workers ages 19–24 years old. . . . After the ARP changes expired, these younger and older workers again became ineligible for the credit.").

[54] *People who don't have to file taxes may need to register for monthly advance child tax credit payments*, I.R.S. (June 28, 2021), https://www.irs.gov/newsroom/people-who-dont-have-to-file-taxes-may-need-to-register-for-monthly-advance-child-tax-credit-payments ("Families who want to claim other tax benefits, such as the earned income tax credit, should not use this tool. They should file a regular tax return.").

[55] *Id.*

[56] I.R.C. § 24; *Child Tax Credit*, I.R.S. (Oct. 3, 2024), https://www.irs.gov/credits-deductions/individuals/child-tax-credit.

[57] *See* Taxpayer Relief Act of 1997, Pub. L. No. 105-34, 111 Stat. 788.

[58] *See* I.R.S., *supra* note 56.

[59] I.R.C. § 24(h)(7).

[60] CTR. ON BUDGET & POL'Y PRIORITIES, THE CHILD TAX CREDIT 1 (2022), https://www.cbpp.org/sites/default/files/atoms/files/policybasics-ctc.pdf.

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$1,600 per qualifying child,[61] with phase-outs beginning at $200,000 of adjusted gross income (AGI) ($400,000 for married couples filing jointly).[62]

In response to COVID-19, the ARP expanded the CTC,[63] raising maximum credits to $3,600 for children under age six and $3,000 for children aged six through seventeen.[64] It removed the $2,500 phase-in income threshold, focusing on households with income below the original limits.[65] For the first time, the credit became fully refundable, significantly increasing the number of children receiving the full credit and reducing child poverty without discouraging parental employment.[66] As part of the ARP, the IRS delivered advance payments of up to half of the expanded CTC to many eligible households using prior return data[67] or non-filer portals created for the EIPs and the expanded CTC.[68]

Despite successfully reducing poverty, Congress did not renew the expanded CTC in 2022.[69]

II. Identifying the Problem: The Filing Requirement as an Institutional Barrier

A filing requirement independent of taxpayer or income characteristics is often justified as contributing to increased reporting rates, fewer fraudulent

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[61] *What You Need to Know About CTC, ACTC and ODC*, I.R.S. (Aug. 8, 2024), https://www.eitc.irs.gov/other-refundable-credits-toolkit/what-you-need-to-know-about-ctc-and-actc/what-you-need-to-know.

[62] *Id.*

[63] American Rescue Plan Act of 2021, Pub. L. No. 117-2, 135 Stat. 4, 144–45.

[64] Cox et al., *supra* note 31, at 2.

[65] Ctr. on Budget & Pol'y Priorities, *supra* note 60, at 1.

[66] *See* Cox et al., *supra* note 31, at 5–6, 8.

[67] *Advance Child Tax Credit Payments in 2021*, I.R.S. (Oct. 15, 2024), https://www.irs.gov/credits-deductions/advance-child-tax-credit-payments-in-2021.

[68] Cox et al., *supra* note 31, at 4; *id.*

[69] Ctr. on Budget & Pol'y Priorities, *supra* note 60, at 3.

tax claims, and improved public engagement with the tax system.[70] However, this justification becomes less convincing for redistributive transfer payments administered through the tax system, mainly when those payments target taxpayers who otherwise would not be required to file a tax return. In such cases, the filing requirement becomes a significant and costly access barrier, often causing eligible taxpayers to miss out on essential economic benefits.[71]

A. Tax Filing Thresholds

Filing an annual tax return has been integral to the U.S. tax system since the Treasury Department introduced Form 1040 on January 5, 1914.[72] Over time, tax filing rules governing who must file have become increasingly complex.

Filing requirements depend on several factors, including income amount and type, age, and filing status.[73] For example, the 2023 filing threshold for wage-earning married couples under age sixty-five who elect the married filing jointly status is $27,700, whether or not they have children or other dependents.[74] Conversely, the filing threshold for wage-earning married couples who maintain the default status of married filing separately is a staggering low of $5.[75] The threshold for wage-earning single taxpayers

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[70] *See Who Needs to File a Tax Return*, I.R.S. (July 3, 2024), https://www.irs.gov/newsroom/who-needs-to-file-a-tax-return (outlining that current reporting requirements depend on an individual's gross income, self-employment status, and dependent status).

