Why Cutting the Child Tax Credit Is Bad Policy

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Nearly every year, members of Congress attempt to end the refundable Child Tax Credit (CTC) for workers who pay their taxes using an Individual Tax Identification Number (ITIN) instead of a Social Security number (SSN). This cut would affect workers who are ineligible for an SSN and therefore pay taxes to the federal government using the only means legally permitted—the ITIN. The CTC, as well as the refundable portion (the Additional Child Tax Credit, or ACTC) were enacted to help struggling families financially care for their children. The CTC has proven successful in preventing millions of children from sinking further into poverty.

Denying eligibility for the refundable portion of the CTC would:

Negatively impact hardworking low-income families

- This is an attack on the children of hardworking ITIN taxpayers whose families pay more than $9 billion in payroll taxes each year.¹
- This cut would deny up to 4.5 million U.S. citizen children much-needed assistance for covering the costs of necessities, including rent, clothing, and food.²
- This would halt needed support for over 2 million working poor families who pay taxes, including sales and payroll taxes.³

Betray the Latino community

- This cut will hit Latinos hardest. Over 80 percent of those impacted would be Latino families.⁴
- This cut will deepen poverty. There are now more than 15 million children living in poverty in the United States.⁵ Nearly forty percent of these children are Latino.⁶

Threaten children’s wellbeing

- Any change will harm children—the very population the tax credit is intended to benefit. The CTC has successfully lessened child poverty. In 2009, these credits protected approximately 1.5 million children from falling into poverty.⁷
- In 2011, children of immigrants—nearly 9 million children—accounted for 30.5 percent of all children in the U.S. in low-income families.⁸
Hurt the working poor

- Over 50 percent of families using the refundable CTC earn less than $20,000 per year, over 60 percent earn less than $25,000 per year, and over 75 percent earn less than $30,000 per year.9
- Nearly half of these workers are raising children on hourly wages of $10 or less.10
- Eliminating the tax credit for these families will take an average of $1,800 from the low-wage families per year.11
- Without this tax credit, families may not be able to pay for basic needs such as groceries, utility bills, or child care.

Compromise the economic recovery

- CTC dollars help grow local economies and support businesses. Every additional dollar received by low- and moderate-income families has a 1.5 to 2 times multiplier effect,12 in terms of its impact on the local economy and how much money is spent in communities where these families live.

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2 Frequently Requested Statistics on Immigrants and Immigration in the United States (Migration Policy Institute, April 28, 2014), www.migrationpolicy.org/article/frequently-requested-statistics-immigrants-and-immigration-united-states. The figure cited and this endnote were updated in Jan. 2015. Previously, the figure cited was 4 million and the citation was: Jeffrey Passel, Unauthorized Immigrants and Their U.S.-born Children (Pew Hispanic Center, Aug. 11, 2010), www.pewhispanic.org/2010/08/11/unauthorized-immigrants-and-their-us-born-children/.

3 TIGTA report, supra note 1, p. 4.

4 Jeffrey Passel, supra note 2 (in 2009, there were 5.1 million children under 18 with unauthorized immigrant parents); Latinos Oppose Changes to Child Tax Credit (National Council of La Raza, updated Mar. 18, 2013), www.nclr.org/images/uploads/pages/Latinos%20Oppose%20Changes%20to%20Child%20Tax%20Credit%20Fact%20Sheet%202013.pdf, fn. 3.

The 50 percent figure was obtained adding the number of returns with a gross income of less than $20,000 who received the refundable Child Tax Credit (Column CY, adding Rows 11 through 15, equaling 10,349,801) and dividing it by the total number of returns receiving the refundable Child Tax Credit (20,485,403) to equal 0.505 (greater than 50 percent).

The 60 percent figure was obtained adding the number of returns with a gross income of less than $25,000 who received the refundable Child Tax Credit (Column CY, adding Rows 11 through 16, equaling 13,397,806) and dividing it by the total number of returns receiving the refundable Child Tax Credit (20,485,403) to equal 0.654 (greater than 60 percent).

The 75 percent figure was obtained adding the number of returns with a gross income of less than $30,000 who received the refundable Child Tax Credit (Column CY, adding Rows 11 through 17, equaling 15,722,738) and dividing it by the total number of returns receiving the refundable Child Tax Credit (20,485,403) to equal 0.767 (greater than 75 percent).
