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Inheriting A Tax Penalty

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Marc Fisher reports on the government's attempts to collect old debts:

A few weeks ago, with no notice, the U.S. government intercepted Mary Grice's tax refunds from both the IRS and the state of Maryland. Grice had no idea that Uncle Sam had seized her money until some days later, when she got a letter saying that her refund had gone to satisfy an old debt to the government — a very old debt.

When Grice was 4, back in 1960, her father died, leaving her mother with five children to raise. Until the kids turned 18, Sadie Grice got survivor benefits from Social Security to help feed and clothe them.

Now, Social Security claims it overpaid someone in the Grice family — it's not sure who — in 1977.

Jordan Weissmann shakes his head:

Even if a whole family benefited from a Social Security check, the idea of seizing money from a child to pay the debts of a parent would probably make most a bit queasy. (There are good reasons we don't let the private sector do it.) What I find simply befuddling, though, is the cost-benefit analysis behind pursuing these cases at all.

On the one hand, Social Security is expected to be watchful about waste and fraud—the sort of things that Congress members get exercised about. On the other, $714 million is an essentially negligible amount of money, considering it covers debts dating back decades. Nor does there seem to be particularly good documentation of who owes what here. So on the one hand, the government is trying to balance the rights of the taxpayers, who stand to gain relatively little. On the other hand, the government is intruding, *violently, into the financial lives of people who may have done nothing wrong, while provoking a court fight (Grice, for instance, has lawyered up) and some bad PR in the process. It seems like a no-win to me.*

J.D. Tuccille chimes in:

How do you collect a debt that you can't prove exists? Through the sheer grinding weight of the state, of course. Going after the next generation—which never made the decision to incur a debt to begin with—really is a massive break from previous policy.

Most financial websites advise heirs that they are responsible for parents' debt only if they cosigned loans, held joint accounts, or shared community property with the deceased. Beyond that, the debt adheres to the debtor's estate and may devour any inheritance. The estate belonged to the debtor and passes to heirs only after bills are paid. But the debt stops there.

Walter Olson adds:

It is at most a minor ironic consolation that taxpayers are likely to react to these outrageous tactic[s] by scaling back hard on the widespread practice of voluntary over-withholding, reasoning that it is unsafe to build up a big refund if authorities can snatch it away for unpredictable reasons with little hope of recourse.

Update: The Social Security Administration is calling off the dogs:

The Social Security Administration announced Monday that it will immediately cease efforts to collect on taxpayers' debts to the government that are more than 10 years old … "I have directed an immediate halt to further referrals under the Treasury Offset Program to recover debts owed to the agency that are 10 years old and older pending a thorough review of our responsibility and discretion under the current law," the acting Social Security commissioner, Carolyn Colvin, said in a statement.