[71] *See infra* Figures 1–4 and Table 1.

[72] *IRS History Timeline*, I.R.S. (Aug. 19, 2024), https://www.irs.gov/irs-history-timeline; Andrew Chamberlain, *America's First Income Tax Form*, TAX FOUND. (July 7, 2005), https://taxfoundation.org/blog/americas-first-income-tax-form/.

[73] I.R.S., *supra* note 11, at 2.

[74] *Id.*

[75] *Id.* Under I.R.C. § 6012(a)(1)(A), married couples filing jointly must file a return if their gross income equals or exceeds the exemption amount, I.R.C. § 151, plus their relevant standard deduction amounts, § 63(c). However, the threshold is limited to exemptions for married taxpayers maintaining the default separate filing status. The Tax Cuts and Jobs Act of 2017 suspended personal exemptions and, in fact, reduced the married filing separately threshold to $0. *See* Tax Cuts and Jobs Act of 2017, Pub. L. No. 115-97, 131 Stat. 2054 (2017). To address this, the IRS set a $5 filing threshold for married filing separately in *Publication 54*, easing burdens on taxpayers with no income while requiring filings from those with minimal income. *See* I.R.S., PUB. NO. 54, TAX GUIDE FOR U.S. CITIZENS AND RESIDENT ALIENS ABROAD (2024); NAT'L TAXPAYER ADVOC., 2002 PURPLE BOOK. 19–20 (2022),

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under sixty-five is $13,850, but it increases to $20,800 for those eligible to file as heads of household.[76] These thresholds highlight disparities in the system that can confuse taxpayers.

Certain taxpayers must file annual returns even if their income falls below the filing threshold. For example, self-employed taxpayers must file a return if their annual income exceeds $400.[77] This lower threshold is justified by the absence of withholding on such income. This Essay discusses another example: low-income taxpayers eligible for credits like the EITC and CTC must file a return to receive these benefits despite their income being below filing thresholds.[78]

B. The Intersection of Credit Eligibility and Filing Thresholds: A Structural Paradox

1. The Intersection of EITC Eligibility Criteria and Filing Thresholds

Congress mandates filing to claim the EITC. This requirement is substantive rather than technical. Eligible taxpayers cannot access this credit without filing, even if their income is below the filing threshold.[79]

Figure 1 illustrates the overlap between the filing threshold and the maximum phase-in threshold for the EITC. For instance, a married couple with a combined gross income from wages of $27,699 would not generally be required to file,[80] assuming they file a joint return.[81] Yet, they would still

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www.taxpayeradvocate.irs.gov/wp-content/uploads/2022/01/ARC21_PurpleBook_02_ImproveFiling_9.pdf. This adjustment underscores Congress's preference for joint filing over married filing separately status. *See* Orli Oren-Kolbinger, *The Error Cost of Marriage*, 23 N.Y.U. LEGIS. & PUB. POL'Y 643, 665–69. (2021).

[76] I.R.S., *supra* note 11, at 2.

[77] *See id.* at 5.

[78] *See id.*

[79] *See Check If You Need to File a Tax Return*, I.R.S. (Aug. 14, 2024), https://www.irs.gov/individuals/check-if-you-need-to-file-a-tax-return; Rev. Proc. 2022-38, 2022-45 I.R.B. 445.

[80] *See id.*

[81] I will note that this assumption requires attention for two main reasons. First, a married couple must elect a married filing jointly status, as the default is married filing separately. Second, married couples who elect the married filing jointly status acknowledge on their tax return that they are jointly and severally liable for any tax deficiency attributable to either spouse. *See* I.R.C. § 6013(d)(3). However,

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qualify for the maximum EITC because their income falls below the phase-out threshold of $28,120.[82] This creates a paradox: the same low income that exempts them from filing also qualifies them for a credit they can only receive by filing.

Figure 1: EITC Phase-In and Filing Thresholds for Married Filing Jointly (2023)[83]

Figure 2 shows that for single taxpayers with qualifying children, the overlap between filing and EITC phase-in and phase-out thresholds varies based on family size. Single filers with one child face a $13,850 filing threshold,[84] which exceeds the phase-in threshold of $11,750 for those with

given that the filing threshold for married taxpayers maintaining the default married filing separately status is $5, and their EITC eligibility is limited, there is no overlap in their case. For a broader discussion of the implications of married filing jointly and married filing separately filing statuses and how the U.S. tax system incentivizes married taxpayers to elect the married filing jointly status, see Oren-Kolbinger, *supra* note 75, at 643, 664–72.

