



Thank You for Paying: Death, Taxes, and How Uncle Sam Knows When We Die

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Executive Summary

- The Social Security Administration serves as the primary steward of death records at the federal level.
- Despite federal agencies' need for accurate death information, accurate death data are not universally available to federal agencies, including those with payment functions.
- Improvements to federal payment integrity could include legislative changes that would ensure accurate death information is more widely available to federal agencies.

Introduction

Perhaps the most conspicuous element of the federal response to the COVID-19 pandemic and resulting economic fallout has been economic impact payments (EIPs) or “stimulus checks,” sent to nearly 160 million Americans, and totaling \$267 billion. It should come as no surprise that some of these payments were erroneous, or that some of those improper payments ended up being sent to the dead. Indeed, a recent accounting shows that on the order of 1 million payments, totaling about \$1.4 billion, were sent to decedents.

The federal government, happily, does not keep quite such close track of America's 300 million population that it can know with exacting precision at any given time who is alive and who is dead. But federal administration does require a working understanding of who is alive and who is not. In the United States, the Social Security Administration (SSA), and its registry of persons with Social Security numbers, figures prominently in this function. This primer examines the system by which the federal government keeps track of deaths in the United States, and more specifically, how the federal government uses this information in its administration of federal programs and payments.

The Death File

The SSA maintains a master registry containing identifying information of all holders of assigned Social Security numbers (SSNs), known as the Numerical Index File, or Numident. When an individual dies, that fact is denoted in their Numident record with a date of death and a death indicator to facilitate a stoppage in paid benefits. SSA collects death information from states – which have the primary responsibility for recording deaths in the United States – funeral homes, family members, and other sources, to ensure Social Security benefits are stopped. The Social Security Act requires that this information be shared, through cooperative and reimbursable arrangement, with benefit-paying agencies.

The SSA receives on the order of 3 million death reports each year. According to the SSA, the accuracy of these reports has improved with the increasing adoption of the Electronic Death Registration System (EDRS) among

the United States' 57 Vital Records Jurisdictions.[1] EDRS is state-sponsored and includes automated safeguards to ensure accuracy in reporting deaths to SSA. According to a 2017 audit of the EDR system, 43 (86 percent) of the 50 states and 45 (79 percent) of the 57 VRJs had implemented EDRS.[2] For the purposes of SSA and other federal agencies directly paying benefits, improved death record collection from the states improves the integrity of federal payment systems.[3]

Privacy and Data Restrictions

Two peculiar features of SSA's role sharing death information introduce additional complexity. First, the Social Security Act prohibits using death data it obtains from states for any reason other than those set forth in the Act. Note that the Act does allow the sharing of state-collected data with federal benefit-paying agencies.

Second, in 1978 a Federal Postal Service official realized that the Service risked spending millions on pension benefits to deceased postal workers. These federal payments, however, are distinct from federal benefit payment such as Social Security.[4] The official successfully sued the SSA for access to the death data under the Freedom of Information Act (FOIA) in part on the basis that the dead do not enjoy privacy protection under FOIA. In 1980, pursuant to a consent decree, the SSA made its death file available to the public, releasing names, SSNs, and other information on millions of deceased Americans. This FOIA obligation persists to this day, and SSA makes this information available to the public and other government agencies. This Numident extract, however, must not include any data collected by the states, consistent with the limitations imposed by the Social Security Act. It is this file that is known as the Death Master File (DMF), though because it does not include state-supplied death data, is necessarily more limited than SSA's full death file.[5]

Yet as SSA increasingly relies on the EDRS, the complete death file and the DMF will diverge, meaning that the relative accuracy of the data provided to agencies that do not qualify for the full death file will decline.

Perhaps the most conspicuous federal entity that does not have access to the full death file is the U.S. Department of the Treasury. While the Internal Revenue Service (IRS), a bureau within the Treasury, has access to the full file, the Treasury generally, and the Bureau of the Fiscal Service, which is responsible for the execution of federal payments, does not. The enactment of the Improper Payments Elimination and Recovery Improvement Act of 2012 established the Do Not Pay Portal (DNP), which is to supposed to serve as a federal "one-stop-shop" for agencies to verify the eligibility of beneficiaries and for helping agencies recover inaccurate payments.[6] SSA has determined, however, that it does not have the authority to share the full death file with the Treasury.

Improvements in Death Data-Sharing

Expanding the availability of SSA's full death records would require amending the Social Security Act. The Government Accountability Office (GAO) has regularly recommended that Congress consider this change.[7] Indeed, in a recent report the GAO noted that neither Treasury nor the IRS consulted the death file to verify eligibility for the EIPs in the first three batches of payments it issued, believing the enabling legislation did not provide authority to stop payments to decedents even if they were so identified.[8] Beginning with the 4th batch of payments, the IRS did provide the Bureau of the Fiscal Service with temporary access to the full death file until the IRS was able to set up its own internal process for doing so thereafter.

While the budgetary effects of expanding the availability of the death data should not be overstated – indeed the Congressional Budget Office noted that enabling legislation would result in "insignificant" savings – such a

change would nevertheless improve payment integrity.[9] The Social Security Advisory Board, the independent federal panel that advises Congress and the executive branch on the Social Security program, has advocated a more dramatic reform that would shift the collection and dissemination of death data to the Treasury's DNP and excise the function from the SSA.

Conclusion

When a person dies, someone must eventually let Uncle Sam know. Nevertheless, the process by which Americans' deaths are registered with the federal government is somewhat uneven and replete with administrative challenges. That over 1 million deceased Americans received EIP checks underscores the imperfections in the system. It is important to note, however, that these imperfections are also borne out of the necessary tension between Americans' privacy and the need to govern a nation of 300 million people.

[1] These are the 50 states, 5 territories, the District of Columbia, and New York City

[2] <https://oig.ssa.gov/sites/default/files/audit/full/pdf/A-09-15-50023.pdf>

[3] <https://www.gao.gov/assets/660/659289.pdf>

[4] <https://www.ssab.gov/wp-content/uploads/2019/06/2019-DMF-v10-2019-06-17-Accessible.pdf>

[5] Note that there is some unevenness in how the competing datasets are described by federal agencies. IT is largely the convention that the complete SSA death dataset is called the "full death file," while the more-widely available, less complete dataset is called the "Death Master File." This primer follows this convention.

[6] <https://www.ssab.gov/wp-content/uploads/2019/06/2019-DMF-v10-2019-06-17-Accessible.pdf>

[7] <https://www.gao.gov/assets/690/680464.pdf>

[8] <https://www.gao.gov/assets/710/707839.pdf>

[9] <https://www.congress.gov/116/crpt/srpt49/CRPT-116srpt49.pdf>