The Child Tax Credit: A Critical Anti-Poverty Tool for Children in Immigrant Families

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What is the Child Tax Credit?

Enacted in 1997 and expanded in 2001 with bipartisan support, the Child Tax Credit (CTC) modified the U.S. tax code to account for the cost of raising a child. The CTC is worth up to $1,000 per child and taxpayers start to become eligible once they reach $3,000 in earnings. The CTC is an effective anti-poverty tool that played an essential role in lifting approximately 2.8 million people in 2015 out of poverty, about 1.6 million of whom were children. Beyond the 2.8 million who moved out of poverty, the CTC reduced the depth of poverty for an additional 13.3 million people in 2015, including 6.6 million children.

For hard-working families, particularly those with the lowest incomes, the CTC has lasting benefits. According to research, 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. Further, children in low-income families who receive tax credits are more likely to attend college and earn higher wages as adults.

Proposals to deny CTC to children in mixed-status immigrant families

For people required to pay taxes but ineligible for a Social Security number, the Internal Revenue Service (IRS) issues Individual Taxpayer Identification Numbers (ITINs). ITIN filers include immigrants, foreign national students, and people in the U.S. on a temporary visa. IRS eligibility rules specify that ITIN filers cannot claim the CTC unless they meet several requirements, including earning income and living with an eligible dependent.

This year Congress has introduced two bills that would deny the CTC to ITIN-filers. President Trump's 2018 budget would also restrict access to the CTC unless each parent in the household and all children being claimed have valid Social Security Numbers (SSN). It is also likely that this proposal could be incorporated into broader tax legislation. These proposals will tear the CTC away from hardworking, mixed-status families, who in addition to paying payroll taxes also pay sales, gas, and property taxes. They include over 5 million children, the vast majority of whom are U.S. citizens.
Why all children should have access to the CTC

Federal tax policy should promote employment for parents while improving the lives of future generations. The CTC accomplishes this by reducing a family’s tax liability as their household size increases. Congress should honor the CTC’s bipartisan legacy and continue this highly effective policy. This is especially important for children in immigrant families. They comprise one-quarter of our increasingly diverse child population, making the CTC essential for families and our nation’s economic future. The economy and local businesses where families spend their money also benefit from CTC dollars.

The children of ITIN filers are especially likely to live in low-income families that experience hardship, with annual earnings of just over $21,000 a year. Eliminating the ability of ITIN filers to claim the CTC on behalf of their children would take an average of $1,800 out of their pockets, restricting a child’s access to basic needs such as food, clothing, and housing. This loss, equating to 8.5 percent of their annual income, would push families into poverty and deepen distress for those already poor. Restricting access to the CTC will take food off the table, hurt children’s development—deepening child poverty and exacerbating the poverty cycle—while putting America’s economic future at risk.

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4. Ibid.
5. Mixed-status families in this fact sheet are defined as families with minor children with at least one unauthorized parent.
15. In 2010, the average ACTC refund amount for ITIN taxpayers was $1,800, and their average household wages were $21,240. 7.8% = $1,800/(1,800+21,240)
16. David Rogers, “GOP targets immigrants in tax credit.”