[82] CRANDALL-HOLLICK, *supra* note 43, at 6.

[83] For the data points on which Figure 1 is based, see I.R.S., *supra* note 79, and CRANDALL-HOLLICK, *supra* note 43, at 5–6.

[84] *See* I.R.S., *supra* note 79.

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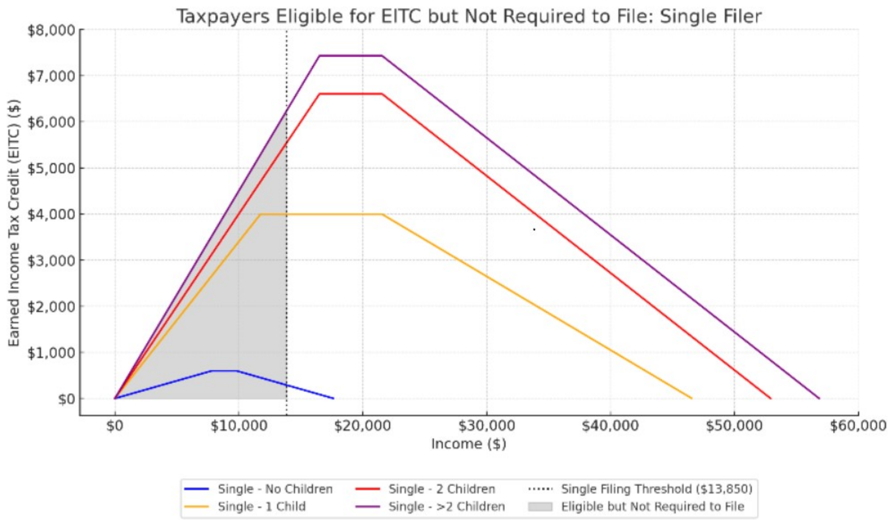
one qualifying child but is lower than the $21,560 phase-out threshold.[85] For single filers with two or more qualifying children, the filing threshold of $13,850 is below both the phase-in earned income threshold of $16,510 and the phase-out threshold of $21,560.[86] For taxpayers qualifying for head of household filing status, their $20,800 filing threshold is higher than the phase-in threshold but lower than the $21,560 phase-out threshold.[87]

Figure 2: EITC Phase-In and Filing Thresholds for Single Filers (2023)[88]



2. The Intersection of CTC Eligibility Criteria and Filing Thresholds

As mentioned in Part I.C., the CTC and ACTC include a $2,500 earned income threshold to determine eligibility and benefit size.[89] However, meeting this threshold alone does not eliminate the filing requirement. As

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[85] CRANDALL-HOLLICK, *supra* note 43, at 5.

[86] *Id.*

[87] *Id.*

[88] For the data points on which Figure 2 is based, *see id.* and I.R.S., *supra* note 79.

[89] CTR. ON BUDGET & POL'Y PRIORITIES, *supra* note 60, at 1.

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with the EITC, Congress requires taxpayers to file a return to claim the CTC or ACTC, even when their income falls below the filing threshold, and they owe no taxes.[90]

This overlap creates a similar paradox. As shown in Figure 3, a married couple earning $27,699 is not required to file a tax return because the standard deduction offsets their income.[91] Yet, by meeting the $2,500 earned income threshold and exceeding the $13,166 phase-in threshold, they qualify for the maximum ACTC refund of $1,600.[92] Without filing, they forfeit this benefit.

Figure 3 also illustrates how the refundable credit increases to $3,200 for families with two children, further highlighting the impact of filing requirements. The purple dashed line marks the $13,166 earned income required to achieve the maximum refundable credit for one child, while the green line represents the phase-in and maximum credit for families with two children. The shaded areas correspond to the ACTC amounts available to low-income households below the filing threshold who must file to claim these benefits.

[90] *See* I.R.S., *supra* note 11.

[91] *See* discussion, *supra* note 75.

