

Immigrant Eligibility for the Child Tax Credit

Time and again, conservative lawmakers have tried to limit eligibility for the refundable portion of the Child Tax Credit (CTC) to pay for other priorities. The same is true today, as Congress is considering tax legislation that would largely benefit the richest individuals and large corporations over working families.

Proposals to disqualify taxpayers filing with an Individual Taxpayer Identification Number (ITIN) from receiving the CTC would increase the tax burden of low-wage workers and have a devastating effect on the economic well-being of American families. If those with ITINs are no longer eligible for the CTC, nearly four million U.S. citizen Latino children and their families would face greater hunger, poverty, and other severe hardships.¹ The economic ripple effect of this action would also be felt nationwide for years to come. **UnidosUS strongly opposes any change to the CTC eligibility requirements that hurt hardworking, taxpaying families and undermine their economic security.**

Background

The CTC supplements the wages of the lowest-income taxpayers, helping low-paid working parents put food on the table and buy other necessities for growing children. The CTC provides a tax credit of up to \$1,000 per child, and if the CTC amount is greater

than the family's tax liability, the Additional Child Tax Credit (ACTC) refunds at least a portion of the unused CTC. The value of the ACTC refund is the smaller of two amounts: the unused CTC amount or 15% of a family's income above \$3,000.

For example, a minimum-wage worker with four children is entitled to \$4,000 from the CTC (in this example, also assume the \$4,000 is her unused CTC amount). If she earns \$14,500 per year, 15% of \$11,500 (the amount over the \$3,000 threshold) is \$1,725. Her maximum ACTC refund amount would be \$1,725, the smaller of the two figures \$1,725 and \$4,000. If the same taxpayer made \$30,000 per year, 15% of \$27,000 is \$4,050. In this case, her maximum refund amount would be \$4,000. The CTC is only available to taxpayers who are working, earning income, and raising children,² and is legally available to qualified taxpayers using an ITIN, many of whom are immigrants.

Disproportionate Harm to Latinos

Proposals to make ITIN taxpayers ineligible for the CTC are targeted attacks on the Latino community that will directly harm millions, including U.S. citizen children of immigrant parents who currently receive the CTC. Approximately 4.5 million U.S.-born children have at least one working parent who will be adversely affected by disqualifying ITIN filers.³ Moreover, an estimated 80% of the families affected are Hispanic.⁴ All families that pay taxes should be eligible for tax benefits. Immigrants who lack a Social Security number commonly use ITINs to pay their share of income, Social Security, and Medicare taxes. Each year, ITIN tax filers pay \$9 billion in payroll taxes to support Social Security and Medicare.⁵ As clarified by experts at a congressional hearing on this issue, it is legal and aligned with IRS policy for ITIN taxpayers to receive the refundable CTC if they meet the eligibility requirements.⁶

The CTC keeps many Latino children out of poverty. The average income for ITIN taxpayers is about \$21,200, with nearly half of ITIN taxpayers raising children on hourly wages of \$10 or less.^{7,8} Eliminating ITIN taxpayers' eligibility to claim the CTC would take an average of \$1,800 out of their pockets, jeopardizing their children's access to basic needs such as food, clothing, and housing.⁹ This financial loss would push

families into, or deeper into, poverty. In 2016, nearly five million Latino children lived in poverty.¹⁰ Census data shows that the CTC lifted approximately one million Latinos out of poverty in 2015, including over 560,000 Latino children.¹¹ The large number of Latino children living in poverty underscores the need to preserve the CTC.

Increased Inequities for Low-Income Families

Without the CTC, inequities would increase. Latino children already experience higher rates of poverty and hunger. Limiting the CTC will exacerbate this reality: the loss of income results in less money for food, rent, doctor's visits, school supplies, and other necessities. Tax benefits for low-income families help narrow these disparities. Studies have shown that an increase of as little as \$1,000 in family income correlates with improvements in children's test scores.¹²

The CTC also keeps money in communities. In tax year 2014, 19.8 million tax filers received \$26.6 billion worth of tax credits through the refundable portion of the CTC, and the latest Census data show that 33% of CTC beneficiaries were Latino.¹³ Cutting the CTC for immigrant families would result in less money circulating in their communities, which could slow economic growth and lead to job losses around the country.

Endnotes

- 1 Wyatt Clarke et al., "One Quarter of Hispanic Children in the United States Have an Unauthorized Immigrant Parent," (Bethesda, MD: National Research Center on Hispanic Children & Families, 2017), <http://www.hispanicresearchcenter.org/wp-content/uploads/2017/10/Hispanic-Center-Undocumented-Brief-FINAL.pdf> (accessed June 2017).
- 2 Center on Budget and Policy Priorities, "Policy Basics: The Child Tax Credit," (Washington, DC: CBPP, 2016), <http://www.cbpp.org/research/federal-tax/policy-basics-the-child-tax-credit> (accessed June 2017).
- 3 National Immigrant Law Center, "Why Cutting the Child Tax Credit Is Bad Policy," (Washington DC: National Immigration Law Center, 2014), www.nilc.org/issues/taxes/cuttingctcbadpolicy/ (accessed June 2017).
- 4 Internal Revenue Service, "Immigration and Taxation," (Washington, DC: IRS, 2014), www.irs.gov/pub/irs-utl/20-Immigration%20and%20Taxation.pdf (accessed June 2017).
- 5 Ibid.
- 6 Ways and Means Committee, "Hearing on Improper Payments in the Administration of Refundable Tax Credits," 112th Cong., 1st sess., 2010, 28. http://waysandmeans.house.gov/UploadedFiles/Olsoen_Testimony.pdf (accessed October 2017).
- 7 Esther Yu Hsi Lee, "House Votes to Gut Tax Benefits For Low-Income Immigrant Families," (Washington, DC: Think Progress, 2014), <http://thinkprogress.org/house-votes-to-gut-tax-benefit-for-low-income-immigrant-families-918fab18e49/> (accessed October 2017).
- 8 National Immigrant Law Center, "Why Cutting the Child Tax Credit Is Bad Policy."
- 9 RESULTS, "Child Tax Credit," (Washington, DC: RESULTS, 2017), http://www.results.org/issues/us_poverty_campaigns/child_tax_credit/ (accessed October 2017).
- 10 UnidosUS, *Latino Income and Poverty in 2016* (Washington, DC: UnidosUS, 2017), <http://publications.unidosus.org/bitstream/handle/123456789/1769/Latino%20Income%20and%20Poverty%20in%202016.pdf?sequence=1&isAllowed=y> (accessed October 2017).
- 11 UnidosUS, *Federal Programs Lift Millions of Latinos out of Poverty* (Washington, DC: UnidosUS, 2017), http://publications.unidosus.org/bitstream/handle/123456789/1748/Fact_sheet_Anti-poverty_UnidosUS2.pdf?sequence=5&isAllowed=y (accessed October 2017).
- 12 Center on Budget and Policy Priorities, "EITC and Child Tax Credit Promote Work, Reduce Poverty, and Support Children's Development, Research Finds," (Washington, DC: Center of Budget and Policy Priorities, 2015), <https://www.cbpp.org/research/federal-tax/eitc-and-child-tax-credit-promote-work-reduce-poverty-and-support-childrens> (accessed August 2017).
- 13 Internal Revenue Service, "IRS Statistics of Income Historical Table 2," (Washington, DC: IRS, 2017 <https://www.irs.gov/statistics/soi-tax-stats-historic-table-2>); and Center on Budget and Policy Priorities (CBPP) analysis of 2013-2015 American Community Survey 3-Year Estimates.