

# New Changes to the Child Tax Credit and Earned Income Tax Credit Are Lifting Latino Families out of Poverty

March 31, 2022

# The Earned Income Tax Credit: Historic Context

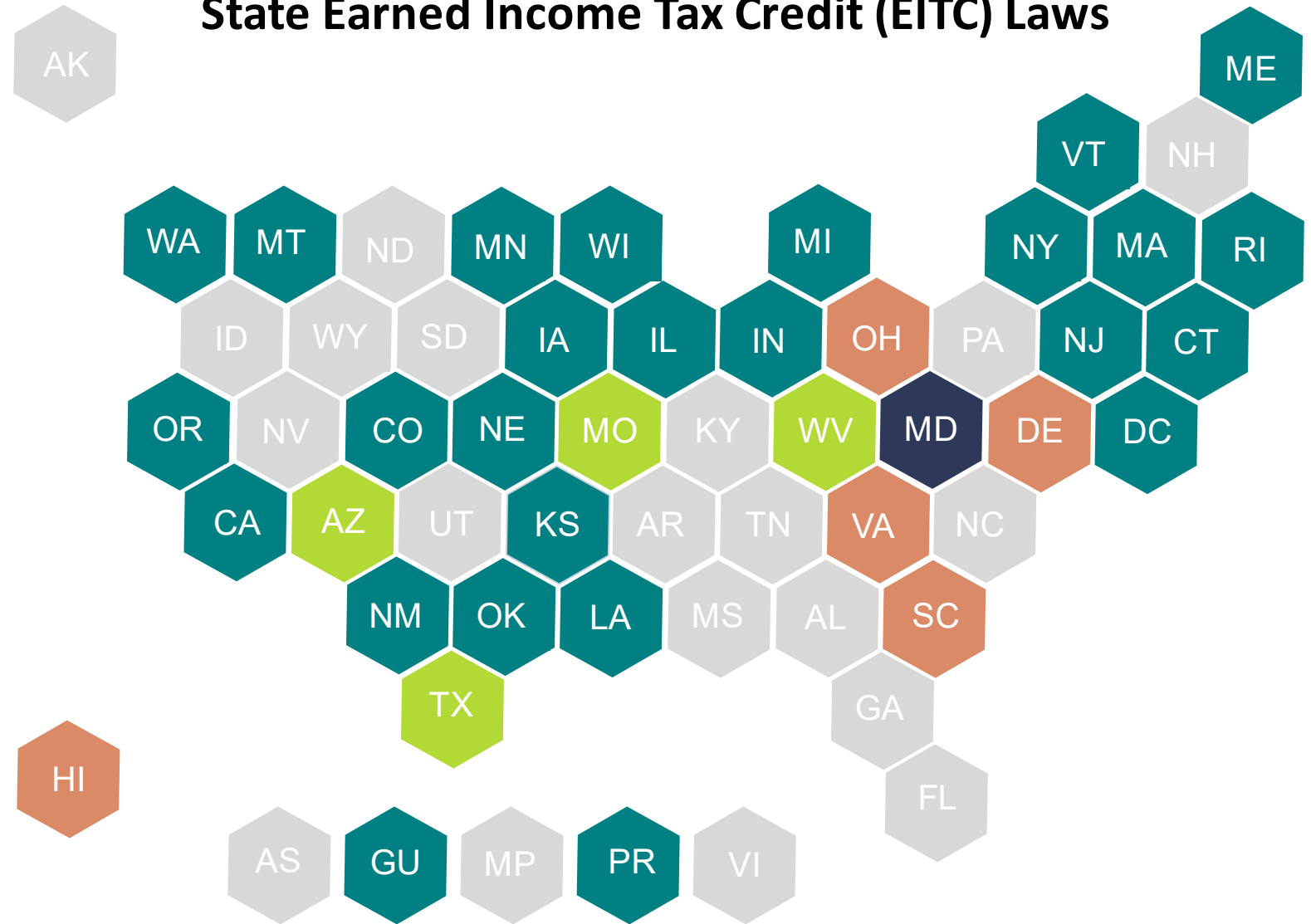
- The Earned Income Tax Credit (EITC) is a refundable tax credit first enacted in 1975 that is available to eligible workers earning relatively low wages.
- Because the credit is refundable, an EITC recipient need not owe taxes to receive the benefit.
- Eligibility for and the amount of the EITC are based on a variety of factors, including residence and taxpayer ID requirements, the presence of qualifying children, age requirements for those without qualifying children, and the recipient's investment income and earned income.