[92] The phase-in threshold (X) is derived from the following calculation: $1,600=(X-$2,500)*0.15, which generates X=$13,166.

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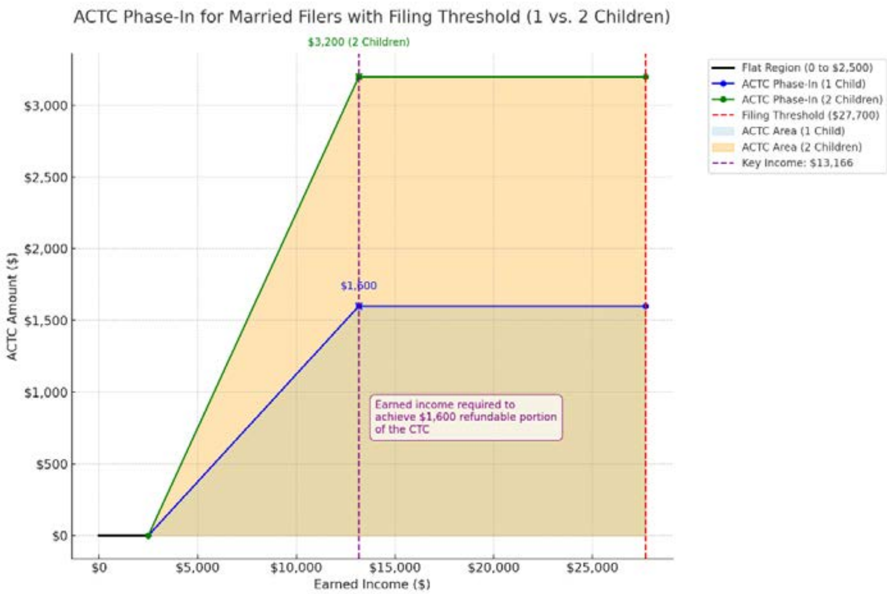
Figure 3: ACTC Phase-In and Filing Thresholds for Married Filing Jointly (2023)[93]



The following table provides examples of the overlap between filing thresholds and ACTC eligibility for married couples with one or two children. While these families are not required to file, failure to do so results in significant financial losses.

[93] For the data points on which Figure 3 is based, see I.R.S., *supra* note 79; and ANDREW LAUTZ & RACHEL SNYDERMAN, BIPARTISAN POLICY CENTER, BREAKING DOWN THE CHILD TAX CREDIT: REFUNDABILITY AND EARNINGS REQUIREMENTS (2023), https://bipartisanpolicy.org/blog/breaking-down-the-child-tax-credit-refundability-and-earnings-requirements/.

Table 1: Examples of Filing Thresholds and ACTC Eligibility for Married Couples with One or Two Children[94]

Filing Status	**Married Filing Jointly**	
Number of Qualifying Children	1	2
2023 Earnings	$13,166-$27,699	$13,166-$27,699
2023 Standard Deduction (and Filing Threshold)	$27,700	$27,700
2023 Taxable Income	$0	$0
Tax Bracket	10%	10%
2023 Tax Liability	$0	$0
2023 CTC Non-Refundable Amount	$0	$0
2023 ACTC Refundable Amount	$1,600	$3,200
CTC/ACTC Amount	**$1,600**	**$3,200**

Figure 4 illustrates that single taxpayers earning $13,849 are below the filing threshold of $13,850 and are not required to file a tax return. Yet, by meeting the $2,500 earned income eligibility criteria and exceeding the $13,166 phase-in threshold, they qualify for the maximum ACTC refund of $1,600 for one child (or $3,200 for two children). Without filing, they lose access to these critical benefits. The shaded areas represent the ACTC amounts available to low-income households who, despite being below the filing threshold, must still file a return to receive these funds.

[94] The table is a variation of the examples in LAUTZ & SNYDERMAN, *supra* note 93.

