

Hispanic Children and the Child Tax Credit

The nation is at an inflection point as Congress considers how to equitably rebuild our economy in the wake of COVID-19. Central to an inclusive recovery will be how Congress addresses structural inequities which contribute to a disproportionate share of families from racial and ethnic minorities living in poverty. One of our most powerful poverty reducing tools is the Child Tax Credit (CTC). Deployed effectively, it has the potential to reduce Hispanic* poverty by more than one-third and reduce racial inequities.¹

The Child Tax Credit Is Essential for Reducing the U.S. Child Poverty Rate. The CTC is an important program for Hispanic children who comprise roughly 26% of U.S. children, but account for 41% of all children living in poverty.² Reducing Hispanic child poverty is essential to reducing U.S. child poverty overall. Critical to this goal is congressional action on:

- Reducing barriers Hispanic families face when applying for and/or receiving the CTC to ensure all eligible children can access funds.
- Making the CTC changes in the American Rescue Plan Act (ARPA) permanent.
- Restoring CTC eligibility for children without Social Security numbers to the pre-2018 standard.

The Child Tax Credit Helps Tax-Paying Families. The CTC helps low- and middle-income taxpayers with children ages zero to 16 by reducing their federal income tax liability. If the CTC is larger than what the taxpayer owes, up to \$1,400 per child is paid as a tax refund (refundable CTC). The lowest income families often do not have tax liabilities and, without refundability, effectively do not earn enough money to receive the cash portion of the credit due to the income test. Families in the lowest income quartile receive an average of \$1,600 less in total child credits (refundable and non) than middle-income families.³

Making ARPA's Changes to the CTC Permanent Is Essential to Reducing Hispanic Child Poverty

ARPA temporarily improves the CTC for tax year 2021 by: 1) increasing the maximum CTC from \$2,000 to \$3,600;⁴ 2) making the credit fully refundable to all eligible families without a minimum income limit; 3) providing advance monthly payments beginning in July 2021 (advanced CTC); and 4) increasing the eligible child age from

* The terms "Hispanic" and "Latino" are used interchangeably by the U.S. Census Bureau and throughout this document to refer to persons of Mexican, Puerto Rican, Cuban, Central and South American, Dominican, Spanish, and other Hispanic descent; they may be of any race.

16 to 17. While each intervention is important, making the CTC fully refundable to all eligible filers would benefit an estimated 27 million children alone.⁵ Overall, making ARPA's changes to the CTC permanent would:

- Reduce child poverty by expanding eligibility and increasing credit amounts. ARPA's advanced CTC, which pays up to \$300 per month per child, helps low-income families stabilize changes in income and is estimated will reduce the Hispanic poverty rate in 2021 by more than 10 percentage points.⁶ Roughly three-fourths of the benefits from a permanent expansion would flow to families with the lowest incomes.⁷
- Support child development because receiving the CTC is associated with improved child health and educational outcomes. Research suggests some of these benefits last into adulthood.⁸
- Improve racial equity by expanding the refundable credit to very low-income families. Pre-ARPA, only 50% of Black and Hispanic children qualified for the full CTC, compared to 75% of non-Hispanic white and Asian children.⁹
- Support gender equity by reducing financial hardships due to racial and gender barriers for an estimated 3.4 million Hispanic women who have struggled financially during the pandemic.¹⁰ Before ARPA, roughly 70% of children in single, female-headed households did not receive the full credit despite higher poverty rates.¹¹
- Increase equity across U.S. territories by making the CTC available to more families in Puerto Rico, who are U.S. citizens by birth. Prior to ARPA, only families with three or more children were eligible for the CTC in Puerto Rico.