# The Earned Income Tax Credit: Historic Context

- Improvements to the EITC through the American Rescue Plan Act (ARPA) include:
  - Making the credit available for childless taxpayers who are 19 to 24 years old and 65 years old and over
  - Increasing the maximum credit for childless workers from \$538 to \$1,502
  - Providing \$600 million in federal funds to Puerto Rico to enhance the local EITC program through a matching grant
- Recent changes at the state level expanded local EITCs to workers with ITIN
  - California
  - Colorado
  - Maryland
  - New Mexico
  - Oregon
  - Washington State

# State Earned Income Tax Credit (EITC) Laws

- Refundable state EITC
- Non-refundable state EITC
- Both refundable and non-refundable state EITC
- No state EITC, but has a law addressing the federal EITC
- No state EITC



# Current design of the Earned Income Tax Credit

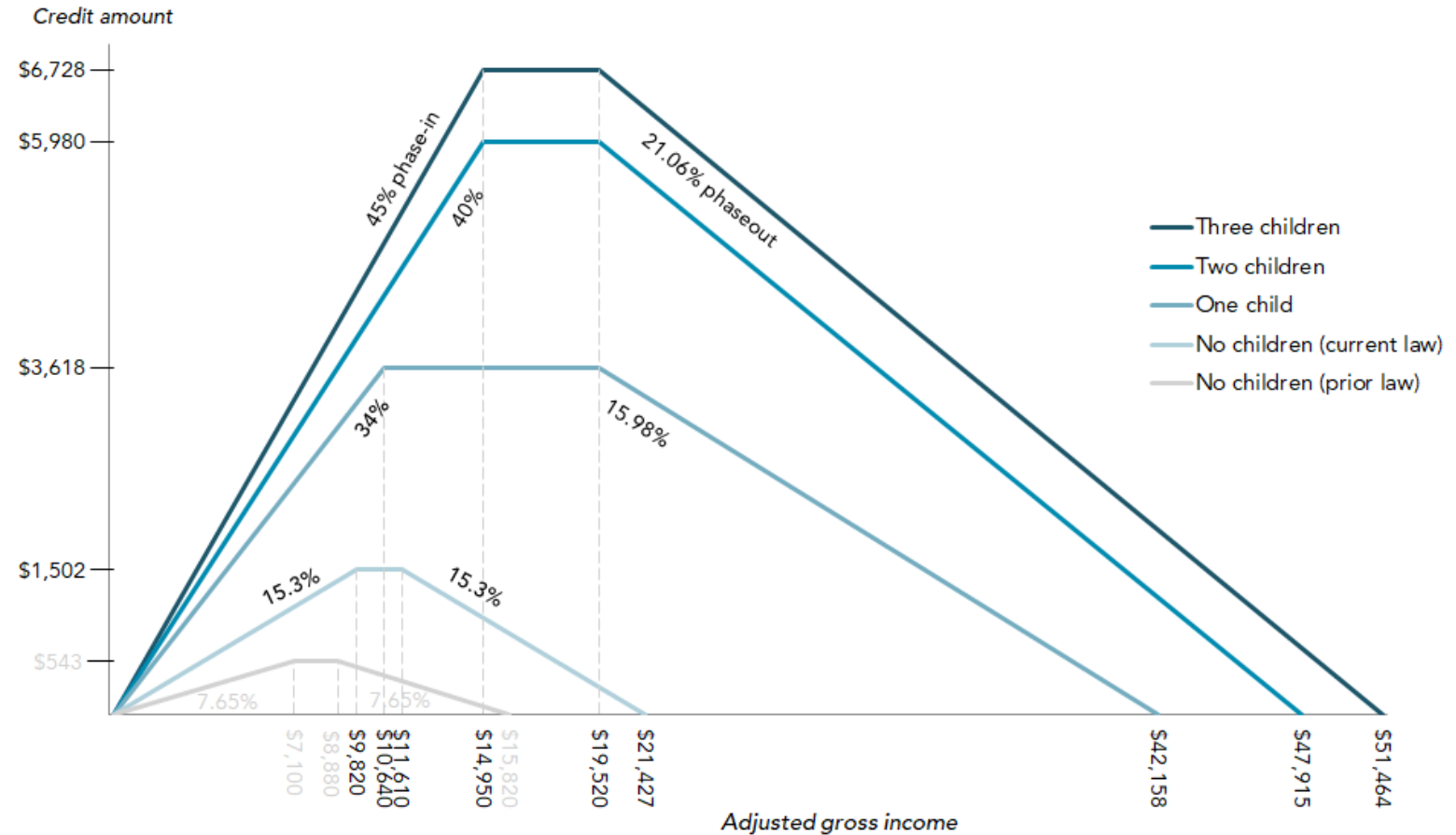
**Earned Income Tax Credit Parameters, 2021\***