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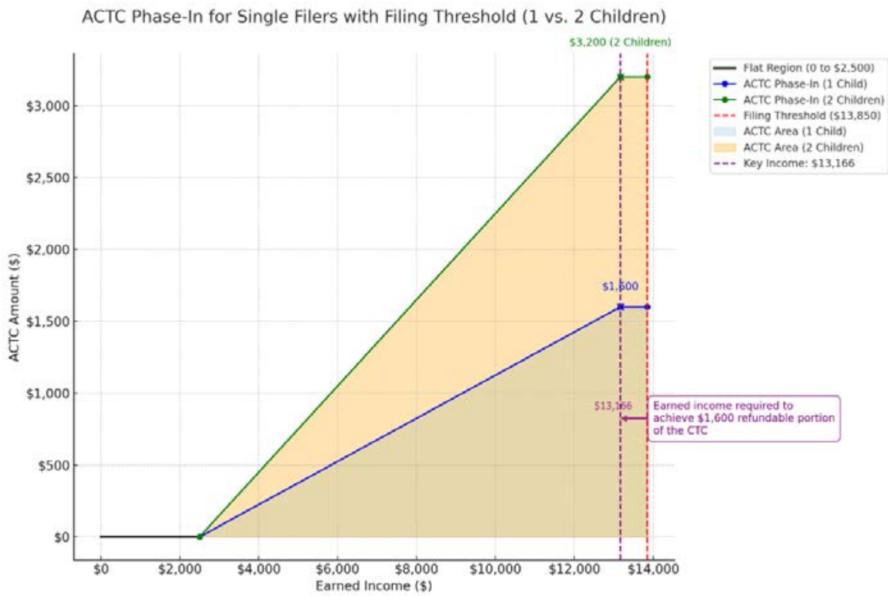
Figure 4: ACTC Phase-In and Filing Thresholds for Married Filing Jointly (2023)[95]



C. Contradictory Filing Requirements Perpetuate the Tax-Benefit Gap

Tax credits like the EITC and the CTC can significantly reduce poverty,[96] but only if eligible households can access them.[97] This requires that taxpayers know these credits exist, determine their eligibility, understand the claiming process, and accurately complete the return without mistakes.[98] However, even if their income is below the filing threshold, eligible taxpayers must still file a return to claim these credits.[99] This contradictory

[95] For the data points on which Figure 4 is based, see *supra* note 93.

[96] CTR. ON BUDGET & POL'Y PRIORITIES, *supra* note 5, at 2–3.

[97] *See* I.R.S., *supra* note 11.

[98] Leslie Book et al., *Reducing Administrative Burdens to Protect Taxpayer Rights*, 74 OKLA. L. REV. 527, 530 (2022); *see* NAT'L TAXPAYER ADVOC., *supra* note 13, at 45.

[99] *See* I.R.S., *supra* note 11.

paradox, where low-income households are exempt from filing and required to file to access benefits, perpetuates the tax-benefit gap.

The IRS has dual conflicting responsibilities: ensuring eligible taxpayers are aware of and can claim their credits,[100] and verifying returns to prevent improper claims. This tension creates two types of errors: under-claiming by eligible taxpayers,[101] and over-claiming by ineligible ones.[102] The filing requirement serves as a gatekeeper to ensure only eligible taxpayers receive credits and as a barrier for those needing benefits the most. Tax filing is already complex, time-consuming, and costly, particularly for those with limited access to professional assistance or reliable digital tools.[103]

This result is a significant "tax-benefit gap," where many eligible taxpayers fail to claim benefits simply because they do not file a return. This gap disproportionately affects households with the greatest need, exacerbating the poverty these credits aim to address. For taxpayers whose income is below the filing threshold, the burden of filing is not tied to economic ability but rather to the lack of such ability and the need to claim a benefit. The complexity, costs, and risks of error make the marginal cost of filing regressive, placing a higher burden on those with lower incomes.[104]

For example, in 2021, almost 60 million children automatically received the expanded Child Tax Credit, while an estimated 4 million children did not: 2.3 million children did not appear on a tax return because their families were not required to file; another 1.6 million children, born in 2021 and eligible

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[100] For example, in an attempt to reduce the informational gap, the IRS's unique EITC website includes ample information about the credit. *See EITC Fast Facts*, I.R.S. (Feb. 7, 2024), https://www.eitc.irs.gov/partner-toolkit/basic-marketing-communication-materials/eitc-fast-facts/eitc-fast-facts. The EITC page on the IRS website provides links to information and an application that helps taxpayers find out their EITC eligibility. *See* I.R.S., *supra* note 6.

[101] Kelli Smith, *Data Roundup: Non-Filers at Risk of Being Left out of Child Tax Credit*, ECON. SEC. PROJECT. (Aug. 4, 2021), https://economicsecurityproject.org/resource/data-roundup-non-filers/.

