Tax Hike on Immigrant Families Would Drive Up Child Poverty

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President Trump's proposed FY 2018 budget and tax proposals by House and Senate Leadership and are threatening to take crucial tax credits from children in immigrant families. The loss of these credits will drive children and families into poverty. These proposals include provisions taking away the Child Tax Credit (CTC) and its refundable component, the Additional Child Tax Credit (ACTC) from children without Social Security Numbers (SSNs). The House bill also threatens to deny access to the American Opportunity Tax Credit (AOTC), a critical support that helps college students get the education they need to access economic opportunities. Restricting the CTC to filers using Social Security Numbers (SSNs) could impact as many as **5 million children** of taxpaying parents in immigrant families, the majority of whom are US citizens, and 1 million of whom are young DREAMers.

Why Is the CTC Important for Children and Families?

The CTC is an effective anti-poverty tool that played an essential role in lifting approximately 2.7 million people out of poverty in 2016, including about 1.5 million children, and mitigated poverty for millions more.[1] Eliminating the CTC for children in mixed-status and immigrant families will have devastating impacts. The harm caused to children by denying them the CTC now will compound over time, as household income levels are correlated with cognitive development and future work opportunities. Investing in the economic security of the children through access to the CTC rewards paying taxes, helps working families, benefits the economy, and invests in future generations.

What Would the House and Senate Bills Do?

The Leadership tax bills would deny the CTC to children in tax-paying immigrant and mixed-status families in order to pay for tax cuts. The bills take the CTC away from children in households with average annual earnings of just over $21,000 a year,[2] while expanding access to wealthy families with annual incomes up to $230,000 (House version) and $500,000 (Senate bill). Rather than expand the CTC to higher-income household, including joint filers who earn up to 1 million dollars, members of Congress should first ensure that those struggling to make ends meet aren't left further behind. Under existing law, access to the CTC is not contingent on immigration status. The Senate bill denies the refundable portion of the CTC to children unless the qualifying child has a Social Security Number (SSN). The House bill would deny the entire CTC (both refundable and nonrefundable) to qualifying children without SSNs and would require SSNs for students to qualify for the American Opportunity Tax Credit (AOTC), which helps pay for the costs of higher education.

The Child Tax Credit Restriction Targets Vulnerable Communities and Harms All of Us

Targets Children

- The proposed bills would deny the CTC to the roughly 1 million DREAMer children without SSNs. Broader versions of this policy would directly impact up to *5.1 million children* with at least one unauthorized immigrant parent in the home, the vast majority of whom – nearly 80 percent or 4 million – are U.S. citizens.[3] Targeting any children in a family will harm the family as a whole.

Harms Children

- *Any* change in eligibility for the CTC harms children—the very population the tax credit is intended to benefit.
- Research shows that adding as little as $1,000 in family income can improve children's test scores by 2 percent in math and more than 3.5 percent in reading.[5] Further, children in low-income families who receive tax credits are more likely to attend college and earn higher wages as adults.

Targets the Latino community

- This cut will hit Latinos hardest. An estimated 85 percent of mixed-status and immigrant families with children are Latino.[6]

Harms Working Poor Families

- The children of taxpayers who file with an Individual Taxpayer Identification Number (ITIN) live in households with average annual earnings of just over $21,000 a year. Eliminating the ability of ITIN filers to claim the CTC would take an average of $1,800 out of their pockets, resulting in a **loss of 8.5 percent of their annual income**.[7]
- Without this tax credit, families may not be able to pay for basic needs such as groceries, utility bills, or child care. Children will go hungry and lack the resources they need to stay healthy, get a good education, and prepare for their futures.

Targets Hardworking Taxpayers:

- In 2015, ITIN filers paid **$23.6 billion in total federal taxes**, including over $5.5 billion in payroll and Medicare taxes.[8] ITIN filers also contribute to tax revenue by paying sales, gas, and property taxes.
- In addition, undocumented immigrants make important contributions to state and local economies, paying an estimated **$11.74 billion annually in state and local taxes.[9]**
- Undocumented immigrants also contribute billions of dollars to the Social Security fund, a benefit which they are unable to claim, resulting in a net positive effect on the Social Security fund that helps keep our Social Security program afloat.
- The United States has a duty to apply tax policy equitably to all filers who pay their taxes. We must not permit unfair policies -- a one-way relationship-- in which we accept the tax revenue of low-income Americans without providing them with tax credits available to other filers.

Harms Local Economies

- 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*,[10] in terms of its impact on the local economy and how much money is spent in communities where these families live.
- Investing in CTC for immigrant families enables them to invest back in their local economies.

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