	Credit rate (percent)	Minimum income for maximum credit	Maximum credit	Phaseout rate (percent)	Phaseout range	
					Beginning income	Ending income
<b>No children</b>	15.3	9,820	1,502	15.3	11,610	21,427
<b>One child</b>	34	10,640	3,618	15.98	19,520	42,158
<b>Two children</b>	40	14,950	5,980	21.06	19,520	47,915
<b>Three children +</b>	45	14,950	6,728	21.06	19,520	51,464

**These parameters vary slightly between married and unmarried taxpayers.**

# Design of the Earned Income Tax Credit

**FIGURE 1**  
Earned Income Tax Credit  
2021



**Source:** Urban-Brookings Tax Policy Center (2021); Internal Revenue Procedure 2020-45, Internal Revenue Service; and H.R. 1319, "American Rescue Plan Act of 2021," 117th Cong. (2021.)

**Notes:** Assumes all income comes from earnings. Amounts are for taxpayers filing a single or head-of-household tax return. For married couples filing a joint tax return, the credit begins to phase out at income \$5,940 higher than shown, or \$5,950 if the couple has children.

# Child Tax Credit: Historical Context

Law/year	CTC	ACTC	Minimum Income Limit	Maximum Income Limit (Phase out Threshold)
<b>Taxpayer Relief Act of 1997</b> P.L. 105-34	\$500 (after 1998)	N/A	N/A	\$55,000 MFS \$75,000 HOH \$110,00 MFJ
<b>Economic Growth and Tax Relief Reconciliation Act of 2001</b> P.L. 107-16	\$1,000 -per child	\$1,000 -per child	\$10,000	The same as before
<b>Emergency Economic Stabilization Act of 2008</b> P.L. 110-343	\$1,000 -per child	\$1,000 -per child	\$8,500	The same as before
<b>American Recovery and Reinvestment Act of 2009</b> P.L. 111-5	\$1,000 -per child	\$1,000 -per child	\$3,000*	The same as before
<b>Tax Cuts and Jobs Act of 2017</b> P.L. 115-97	\$2,000 -per child	\$1,400 -per child	\$2,500	\$200,000 MFS \$200,000 HOH \$400,000 MFJ
<b>American Rescue Plan Act of 2021</b> P.L. 117-2	\$3,000 children 6 – 17 \$3,600 children under 6	\$3,000 children 6 – 17 \$3,600 children under 6	\$0	1 <sup>st</sup> round \$75,000 MFS \$112,000 HOH \$150,000 MFJ  2nd round \$200,000 MFS \$200,000 HOH \$400,000 MFJ

\* Made permanent by the Protecting Americans from Tax Hikes (PATH) Act of 2015 (Division Q of P.L. 114-113)