[102] *Handling the Most Common Errors*, I.R.S. (Feb. 16, 2024), https://www.eitc.irs.gov/tax-preparer-toolkit/tools-and-tips/handling-the-most-common-errors/handling-the-most-common-errors.

[103] *See, e.g.*, *Free Tax Return Preparation for Qualifying Taxpayers*, I.R.S. (Oct. 17, 2024), https://www.irs.gov/individuals/free-tax-return-preparation-for-qualifying-taxpayers.

[104] *See* Book et al., *supra* note 98, at 530–31.

for Medicaid coverage, were uninsured because they were also absent from tax returns.[105]

While useful as a gatekeeping tool, the filing requirement also acts as a barrier for households needing assistance to claim benefits. Institutional reforms must balance ensuring equitable access to benefits with maintaining the tax system's integrity. I will discuss these potential reforms in the next Part.

III. INSTITUTIONAL BARRIERS REQUIRE INSTITUTIONAL SOLUTIONS: WHOSE RESPONSIBILITY IS IT, ANYWAY?

Several institutional approaches can address the tax-benefit gap and reduce barriers for low-income households. These solutions focus on lowering the complexity and cost of accessing poverty-alleviating benefits while fulfilling the tax system's redistributive function.

Refundable tax credits as a poverty-alleviating mechanism must be clearly understood. One approach places responsibility on low-income households to actively engage with the government to receive benefits.[106] Another streamlines the process, providing benefits through the tax system with minimal effort and cost. While these goals often overlap, the best solution should address both.

The tension is evident in the filing requirement for low-income wage earners who do not meet the income threshold for mandatory filing but must file to claim the EITC and CTC.[107] Congress waives the filing requirement for low-income households but also mandates filing to claim benefits Congress has deemed them entitled to. This sends mixed signals: low-income

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[105] Smith, *supra* note 101; COX ET AL., *supra* note 9, at 18–19 app. tbls. 1 & 2; *see generally* DEP'T TREASURY, BY ZIP CODE: NUMBER OF CHILDREN UNDER AGE 18 WITH A SOCIAL SECURITY NUMBER WHO ARE NOT FOUND ON A TAX YEAR 2019 OR 2020 TAX RETURN BUT WHO APPEAR ON A TAX YEAR 2019 FORM 1095 AND ASSOCIATED NUMBER OF POLICY HOLDERS (2021), https://home.treasury.gov/system/files/131/Estimated-Counts-of-Children-Unclaimed-for-CTC-by-ZIP-Code-2019.pdf.

[106] Lily L. Batchelder et al., *Efficiency and Tax Incentives: The Case for Refundable Tax Credits*, 59 STAN. L. REV. 23, 25 (2006).

[107] This can be referred to as the extensive margin. There is also the intensive margin, that applies to those who are generally required to file an annual tax return anyway, and their decisions around the tools they will use. This latter discussion is outside the scope of this Essay and is part of one of my current research studies.

households are told they are exempt from filing but are obligated to file to access benefits intended to alleviate their poverty.

By channeling benefits through the tax system while imposing a filing requirement on top of substantial eligibility requirements, the government forces low-income households to request what they are already owed. This tax-benefit gap, where eligible households miss benefits due to filing complexity and costs, undermines poverty reduction efforts. To address this gap, I consider several institutional solutions. Ultimately, the final solution offers the most promising path forward.

A. Hanging onto the Taxpayer Responsibility Model: Can Trying (Again) to Improve the 1040 Filing Process Solve the Problem?

This framework places the burden on taxpayers to file a return to claim credits. The filing threshold's exemption does not override the requirement to file a return to receive these credits. In other words, even when filing an annual tax return is not mandatory, the tax system requires "more" from low-income households.

This approach reflects the notion that these funds "belong" to the government, and low-income households must exert effort to access them. Improvements to the tax filing system, like VITA, Free File, and the recent IRS Direct File Service, aim to lower costs but fail to resolve the underlying issues.[108] These existing systems do not address the information gap or help taxpayers facing language barriers, limited internet access, or institutional distrust.[109] As a result, this approach perpetuates the tax-benefit gap.

