

Eligibility Restrictions for Refundable Tax Credits Would Harm New Jersey's Economy

While the economy is improving, too many working families are not earning enough to cover their basic living expenses. In New Jersey, approximately 460,000 Latinos live below the supplemental poverty threshold.¹ Among the most effective federal policies to fight poverty are the Child Tax Credit (CTC) and the Earned Income Tax Credit (EITC).

The GOP tax proposal threatens certain taxpaying immigrants' eligibility for refundable tax credits. Currently, taxpayers filing with an Individual Taxpayer Identification Number (ITIN) are eligible for the CTC, and a Social Security number is required to claim the EITC. The Republican plan would require a work-authorized Social Security number (SSN) to claim the EITC and it would require those filing with an ITIN and claiming the CTC to provide a SSN for each child. These proposed changes would impact millions of Latino families and their nearly four million U.S. citizen Latino children as well as DACA recipients who would no longer be eligible to claim the EITC once their status expires.²

The EITC and CTC promote work and produce lifelong benefits for low-income families.

- The EITC amounts to as much as \$6,143 and the CTC can be up to \$1,000 per child, depending on family income. These tax credits are refundable, meaning very low-income families can still earn a partial credit.
- Only people who are working can be eligible for the EITC and the CTC. Evidence shows that the EITC was a major factor in boosting single mothers' employment.
- Studies have linked tax credits like the CTC to higher test scores, particularly in math; higher high school graduation rates; and higher college attendance rates.³

The CTC is an effective anti-poverty program for New Jersey's children.

- In tax year 2014, approximately 446,000 tax filers in New Jersey received CTC benefits.⁴
- The CTC added approximately \$570 million into New Jersey's economy in tax year 2014.⁵
- The latest Census data show that 43% of CTC beneficiaries in New Jersey were Latino.⁶
- The CTC lifted an estimated 32,000 New Jersey Latinos out of poverty in 2015.⁷

The EITC is vital to the financial security of New Jersey's hard-working families.

- In tax year 2015, approximately 593,000 tax filers in New Jersey received EITC benefits.⁸
- The EITC added approximately \$1.4 billion into New Jersey's economy in tax year 2014.⁹
- The latest Census data show that 31% of EITC beneficiaries in New Jersey were Latino.¹⁰
- The EITC lifted approximately 69,000 New Jersey Latinos out of poverty in 2015.¹¹

Eligibility restrictions for refundable tax credits would harm New Jersey's U.S. citizen children and Dreamers.

- Requiring ITIN filers to provide a SSN for each child to be eligible for the CTC could affect up to 124,000 mixed-status families in New Jersey.¹²
- New Jersey's 26,000 DACA recipients would lose their eligibility for EITC once their status expires.¹³

All sources accessed November 2017, unless otherwise noted.

¹ UnidosUS, Federal Programs Lift Latinos Out of Poverty: Spotlight on New Jersey (Washington, DC: UnidosUS October 2017) <http://publications.unidosus.org/handle/123456789/1789>.

² UnidosUS calculation using Wyatt Clarke, Kimberly Turner, and Lina Guzman, *One Quarter of Hispanic Children in the United States Have an Unauthorized Immigrant Parent*, (Bethesda, MD: National Research Center on Hispanic Children and Families, 2017), 3, <http://www.hispanicresearchcenter.org/wp-content/uploads/2017/10/Hispanic-Center-Uncolumented-Brief-FINAL.pdf>; and U.S. Census Bureau, "Data Retrieval: 2016 American Community Survey 1-Year Estimates," https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_16_1YR_B05003I&prodType=table,Table B05003I.

³ Chuck Marr, Chye-Ching Huang, and Arloc Sherman, EITC and Child Tax Credit Promote Work, Reduce Poverty, and Support Children's Development, Research Finds (Washington, DC: Center on Budget and Policy Priorities, 2015) <https://www.cbpp.org/research/federal-tax/eitc-and-child-tax-credit-promote-work-reduce-poverty-and-support-childrens>.

⁴ Internal Revenue Service, "IRS Statistics of Income Historical Table 2" (Washington, DC: IRS, 2017) <https://www.irs.gov/pub/irs-soi/14in54cmcsv.csv> (accessed May 2017).

⁵ Ibid.

⁶ Center on Budget and Policy Priorities (CBPP) analysis of 2013-2015 American Community Survey 3-Year Estimates.

⁷ UnidosUS, Federal Program Lift Latinos Out of Poverty: Spotlight on New Jersey (Washington, DC: UnidosUS October 2017) <http://publications.unidosus.org/handle/123456789/1789>.

⁸ Internal Revenue Service, "IRS Statistics of Income Historical Table 2" (Washington, DC: IRS, 2017) <https://www.irs.gov/pub/irs-soi/14in54cmcsv.csv> (accessed May 2017).

⁹ Ibid.

¹⁰ Center on Budget and Policy Priorities (CBPP) analysis of 2013-2015 American Community Survey 3-Year Estimates.

¹¹ UnidosUS, Federal Program Lift Latinos Out of Poverty: Spotlight on New Jersey (Washington, DC: UnidosUS October 2017) <http://publications.unidosus.org/handle/123456789/1789>.

¹² Migration Policy Institute, Profile of the Unauthorized Population: Arizona (Washington, DC: Migration Policy Institute, 2017) <https://www.migrationpolicy.org/data/unauthorized-immigrant-population/state/AZ>.

¹³ Migration Policy Institute, Deferred Action for Childhood Arrivals (DACA) Data Tools (Washington, DC: Migration Policy Institute, 2017) <https://www.migrationpolicy.org/programs/data-hub/deferred-action-childhood-arrivals-daca-profiles>.