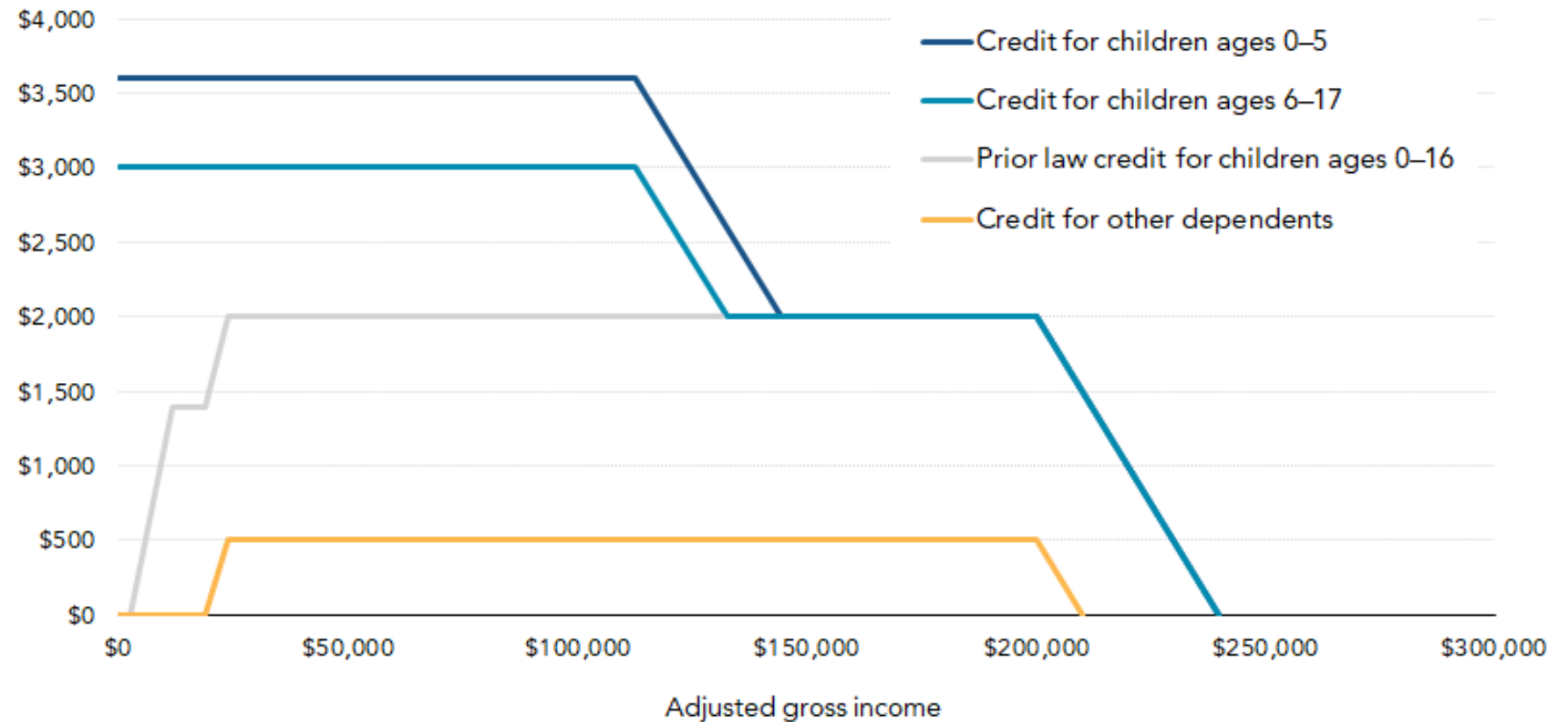
# Current design of the Child Tax Credit

- Key improvements to the Child Tax Credit (CTC) were made in the American Rescue Plan Act (ARPA) such as:
  - an increase in the maximum credit to \$3,600 for children under 6 years old and \$3,000 for children between 6 and 17 years-old,
  - inclusion of 17-year-olds to this credit,
  - a fully refundable tax credit with no work requirement,
  - an advance monthly payment,
  - extension of the CTC for all families with children in Puerto Rico



# Design of the Child Tax Credit

**FIGURE 1**  
Child Tax Credit, Single Parent  
For one child, tax year 2021



**Source:** Urban-Brookings Tax Policy Center calculations.

**Notes:** Assumes all income comes from earnings, and child meets all tests to be a CTC-qualifying dependent. \$3,000 and \$3,600 credits are fully refundable; prior law limited refunds to \$1,400 out of the maximum \$2,000 credit. Credit for married parents first phases out at \$150,000 of income until credit reaches pre-2021 level; begins second phase out at \$400,000 of income. Only citizen children qualify for the \$3,000 and \$3,600 credits for children under 18. Noncitizens under age 18 who meet the dependency tests of eligibility can qualify other dependent credit.