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[108] *See* Goldin et al., *supra* note 9; I.R.S., IRS DIRECT FILE PILOT PROGRAM 2–3 (2024), https://www.irs.gov/pub/irs-pdf/p5969.pdf; *Free File: The Free File Program is Failing to Achieve Its Objectives and Should Be Substantially Improved or Eliminated* NAT'L TAXPAYER ADVOC. (Feb. 8, 2024), https://www.taxpayeradvocate.irs.gov/news/nta-blog/ntablog-free-file-the-free-file-program-is-failing-to-achieve-its-objectives-and-should-be-substantially-improved-or-eliminated/2019/03/.

[109] *See* NAT'L TAXPAYER ADVOC., *supra* note 108.

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B. A 180° Shift to Government Responsibility: Can This Be a Viable Solution?

One alternative shifts the burden from taxpayers to the government through two potential mechanisms:[110]

1. Direct Payments: Eligible households would automatically receive benefits, bypassing the need to file a tax return. This mechanism eliminates the filing requirement entirely and ensures eligible households receive credits regardless of filing status. Direct payments can reduce the risk of eligible households missing benefits due to lack of knowledge, language barriers, or limited access to support services. This approach could be further strengthened by utilizing data from other agencies that maintain information on low-income households, thereby expanding the reach of benefits beyond the limitations of tax data alone.[111]

2. Prepopulated Tax Returns: The IRS would use existing data to prepare tax returns for eligible households, requiring the latter only to review and approve the return.[112] While simpler, this system still relies on taxpayers to engage with the process.

Both mechanisms alleviate some burdens of the taxpayer responsibility model but depend on accurate data. The second mechanism also requires taxpayer participation, which systemic barriers often hinder. These

[110] *See* Book et al., *supra* note 98, at 529–30.

[111] *Compare* with COX ET AL., *supra* note 31, at 4 ("... lawmakers gave the Treasury Department the authority to coordinate with other federal agencies and deliver EIPs automatically to recipients of Social Security, Supplemental Security Income, railroad retirement, and certain veterans' benefits, rather than forcing them to file tax returns to provide information that other federal agencies already had available. This also enabled the Treasury Department to issue EIPs to these recipients more quickly than if they had to wait for them to file tax returns. . . .").

[112] *See* Lucas Goodman et al., *Automated Tax Filing: Simulating a Prepopulated Form 1040*, 76 NAT'L TAX J. 805, 806, 809 (2023) (noting previous proposals that the IRS prepopulate Form 1040 for some or all individuals and the programs that California and Colorado have implemented in the past); *see* Ariel Jurow Kleiman, *Pre-Filled IRS Forms Would Help Taxpayers as Much as Direct File*, BLOOMBERG TAX (Jan. 3, 2024, 4:30 AM), https://news.bloombergtax.com/tax-insights-and-commentary/pre-filled-irs-forms-would-help-taxpayers-as-much-as-direct-file.

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overlapping challenges highlight the need for an integrated solution to the tax-benefit gap.

C. Shared Responsibility as a Middle Ground: Lessons from Administering EIPs and Expanded Tax Credits During COVID-19

This solution draws on lessons from the administration of EIPs and expanded credits during the pandemic, dividing responsibilities between low-income households and the government.

In 2020, the federal government tasked the IRS with distributing lump-sum payments to U.S. residents through the tax system, leveraging its infrastructure to reach eligible households quickly. These payments provided rapid relief during the crisis and highlighted the IRS's unique role in reaching millions of households using systems designed for tax collection rather than benefit distribution.[113] The IRS processed payments seamlessly for households who had filed tax returns in prior years.[114] However, eligible non-filers often missed payments due to gaps in IRS data.

To address this, the IRS created an online portal for non-filers to submit basic information to claim EIPs.[115] The IRS adopted this method again for the expanded CTC.[116] These portals bypassed traditional filing, while simplifying eligibility verification and proving the feasibility of delivering benefits without tying them exclusively to filing full returns.[117]

Still, the critical question remains: How should we allocate responsibility between the government and taxpayers?

The shared responsibility model builds on these lessons. By reviving and refining portals like those used for EIPs and the expanded CTC, the government can reduce barriers to access. These portals allow non-filers

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[113] *See* COX ET AL., *supra* note 31, at 1–3.