Making the CTC Permanent Is Only Part of the Equation

Reducing Hispanic child poverty and the overall child poverty rate are intricately connected. To achieve the shared goal of reducing child poverty and increasing racial equity, our policies must apply equitably for all children. The following considerations will bring us closer to this reality:

Restore CTC Eligibility for Children Without Social Security Numbers to the Pre-2018 Standard. The 2017 Tax Cuts and Jobs Act (TCJA) made roughly one million children ineligible for the CTC, most of them Hispanic immigrant children, by requiring children to have a Social Security number (SSN) to qualify.¹² If Congress restores CTC eligibility to include children with either SSNs or ITINs, it would:

- Reduce child poverty for noncitizen children and their U.S. citizen and other lawfully present siblings who often reside together in households which are disproportionately in deep poverty.¹³
- Improve racial equity by restoring CTC access to children without SSNs who are disproportionately Hispanic children.
- Invest in Americans in waiting by providing an essential poverty-reducing resource to children without SSNs, most of whom are DREAMers brought to the United States as young children and many of whom have younger siblings who are U.S. citizens. Complex eligibility rules create confusion and deter parents in mixed-status families from claiming eligible children.¹⁴

Reduce Structural Barriers Eligible Hispanic Families Face when Applying for and Receiving the CTC. Although CTC policies appear race-neutral, Hispanic families face additional barriers to accessing tax credits which may lower their take-up rates. Despite having some of the highest labor force participation rates, low-income Hispanic workers have among the lowest reported rates of receipt of tax credits.¹⁵ Hispanic tax filers who live with noncitizens or naturalized citizens are even less likely to receive tax credits.¹⁶ Researchers believe Hispanic taxpayers have lower participation rates in tax credit programs due to some of the following barriers which must be addressed to ensure equitable access:

- Public charge rules raise fears of immigration repercussions, which impacts CTC take-up. Since 2017, immigrants and Hispanic U.S. citizens have increasingly avoided government programs for which they're eligible, including tax credits, out of fear that receipt could hurt their ability to obtain lawful permanent residence (i.e. to become a "green card" holder).¹⁷
- Racialized administrative burdens and barriers further depress CTC take-up rates. Historical policy design has channeled fewer resources into tax preparation and other means-tested agency offices in low-income and BIPOC communities, shifting administrative burdens to the applicant.¹⁸ Additionally, Hispanic families disproportionately experience:
 - o Lack of outreach to increase program awareness which prevents many eligible Hispanic families from claiming tax credits like the CTC.¹⁹ Outreach to families who have no tax filing requirement is especially important, as they are newly eligible under ARPA and may be unaware of the program or the free online portal available to non-filers to claim the credit.
 - o Language barriers, such as finding translated documents on the CTC or Spanish-speaking, low and no-cost tax preparers which makes it more difficult for Hispanic families with low English proficiency to access the CTC and makes them more vulnerable to predatory, for-profit tax preparers.²⁰
 - o Financial costs of obtaining tax credits which reduce their value because low-income families pay an average \$400 per tax year to file their taxes.²¹
 - o Higher unbanked rates,²² which makes it impossible to receive credits as direct deposits and creates additional costs when credits are received as paper checks which must be cashed.

About UnidosUS

UnidosUS, previously known as NCLR (National Council of La Raza), is the nation's largest Hispanic civil rights and advocacy organization. Through its unique combination of expert research, advocacy, programs, and an [Affiliate Network](#) of nearly 300 community-based organizations across the United States and Puerto Rico, UnidosUS simultaneously challenges the social, economic, and political barriers that affect Latinos at the national and local levels.

For more than 50 years, UnidosUS has united communities and different groups seeking common ground through collaboration, and that share a desire to make our country stronger. For more information on UnidosUS, visit www.unidosus.org, or follow us on [Facebook](#), [Instagram](#), and [Twitter](#).

Endnotes

- 1 Wheaton, Laura, Sarah Minton, Linda Giannarelli, and Kelly Dwyer. 2021. "2021 Poverty Projections: Assessing Four American Rescue Plan Policies." Washington, D.C.: Urban Institute. Available at: https://www.urban.org/sites/default/files/publication/103794/2021-poverty-projections-assessing-four-american-rescue-plan-policies_0_0.pdf. (accessed May 27, 2021).
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- 3 Maag, Elaine, Rob McClelland, and C. Eugene Steurle. 2020. "Boosting Wages or Helping Children? Understanding How New Earnings and Child Tax Credit Proposals Impact Income Inequality and Vulnerable Children." Washington, DC: Tax Policy Center. Available at: https://www.urban.org/sites/default/files/publication/102612/boosting-wages-or-helping-children-understanding-how-new-earnings-and-child-tax-credit-proposals-impact-income-inequality-and-vulnerable-children_v2.pdf. (accessed May 27, 2021).
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