# Why do we care about Tax Credits?

- The research evidence supporting refundable tax credits is strong
  - Tax credit reduce poverty
  - Improve health and developmental outcomes among children
  - Improve academic achievement for kids.
- Current design of the CTC is getting the job done.
  - Greatly supports Latino and Black children and those in families with the lowest incomes. Researchers estimate that this credit reduced child poverty among Black children by 26 percent and among Latino children by 30 percent.
  - Reduced the monthly child poverty from 15.9% to 12.2% between June and November
  - 3.8 million children were kept from poverty thanks to the advance monthly payments.
  - Families spent the money in food and other basic needs
  - The value to society that flows from these impacts is approximately eight times the annual costs

# Why do we care about Tax Credits?- Puerto Rico

- Almost all families with children are eligible for the CTC.
  - A recent study found that 97 percent of families with children in Puerto Rico are now eligible for the CTC. Resulting in **\$1.78 Billion** to the Puerto Rico economy
- The enhanced local EITC will provide additional resources to workers.
  - 466,000 households in Puerto Rico, nearly double the 255,000 households previously eligible. When fully executed, the local EITC is expected to add an additional **\$800 million** to the local Puerto Rico economy
- Access to these credits have been made on a permanent basis
  - In Puerto Rico **6 out of 10** kids are under the federal poverty line
  - Close to **44%** of Puerto Ricans live under the federal poverty line.

# Challenges to the Latino Community

- Prior to the American Rescue Plan, one in three children in the US were excluded from the full Child Tax Credit
  - More than one in two Black children were left out.
  - One in two Latino children were left out.
  - Close to three in four children in single parent households were left out.
  - Close to one in three children in rural areas were left out.
  - Close to one in two children in larger families (households with three or more children) were left out.

# Challenges to the Latino Community

- Immigrant families historically excluded from safety-net programs
  - Public charge “chilling effect” prevents many immigrant families from enrolling in the benefits programs for which they are eligible
  - Confusing, varying eligibility for ITIN-holders in prior COVID relief programs left many behind
- Outreach to Limited English Proficient immigrants has been poor
  - CTC is one of the few tax credits that help support children in mixed immigration status families where parents don’t have SSNs
  - Immigrant parents are less aware of the CTC than US born parents

# Challenges to the Latino Community

- Lower take up rate among Latino families has been documented by research (October 2021);
  - Latinos are less likely to claim the CTC on their tax return (64 percent of tax filers) compared to white and Black parents (76 percent among tax filers.)
  - Latinos are less likely to report receiving the monthly CTC payments (61 percent) compared to white respondents (67 percent.)
- The IRS entered this 2022 filing season with several million original and amended returns filed by individuals and businesses that have not been processed due to challenges of the historic pandemic.
- Backlog in processing form W-7s (application for ITINs) that were received in mid to late November, with the oldest receipts being from the third week in November.

# Where are the Latino families at risk of missing out?

- This is an almost impossible question to answer. However, the best available data shows us that:
- Using data of health care plan, previous tax returns and poverty, researchers found that the following areas have high density of children at risk from receiving the CTC:
  - Philadelphia, PA
  - Savannah, GA
  - Miami-Dade County, FL
  - Cleveland, OH
  - Albuquerque, NM
- Here is a link to the interactive map created by partners at Prosperity Now:  
<https://prosperitynow.org/ctcmap>
- A link to the presentation and video of the map can be found here-->  
<https://prosperitynow.org/events/mapping-road-toward-increased-accessibility-child-tax-credit>

# Where are the Latino families at risk of missing out?

Another interactive map using Treasury data shows that in these zip codes are where more children are at risk of missing out.

Here is a link to the map-->

<https://www.taxpolicycenter.org/feature/where-are-families-most-risk-missing-out-expanded-child-tax-credit>

Zip code	City	State	Number of children
08701	Lakewood	NJ	9,407
11219	Brooklyn	NY	6,056
10977	Spring Valley	NY	4,710
10952	Monsey	NY	4,313
10950	Monroe	NY	4,251
11368	Corona	NY	3,656
90011	Los Angeles	CA	3,269
11204	Brooklyn	NY	3,207
11206	Brooklyn	NY	2,838
11230	Brooklyn	NY	2,600
11218	Brooklyn	NY	2,321
11205	Brooklyn	NY	2,185
11220	Brooklyn	NY	2,064



# Implementation and Outreach Research

The Coalition on Human Needs and the Partnership for America's Children conducted focus groups and included Hispanic parents. One of the surprising findings is that parents did not believe that messaging around poverty were not informative, because they believed that it was unrealistic that one payment would be able to appropriately address the problems of poverty and economic mobility. As a summary they found that the best messaging for parents includes:

- a. **Straight Read-** The federal government has expanded a program for families with children so now nearly everyone is eligible to get \$3,000 per child (\$3,600 per child under 6) -- half will be paid\* monthly until December and the rest in 2022 after you file a tax return. This will help take some of the burden off the shoulders of parents. There are some protections in place, so you won't have to pay this money back even if there was a mistake or a change in your circumstances as long as your 2021 income is less than \$40,000 (\$60,000 for married couples or \$50,000 for heads of households).
  - b. **Costs of Raising a Child Raising a child is expensive.** Children need food, shelter, and clothing, just to name the basics. All these costs add up to thousands of dollars every year, and hundreds of thousands of dollars over the course of their childhood. The Child Tax Credit can provide some relief from these costs, providing up to \$3,600 a year to parents or guardians to help them more easily afford the items they need. Additionally, the benefits will be felt for years as studies have shown that this relief can lead to better health, school performance, and future earnings.
  - c. **Private Information** – General By law, the information provided to the IRS will remain confidential. Whether you're a citizen or an undocumented resident, your information will only be used by the IRS to determine what you owe in taxes or should receive in tax credits or refunds. The IRS may not disclose tax information without your permission to non-governmental parties like landlords or debt collectors and it is unlawful for the IRS to release taxpayer information to government agencies except the Treasury Department related to tax collection investigations or a court order connected to a criminal investigation. The protections against the disclosure of information can only be changed by Congress.
- See full report here--> [https://drive.google.com/file/d/1AGmkRvbRPmOg\\_igkHvgrQmAgBGznIlo-/view?usp=sharing](https://drive.google.com/file/d/1AGmkRvbRPmOg_igkHvgrQmAgBGznIlo-/view?usp=sharing)

# Implementation and Outreach Research

Further Research on Implementation lessons learned here by our colleagues at Delivery Associated-->

<https://drive.google.com/drive/folders/1hf8I50w6sC0bokHCInu-aSxMqXw2Jiad>

- From their report, they created a profile of non-filers (folks that typically are not interacting with the tax system) They summarize that understanding new filers, the barriers that new filers face are complex and nuanced, rooted in environmental, psychological, socioeconomic, and language factors. Overarching, systemic challenges include:
  - New filers are neither a self-identifying or homogenous group – nor do they share uniform barriers to access.
  - “Tax hesitancy” due to fear, discomfort, or unfamiliarity with the IRS.
  - Misconceptions and/or incomplete information, including:
    - New filers are aware of the expanded CTC, but unsure about qualifications or how to access it.
    - New filers have received other benefits and mistakenly believe that claiming the CTC would affect their other benefits.
    - New filers are unsure about the credit’s purpose, potential uses, and whether they will have to pay all or part of the money back.
  - A sizable and persistent digital divide, especially in low-income and rural households.
    - Only a small percentage of households have home broadband or an appropriate digital device. In addition, comfort level in using these devices or services could be a barrier.
  - Unbanked eligible recipients and new filers who rely on either paper checks or prepaid benefits cards.
    - This could lead to filing errors, potential losses or mail theft, and difficulties in cashing a check without a bank account.
- Code for America provided a simplified filing tool lessons learned report. This is important for us because after the tax filing deadline those that are not required to go through a full tax return can use the simplified tool that Code for America is putting together. When the portal opens sometime in May, we should shift our communications to promote the simplified tool for those eligible. You can find the report here--> <https://files.codeforamerica.org/2022/03/15163515/lessons-from-simplified-filing-in-2021-getctc-analytics-report-march-2022.pdf>

# Resources for your Campaign: US

- UnidosUS

- Main Page → <https://www.unidosus.org/esperanzahopeforall/childtaxcredit-es/>
- Videos of Past Navigator Trainings → <https://www.unidosus.org/events/apoyando-a-las-familias-latinas/>
- CTC Stories → <https://www.unidosus.org/blog/2021/11/10/the-child-tax-credit-taking-care-of-families-livelihoods-and-well-being/>
- Resources on how to apply for an ITIN
  - <https://www.clasp.org/publications/fact-sheet/individual-taxpayer-identification-number-fact-sheet>
- Resources for EITC → <https://www.unidosus.org/blog/2022/03/16/how-is-the-earned-income-tax-credit-different-this-year/>