[114] Because the funds were distributed during the first half of 2020, many individuals had not yet filed their 2019 tax returns. Even if they had filed, the returns were not necessarily processed, so the IRS also relied on tax filing information from 2018.

[115] *See* COX ET AL., *supra* note 31, at 4–5; *"Get My Payment" Web App Launched for Americans to Submit Direct Deposit Information and Track Payments*, U.S. DEP'T TREASURY (Apr. 15, 2020), https://home.treasury.gov/news/press-releases/sm978.

[116] *See* COX ET AL., *supra* note 31, at 5.

[117] *Id.* at 4.

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below the filing threshold to check their eligibility and claim benefits without filing full returns.

This mechanism achieves several objectives. First, it empowers low-income households to claim benefits without the administrative burdens of filing a traditional return. Second, it resolves the structural paradox by offering a clear, simplified path to benefits. This model eliminates mixed signals and conveys that benefits belong to eligible households and the process exists to ensure equitable access. Third, it mitigates the information gap, by shifting the focus from filing to benefits. Using a more targeted mechanism reduces complexity and confusion for low-income households. It also allows the federal government and state-level agencies to allocate resources from managing complicated annual filing systems to informing eligible households about benefits.[118] Fourth, requiring some effort from benefit recipients helps align with public perceptions of fairness, showing they are active participants in the social contract. Unlike direct payments, which are often criticized as "unearned," this model balances taxpayer involvement with burden reduction and can mitigate political challenges.[119]

This model can effectively close the tax-benefit gap, ensuring that households in the shaded areas of the figures presented in Part II receive the assistance they need. By minimizing costs, simplifying benefit administration, and addressing the filing paradox, the shared responsibility model provides a practical framework for reducing inequities and building trust in the system.

CONCLUSION

Congress granted the IRS the power to distribute benefits to eligible households, but the legislative structure to make the process effective is lacking. Therefore, Congress must establish best practices for benefiting eligible households while maintaining the integrity of the tax system. Doing so can create a simpler and fairer tax system that promotes poverty alleviation and economic equality. However, requiring low-income households to file a

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[118] *See* COX ET AL., *supra* note 9, at 10–11.

[119] *Compare* Batchelder et al., *supra* note 106, at 66–67 (challenging the validity of these perceptions).

return to claim credits imposes an unnecessary barrier for many who need them the most.

This Essay examined the institutional barriers low-income households face in claiming refundable tax credits like the EITC and CTC, especially wage earners whose income falls below the filing threshold. By focusing on what I call the "tax-benefit gap," which is the difference between the benefits the government budgets for redistribution and the benefits eligible taxpayers actually collect, this analysis highlights the need to simplify the administration of these refundable credits.

Policymakers, tax scholars, and economists have mainly focused on improving traditional tax filing procedures so that low-income households could file a return to claim the benefits they are owed. While this approach has intrinsic value, it has not produced the desired outcomes because it has not removed the unnecessary administrative burden from low-income taxpayers. This Essay cut the Gordian knot that ties the mandatory filing requirement and benefits collection and proposed alternative approaches to address the systemic issues.

This Essay also considered shifting the responsibility for delivering the EITC and CTC to the government through mechanisms like prepopulated returns or direct payments to minimize the "tax-benefit gap." However, this shift entails practical concerns and political constraints, given the perception of filing as a symbol of active social participation.[120] Improving the filing system alone fails to resolve the paradox or meaningfully reduce the tax-benefit gap. While bypassing filing barriers, direct payments depend on incomplete government data, making them expensive and politically contentious.

The shared responsibility model offers a practical path forward, drawing lessons from the IRS's ad hoc tools to distribute EIPs and expanded CTCs to low-income non-filers during the pandemic. This approach fosters collaboration between the government and taxpayers, balancing administrative efficiency with the political need for recipients' engagement. Providing a straightforward and cost-effective path for delivering poverty-alleviating benefits strikes a better balance between efficiency, fairness, administrability, and political feasibility.

[120] *Id.* at 30.

The primary challenge, however, lies in clarifying the goals of tax-based poverty relief programs. Policymakers must decide whether the filing requirement is essential to achieving redistributive goals or merely an unnecessary obstacle. By defining the primary objective of these benefits, we can design a system that either makes filing more accessible or eliminates it once and for all.

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