

Eligibility Restrictions for Refundable Tax Credits Would Harm Texas' Economy

While the economy is improving, too many working families are not earning enough to cover their basic living expenses. In Texas, approximately 1.9 million 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 children in Texas.

- In tax year 2014, approximately 2.1 million tax filers in Texas received CTC benefits.⁴
- The CTC added approximately \$2.9 billion into Texas' economy in tax year 2014.⁵
- The latest Census data show that 61% of CTC beneficiaries in Texas were Latino.⁶
- The CTC lifted an estimated 137,000 Texas Latinos out of poverty in 2015, including approximately 81,000 Latino children.⁷

The EITC is vital to the financial security of hard-working families in Texas.

- In tax year 2015, approximately 2.6 million tax filers in Texas received EITC benefits.⁸
- The EITC added approximately \$7 billion into Texas' economy in tax year 2014.⁹
- The latest Census data show that 50% of EITC beneficiaries in Texas were Latino.¹⁰
- The EITC lifted approximately 493,000 Texas Latinos out of poverty in 2015, including an estimated 248,000 Latino children.¹¹

Eligibility restrictions for refundable tax credits would harm U.S. citizen children and Dreamers in Texas.

- Requiring ITIN filers to provide a SSN for each child to be eligible for the CTC could affect up to 509,000 mixed-status families in Texas.¹²
- Texas' 141,000 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 Texas (Washington, DC: UnidosUS October 2017) <http://publications.unidosus.org/handle/123456789/1791>.

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-Undocumented-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 Texas (Washington, DC: UnidosUS October 2017) <http://publications.unidosus.org/handle/123456789/1791>.

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 Texas (Washington, DC: UnidosUS October 2017) <http://publications.unidosus.org/handle/123456789/1791>.

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>.