The Federal Tax Code: Restricting Eligibility for the Child Tax Credit and Latinos

The “Tax Cuts and Jobs Act,” the latest tax bill from Congressional Republicans, would result in a massive tax cut for the richest Americans and big corporations, while providing little, if any, tax relief to working- and middle-income families. Corporations would see their rate drop from 35% to 20%, amounting to a $1.5 trillion tax cut, and the rich would disproportionately benefit: the richest 1% would get 28% of the tax cut in 2019, whereas the poorest 20% would only see 2% of the tax cuts. To pay for these massive tax cuts, the bill proposes eliminating several tax deductions, but the revenue raised would be insufficient to cover the cost. Therefore, spending on important programs like health care, nutrition, education, and housing, will be slashed, jeopardizing the well-being of Latino families.

The tax bill would also restrict eligibility for immigrants to qualify for refundable tax credits. Currently, taxpayers filing with an Individual Taxpayer Identification Number (ITIN) are eligible for the Child Tax Credit (CTC). The Congressional Republican plan would require parents claiming the CTC to provide a Social Security number for each qualifying child. These proposals would impact millions of mixed status Latino families, which include nearly four million U.S.-citizen Latino children.

What Is the Child Tax Credit?

The CTC supplements the wages of the lowest-income taxpayers, helping low-paid working parents put food on the table and buy other necessities for growing children. The CTC provides a tax credit of up to $1,000 per child, and if the CTC amount is greater than the family’s tax liability, the Additional Child Tax Credit (ACTC) refunds at least a portion of the unused CTC. The value of the ACTC refund is the smaller of two amounts: either the unused CTC amount, or 15% of a family’s income above $3,000. The CTC is only available to taxpayers who are working, earning income, and raising children, and is legally available to qualified taxpayers using a Social Security number or an ITIN, many of whom are immigrants.
Who Benefits From the CTC?

The Child Tax Credit is an important benefit for working-class families. Because the credit is partially refundable, the CTC provides families with a tax refund that they often use for necessities like food and housing. The CTC helps reduce poverty and ensure working-class Americans have more money in their pockets.

- In tax year 2014, 19.8 million tax filers received $26.6 billion worth of tax credits through the refundable portion of the CTC, and the latest Census data show that 33% of CTC beneficiaries were Latino.  
- CTC lifted an estimated 981,000 Latinos out of poverty in 2015, including an estimated 560,000 Latino children.  
- In 2013, 4.38 million tax returns were filed with ITINs (about 3% of all tax returns). Among these 4.38 million tax returns, 61% (2.68 million) were mixed-use returns having either a parent with an ITIN and at least one child with a Social Security number, or a parent with a Social Security number and at least one child with an ITIN.  
- In 2013, ITIN taxpayers claimed 5% ($1.31 billion) of CTC benefits and 17% ($4.72 billion) of ACTC benefits.

What About the Tax Bill?

The future of the CTC for immigrant families is in jeopardy. The “Tax Cuts and Jobs Act” would require taxpayers to provide a Social Security number for each qualifying child. The CTC helps children from low-income families work toward achieving the American Dream: when children receive the CTC, they do better in school, enroll in college at a higher rate, and continue to reap the benefits into adulthood through higher employment and earnings.

The harmful consequences of restricting the CTC would also impact U.S. citizen children in mixed-status families. For example, if a family has three children, and two do not have a Social Security number and therefore cannot be claimed under the CTC, the family as a whole will face reduced support, making it harder to put food on the table and a roof over their heads.

Congress should oppose a tax agenda that takes benefits away from working-class American families to provide trillions in tax cuts for the rich and large corporations. Instead, Congress should enact true tax reform that raises revenue to invest in our economy, is progressive to ensure all people pay their fair share, supports working-class families and children to reduce poverty, and promotes economic mobility and asset-building for those struggling to get ahead.
All sources accessed November 2017, unless otherwise noted.


7 Ibid.