

## Reducing Child Poverty with the Child Tax Credits: Inspiring Lessons Learned from Working with Puerto Rican Affiliates to Win the Ground Game Together for Latino Kids and Families

In 2021, the American Rescue Plan expanded the Child Tax Credit (CTC) and the Earned Income Tax Credit (EITC)—creating a critical new opportunity to address poverty and put money in the pockets of Latino communities across the U.S. mainland and—for the first time ever—in Puerto Rico. Key changes were a higher total credit amount, monthly payments in advance, and the ability to receive funds even without owing taxes, called refundability, which is essential to reach the families and children most in need. Here’s what we know so far:

- Child poverty fell to a [record low of 5.2%](#) during 2021: 2.9 million children were lifted out of poverty due to the CTC, and some 1.2 million of them were Latino. This was the largest drop in child poverty in the modern history of the U.S. during 2021, likely due to the tax credit changes.
- There were also massive gains in health indicators across the board, with reports showing improvement in [food security measures](#), [mental health and stress](#), [infant brain activity](#), and [general health](#) outcomes.
- Billions of dollars were injected into local economies, reflecting how the expanded payments helped families [catch up with bills](#), [invest in childcare](#), [improve access to food and other basic](#) needs, all of which continue to drive [job](#) and [economic growth](#).

There were many challenges in implementing the new tax credit programs. First, [Latino families initially lagged](#) behind other demographics in accessing advance payments, resulting in the need for timely, targeted and strategic outreach centered on equity and partnerships with trusted messengers. Fortunately, this gap was closed over time: Latino CTC take-up rates for CTC [increased 11 percentage points \(64–75%\)](#) from October 2021 to July 2022.

Additionally, a significant [backlog in paper filings](#) is still being addressed through new investments in Internal Revenue Service (IRS) operations. This was particularly harmful to taxpayers using Individual Taxpayer Identification Numbers (ITIN) since they could only submit a tax return on paper if they needed to renew or apply for an ITIN, and individuals who need an ITIN to apply [cannot backfile to receive tax credits](#). Unlike their counterparts with Social Security Numbers (SSN), taxpayers with ITINs are not permitted a grace period of up to 3 years to backfile for tax credits. Instead, if they missed the April 2022 tax filing deadline, ITIN holders were unable to claim the expanded credits for the tax year 2021.

### Overcoming Tax System Glitches by Working Closely with Affiliates in Puerto Rico

Another common challenge we identified was using online software to validate taxpayer identities. For security reasons, the IRS requires new taxpayers to validate their identity if their system cannot initially match an

individual's identity using the government's existing data. Completing this process required steady access to the internet and a device that could support the software, such as a smartphone or a computer.

This posed a major problem [in Puerto Rico](#), where most taxpayers were interacting with the IRS for the first time. These glitches particularly impacted vulnerable populations because these groups have less familiarity with digital tools and lower levels of trust in online identity verification systems. Moreover, access to online multilanguage support during the peak of the tax season was limited, leaving families stuck in the limbo of the ID verification process for months. Lastly, the vendor used by the IRS for ID verification in Puerto Rico did not use an official website, required individuals to share personal information through online calls, and the software used by the vendor had a particular difficulty scanning IDs for individuals who have darker skin. These barriers disproportionately impacted low-income taxpayers and communities of color.

Recognizing these challenges and the dire need to improve rates of child poverty for Latinos, including Puerto Ricans, we sprang into action and leveraged our Affiliate network:

- First, we convened focus groups of tax help practitioners across our Affiliate network to compile feedback for official outreach efforts being made on the CTC by the White House and IRS. We also advocated for the community in the larger D.C. coalition to ensure the needs of Latinos were being accounted.
- Second, we created a Tax Credit Campaign Advisory Committee with Affiliates, meeting regularly throughout the tax season and providing feedback and direction on campaign outreach efforts as well as policy and advocacy priorities. And we provided small initial grants to groups on the ground in Puerto Rico to further support the knowledge and infrastructure needed to make things work.
- Third, we developed quarterly Tax Policy Stakeholder Meetings to keep Affiliates informed of different policy developments and advocacy opportunities. And we meet regularly with insiders in the Administration and Puerto Rican officials to solve the many practical and resource problems that arose.
- Fourth, throughout the campaign and working with our partners, we developed materials such as toolkits, webinars, and other resources that Affiliates and other groups used to communicate broadly about the availability of tax credits for Latinos.
- Lastly, we developed surveys in partnership with other organizations that allowed us to document the success and limitations of outreach efforts in the continental U.S. and Puerto Rico.

Together, these strategies yielded significant improvement in government [outreach materials](#), [increasing Latino take-up rates](#), improving [awareness among families in Puerto Rico](#), and streamlining the taxpayers' experience [at different points of the IRS operations](#).

## Your Help with the Next Steps:

### ITIN Reforms that Serve Latinos and CTC and EITC Expansion in the States

Of course, our work is not done. The 2022 Inflation Reduction Act (IRA) enacted by Congress included important investments in the IRS that present a unique opportunity to champion tax equity for the Latino community. We are working to:

- Ensure that the IRS modernizes the ITIN application process to reduce the burdens on vulnerable communities and addresses the many areas in which the system is too clunky or difficult;

- Improve operations at the IRS and center equity in outreach by strategically opening new Taxpayer Assistance Centers, improving phone and online services and strengthening partnerships with trusted community partners,
- Develop a pilot for centers that provide tax assistance to assist at the same time with obtaining an ITIN;
- Ensure that even people without any federal tax liability can secure an ITIN, which could make them eligible to receive CTC and EITC benefits under state law, where applicable; and
- Leverage data to better understand the disparate impacts of tax credits by race and ethnicity and close

UnidosUS has a seat on the IRS Advisory Council (IRSAC), a body within the IRS dedicated to community input and reforms. **We welcome the support of Affiliates as trusted experts in our communities.** We will continue to leverage the expertise of our Affiliates and move the needle for kids and the Latino community on IRS policies, including for children and adults in mixed-status families.

We are looking forward to and planning for a major tax reform package in Congress to be negotiated in 2025 and, in the meantime, **building the ground game for an inclusive, expanded CTC and EITC in the states.** Following the lead of states like Illinois and Maryland—where our Affiliates have been central to expanding access to local EITCs for taxpayers with ITINs—we are working with our partners on state campaigns to enact new or expanded state programs on the CTC and EITC, and we would welcome your support!