
tax form 1040 eic credit Earned Income Tax Credit fraud

Posted by N.Botna - 2008/05/13 05:14

Can someone explain how the self-employment scheme for collecting Earned Income Tax Credit that one is not entitled to receive works? I always thought that with self-employment you had to have proof that you were in the trade or business of providing a service to the public? Also, it seems that another way to cheat with EITC is if you are married and have three or more kids. If both spouses separately have incomes low enough to qualify, but wouldn't qualify because jointly their combined incomes exceeds the earned income and adjusted gross income limits for the credit, then having both spouses file as head of household from separate mailing addresses (the second address usually being a PO box) seems to work. How would the IRS know that these two spouses are married and still living together?

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Posted by Paul A. Thomas - 2008/05/13 05:14

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Posted by D. Stussy - 2008/05/13 05:14

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- To eliminate fraud, there must be a system where we remove the refundable credit portion of EIC.
- From the pure accounting aspect, EIC used to be the only refundable credit on the table where a taxpayer could seek a refund which exceeds the tax paid in. Most current credits are, with two recent exceptions, based on either another tax or on a prior year's tax. The two exceptions that exist now besides EIC are: The electric vehicle credit (where I'm not certain if that represents a tax or not), and the refundable child credit (for 3+ children). EIC goes beyond what a person is likely to have paid in both income and FICA (employee's share only) taxes. Negative tax collections, when not a refund of some other year's tax or some other type of tax, should not be allowed. My idea: - If someone has a low enough income to receive EIC under the current system, their income tax under the new system should not be reduced below zero and welfare should be paid. In that respect: It is better to exclude earned income from gross income than it is to have a credit. Either way, the tax gets reduced. Unfortunately, the only way I could think of fairly doing this would introduce another phase-out....: - Set as a limit for exclusion, \$5,000 x number of personal exemptions. - Between the limit and twice the limit (\$10k x #PE), subtract the EI from the number representing twice the limit to determine the exclusion.... So, for a single taxpayer with no dependents: EI of \$0 - \$5k is not taxed. EI of \$5k - \$10k is taxed at less than face value, and EI of \$10k+ is taxed normally. For a married couple with no children or an individual with 1 dependent: \$0 - \$10k, \$10k-\$20k, and \$20k+ For a family of 10 (married couple + 8 children):

\$0 - \$50k, \$50k-\$100k, and \$100k. However, if there are 8 children, it's probably difficult to live on just \$50k, even if there are no taxes. I haven't thought about any caps or other limits in this. However, to eliminate the qualifying individual differences between the current EIC and dependency exemptions, I say that the limit is based on the number of dependency exemptions (i.e., one must be able to claim a dependent to get that share of the exclusion). If one wants to adjust this for those who qualify for the current EIC without having the dependency exemption (usually, divorced couples with children), then make child support earned income for purposes of the exclusion (and child support paid a subtraction from the payor's earned income). Similarly with Alimony (since it already counts for various things such as IRA limits as if it were EI). What does this do: 1) It's a strict, mathematical computation. There can be no fraud with it, unless one is fraudulently claiming a dependent that he's not entitled to - i.e. it doesn't INTRODUCE a new fraud characteristic to the system. 2) It lowers the tax for those who EARN below the designated amount. 3) It adjusts for family size, similar to the current credit. 4) Since it's not a refundable credit, we avoid the negative tax collections issue. 5) One doesn't need that nasty table or that 7 page worksheet (as was in the 2000 form 1040 instructions). It can be done with a single page (at most) worksheet of about 5-7 lines. 6) It doesn't discriminate against married filers (whether joint or separate). 7) It's simple. There's ONE unified definition for dependent. What I don't like about it: - The worksheet. However, it's alot simpler than the one we currently have for EIC (7 lines vs. 7 pages). If Congress wants to give more back to these low income families, let them do it where it belongs - through the WELFARE system.

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Posted by Redan Weep - 2008/05/13 05:14

If you want more details of my proposals, let me know. Wow! Let's use the tax code to facilitate social engineering! Better yet, how about we just do away with the social classes - no more rich - no more poor! We'll redistribute the wealth; everyone will be equal! That sounds American, doesn't it? (Can you say, Socialism?) If you want more details of my proposals, email me at: socialism_ro...@china.gov or see my website at www.netstooges.com

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Posted by N.Botna - 2008/05/13 05:14

By giving the working poor a reason not to have kids until they are financially stable will reduce the number of kids being raised in poverty. Drain the trailer parks and the ghettos! Doesn't looking down your nose like that give you a headache? Of course, you might not like this one because it smacks of population control and it will put an increased demand on govt for birth control services and abortion. On the other hand, I see smaller class sizes and an improved quality of youth. Fewer kids=better kids! Wow! What a revelation! I got an idea! Why don't we just tax the shit out of those who have more than one child? Better yet, let's make it ILLEGAL to have more than one kid! Or even better yet!!! Let's just kill any woman who gets pregnant a 2nd time - BEFORE she gives birth, of course... You must be an only child. Thank God your parents didn't produce a dozen offspring who think like you. If you want more details of my proposals, let me know. Wow! Let's use the tax code to facilitate social engineering! Better yet, how about we just do away with the social classes - no more rich - no more poor! We'll redistribute the wealth; everyone will be equal! That sounds American, doesn't it? (Can you say, Socialism?) If you want more details of my proposals, email me at: socialism_ro...@china.gov or see my website at www.netstooges.com

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