CLASP Statement for the Record
United States Senate Committee on Finance
June 14, 2023

The Center for Law and Social Policy (CLASP) is a national, nonpartisan, anti-poverty nonprofit organization advancing solutions to improve the lives of people with low incomes. For over fifty years, our organization has promoted policy solutions at the legislative and administrative level to improve economic prosperity for individuals and families with low incomes. We use research and analysis to advance effective policy solutions that disrupt structural and systemic racism and sexism and remove barriers blocking people from economic security and opportunity. CLASP has advocated for tax credit expansions to support individuals and families with low incomes, as well as promoting access to benefits for immigrant children and families who make vital contributions to our economy and society.

CLASP appreciates the opportunity to submit a written statement for the record for the United States Senate Committee on Finance hearing titled “Anti-Poverty and Family Support Provisions in the Tax Code”. The tax code provides an opportunity to advance equity and to reduce poverty for individuals and families, and we applaud the Senate Finance Committee for discussing these topics. To address poverty among families, we appreciate the introduction of the Working Families Tax Relief Act, but we urge lawmakers to restore Child Tax Credit (CTC) eligibility for children who have Individual Taxpayer Identification Numbers (ITINs) in the bill. CLASP believes in promoting opportunity for individuals regardless of their immigration status, and leaving out kids with ITINs from the policy will only reduce the anti-poverty effects of the legislation.

Expanding the CTC and making it fully refundable reduces poverty for children and families through the tax code. The temporary expansion of the credit in 2021 led to unprecedented reductions in child poverty,1 reduced food hardship for families with children,2 and decreased financial stress among parents.3 CLASP, along with other partner organizations and in collaboration with Ipsos, surveyed a nationally represented sample of adults to evaluate the effects of the expanded CTC on families with children. We administered three rounds of the survey to assess the impacts on families before, during, and after the distribution of the monthly,

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expanded CTC payments. Families who received the monthly CTC payments reported having an easier time affording their basic needs, and used the payments toward expenses like monthly bills, food and groceries, and their rent or mortgage payment. Once the expanded monthly CTC payments expired, these positive trends reversed for families.

We applaud the introduction of the Working Families Tax Relief Act by Senators Brown, Bennet, Booker, Warnock, and Wyden, which would permanently expand the CTC for families with children, in addition to making positive improvements in the Earned Income Tax Credit (EITC). But we are disappointed that the bill does not restore CTC eligibility for children who have ITINs. For the credit to most effectively reduce child poverty, it must be inclusive of all children in need.

Children of immigrants make up 1 in 4 of all children in the country and while the vast majority are U.S. citizens, many are part of mixed-status families where one or more family members may be undocumented or have another immigration status. Additionally, about 1 million undocumented children growing up in the United States file their taxes with an ITIN. These children, also referred to as “Little Dreamers,” previously had access to the CTC until they were excluded under the Tax Cuts and Jobs Act of 2017. As a result, these children, as well as their families, have gone without critical economic support, even during the height of the COVID-19 pandemic. Research shows the significant impact more inclusive tax policies would have on alleviating child poverty nationally, and in particular for Latino children, who are over-represented among ITIN-holding children currently excluded from the CTC. While this problematic exclusion is expected to sunset in 2025, each year that goes by represents a loss in the potential for positively impacting a child’s long-term development.

We appreciate that the Working Families Tax Relief Act would make the CTC fully refundable, making the credit equally available to families with the lowest incomes. Full refundability in the CTC especially benefits Black and Latinx families who are likelier to be left

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out of receiving the full CTC under current law due to earning too little income. The bill also would increase the CTC amount given to families and provide a higher amount for children under age six. Research has concluded that providing families with increased income during these pivotal stages of early child development will result in positive long-term outcomes for the child. Providing the CTC payments monthly also allows parents to use the payments for monthly expenses their family needs to maintain economic stability—expenses like bills, food, household cleaning supplies, transportation costs and car repairs. Implementing all of these CTC expansions on a permanent basis will promote positive outcomes for children and invest in families.

We also applaud the inclusion of expansions to the EITC for workers with low-and moderate- incomes in the Working Families Tax Relief Act. These changes to the EITC would increase the credit for workers without dependent children, who under current law are taxed deeper into poverty, partly due to the meager credit they are eligible to receive from the EITC. The bill also would support younger workers and older workers. The EITC is an effective anti-poverty tool because it reaches workers who are paid low wages and allows them to save money, as well as help them cover essential expenses, like an emergency car repair. These EITC changes would reach an estimated 17 million workers who are paid low wages.

The Working Families Tax Relief Act provides an exciting opportunity to reduce child poverty and to support low- and moderate-income workers and families through our tax code by expanding the CTC and the EITC. But we urge lawmakers to include CTC eligibility for children with ITINs. The tax code should promote equity, and continuing these harmful eligibility restrictions would reduce the bill’s anti-poverty impacts.

We thank you for the opportunity to submit this written statement for the record. If you have any questions regarding this topic, please feel free to contact Ashley Burnside, Senior Policy Analyst with the Income and Work Support Team at CLASP at aburnside@clasp.org.

13 Ibid.