# Resources for your Campaign: US

- Other Partners

- Center on Budget and Policy Priorities→ [EITC and CTC Outreach Resources 2022 – Get It Back \(taxoutreach.org\)](#)
- Code for America→ [GetYourRefund — Code for America](#)
- Coalition on Human Needs and Partnership for America’s Children
  - Toolkit for service providers: <https://bit.ly/ctcoutreach>
  - Toolkit for School Districts: [https://docs.google.com/document/d/1mcoN7R87Ek-ZB-MyTy8hFvH\\_oT22617YzeWCngbvpUc/edit](https://docs.google.com/document/d/1mcoN7R87Ek-ZB-MyTy8hFvH_oT22617YzeWCngbvpUc/edit)
  - Toolkit for Government agencies: <https://bit.ly/agencyoutreach>

# Resources for your Campaign: US

- Government

- White House→ [ChildTaxCredit.gov](https://www.childtaxcredit.gov)
- Department of the Treasury- Internal Revenue Service→ [Child Tax Credit Update Portal | Internal Revenue Service \(irs.gov\)](https://www.irs.gov/credits-deductions/understanding-the-child-tax-credit)
- Puerto Rico Government→ <https://www.fortaleza.pr.gov/credito-eitc-ctc>

# Resources for your Campaign: Puerto Rico



## Joint Campaign on CTC and EITC

- <https://reclamatudineropr.com/>

### CTC Resources

- <https://www.juventudpr.org/idj/childtaxcredit>

### Local EITC

- <https://espaciosabiertos.org/credito-por-trabajo-para-incentivar-nuestra-economia/>

# Navigator Trainings in Spanish Available

We have recorded a series of Navigator Training that focus on Latinos and families in Puerto Rico. You can watch the videos here:

- <https://www.unidosus.org/events/apoyando-a-las-familias-latinas/>

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VIRTUAL WEBINAR

## Apoyando a las familias Latinas: ¿Cómo orientar sobre el crédito tributario por niños?

This event has already taken place. Tuesday, February 22nd – Tuesday, April 5th | Online

Share this event: [in](#) [f](#) [t](#) [e](#)

La Ley del Plan de Rescate Estadounidense realizó cambios significativos al crédito tributario por hijo (CTC, por sus siglas en inglés) para el año fiscal 2021. Este año, el CTC es totalmente reembolsable y está disponible para contribuyentes elegibles que no reporten ingresos por trabajo. Además, el crédito ha aumentado a \$3,600 para niños entre 0 a 5 años y a \$3,000 para aquellos entre las edades de 6 a 17.

Esta serie de seminarios web están diseñados para personal de programas que trabaja directamente con familias Latinas. Discutiremos estrategias para orientar a las familias sobre este crédito y hablaremos sobre los recursos disponibles para promoverlo en su comunidad.

### Speakers:

Date and Time:

February 22, 2:00 PM – April 5, 3:30 PM in Eastern Time (US and Canada)

Partners:

  
COALITION ON HUMAN NEEDS

  
PARTNERSHIP FOR AMERICA'S CHILDREN

  
Center on Budget and Policy Priorities






  
INSTITUTO DEL DESARROLLO DE LA JUVENTUD

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# Townhall events recordings

The screenshot displays the UnidosUS website with a dark blue header containing navigation links: LATEST NEWS, MEDIA CENTER, EVENTS, BLOG, and a search icon. Below the header, the main navigation bar includes FACTS, ISSUES, LIBRARY, ABOUT, DONATE, and WE CAN HELP. The page features two virtual webinar listings.

**Virtual Webinar 1:**  
**The Path to Economic Recovery: One Year of the American Rescue Plan in Puerto Rico**  
This event has already taken place. Thursday, March 10th | Online  
Date and Time: March 10, 12:00 - 1:15 PM in Eastern Time (US and Canada)  
Share this event: [Social media icons]  
The White House ARP team, Puerto Rican Governor Pedro Pierluisi, UnidosUS, and several national and local nonprofits are jointly collaborating on an event to commemorate the one-year anniversary of the American Rescue Plan Act (ARPA) and its impact on Puerto Rico.  
The governor will provide an executive briefing on all ARPA investments, use of funds and impact of ARPA on the island, and will close out with a strong call to action on Child Tax Credit (CTC) and Earned Income Tax Credit (EITC) engagement.  
A panel of leaders from local NGOs will follow the governor's remarks to discuss efforts to promote CTC/EITC to Puerto Rican residents.  
► Watch the recording [in English](#)  
► Mira la grabación [en Español](#)

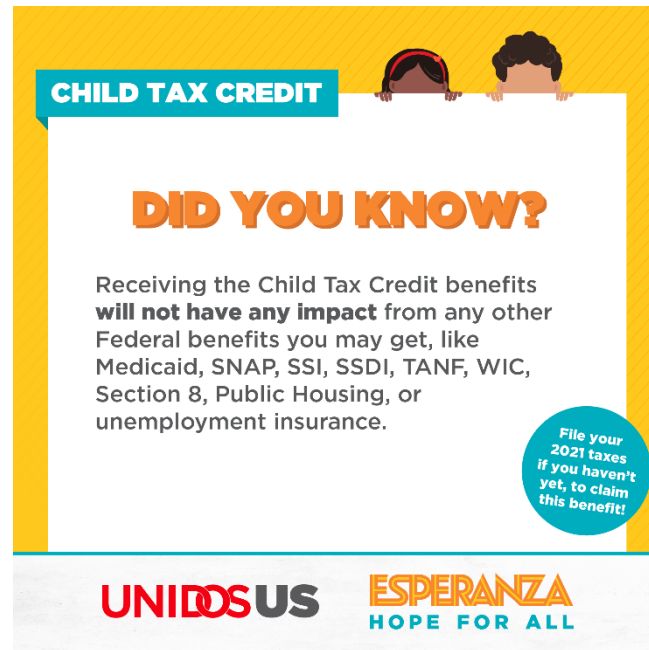
**Virtual Webinar 2:**  
**Conversatorio para Abuelos: ¿Cómo solicitar el crédito por niños?**  
This event has already taken place. Monday, March 14th | Online  
Date and Time: March 14, 5:00 - 6:00 PM  
Share this event: [Social media icons]  
¿Sabía que el crédito tributario por niños (CTC, por sus siglas en inglés) es totalmente reembolsable y está disponible para contribuyentes elegibles que no reporten ingresos por trabajo?  
Por eso, solicitar el CTC no es solamente para padres: los abuelos que estén criando a sus nietos pueden solicitar este crédito en su declaración de impuestos!  
La Ley del plan de rescate estadounidense realizó cambios significativos al crédito por niño para el año fiscal 2021. Ahora el crédito ha aumentado a \$3,600 para niños entre 0 a 5 años y a \$3,000 para aquellos entre las edades de 6 a 17.  
Vengan a este evento con expertos donde podremos contestar a sus preguntas en vivo y donde les mostraremos recursos gratuitos para completar sus taxes y pedir este crédito.  
Mira la grabación [aquí](#)  
Partners:    
Speakers:  
 José Acarón  
 Brayan Rosa-Rodríguez  
 Carmen Rodríguez-Arroyo

We also have recordings of townhall events that highlight the importance of the Child Tax Credit and the Earned Income Tax Credit for Latino families. You can watch the videos here:

- <https://www.unidosus.org/events/apoyando-a-las-familias-latinas/>



# New Social Media Toolkit



We also released a new social media toolkit to target Latino families. You can download the toolkit here. You can watch the videos here:

- <https://www.dropbox.com/s/yd4l9dtqweg4muc/UnidosUS%20Child%20Tax%20Credit%20Toolkit.pdf?dl=0>

# Future of Tax Credit Policies

- In Policy design
  - Expanded the maximum credits of \$3,000 (6-17) and \$3,600 (0-5) for the CTC, and the \$1,500 for childless workers in the EITC.
  - Extended advanced monthly payment options for the CTC,
  - Make the CTC a permanently fully refundable tax credit, and
  - Restored eligibility for kids with ITINs.
  - Include taxpayers with ITINs in the EITC
  - Include young adults and senior in the EITC permanently.

# Future of Tax Credit Policies

- In Implementation
  - We need a culturally competent Outreach.
  - We need simplified filling tools.
  - More resources for VITA, LITC and CAA.
  - Reduce administrative burden and streamline complicated loopholes for ITIN filers.

# UnidosUS Commitment

1. Increase take-up rate of the CTC and EITC for Latinos.
2. Advocate for the tax credit policies that hard-working Latin families deserve

Visit our webpage

<https://www.unidosus.org/esperanzahopeforall/childtaxcredit/>



Questions?