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DEFENDING PUBLIC BENEFITS: PLAYBOOK FOR POLICYMAKERS

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INTRODUCTION

Millions of Americans rely on public benefit programs to help them meet their basic needs, but these programs now face drastic cuts through the Congressional reconciliation process. **This document is a playbook that policymakers can use to understand what is at stake and counter proposed changes to core benefit programs that would cause people to lose access to food, shelter, and health care.** We hope policymakers and their staff can reference this document during legislative budget debates, using talking points and citing resources compiled here.

The programs covered in this playbook are Medicaid; the Supplemental Nutrition Assistance Program (SNAP); the Child Tax Credit (CTC); and the Earned Income Tax Credit (EITC). For each program, we have outlined harmful policy changes that have been publicly reported and could be part of a budget reconciliation bill. These proposed changes would take food, shelter, and health care away from millions of people to fund tax breaks for the ultra-wealthy.

This playbook was organized by the Public Benefits Justice team at the Center for Law and Social Policy (CLASP). CLASP is a national, nonpartisan organization advancing policy solutions that improve the lives of people with low incomes. Our team advocates to protect and improve public benefits like SNAP, WIC, rental assistance, and Medicaid. At the same time, we call for policies like guaranteed income and an expanded CTC, which have had an enormous impact on reducing poverty in recent years. We envision a future where everyone's basic needs are abundantly met and everyone has the opportunities and resources to flourish.

For any questions related to the contents of this playbook, please contact Juan Gomez, CLASP's Interim Director of Legislative Affairs, at **jgomez@clasp.org** and/or Isha Weerasinghe, CLASP's Director of Public Benefits Justice, at **iweerasinghe@clasp.org**.

MEDICAID

Medicaid provides health care to more than 79 million people, 30 million of whom are children. Medicaid's importance as a core public benefit cannot be understated. It is the largest payer of mental health care and services in the country. Medicaid is also the key source of care for 7.2 million seniors, including many in nursing homes. More than 41 percent of births in the country are paid for by Medicaid; in some states, the program pays for more than 50 percent.[1] The budget reconciliation bill released by the Senate Finance Committee will be severely detrimental to Medicaid enrollees, and state budgets.

Proposals discussed in this section are not inclusive of all the cuts proposed but include:

- **Introducing Work Requirements to Medicaid**
- **Reducing the Limit on State Provider Taxes or Fees**
- **Reducing the FMAP for States "Using Medicaid Funds for Undocumented Immigrants"**
- **Eliminating Health Care Eligibility for Immigrant Populations**
- **Reducing the FMAP for Immigrants Using Emergency Services in Medicaid Expansion States**

INTRODUCING WORK REQUIREMENTS TO MEDICAID

What would the change be?

Work requirements are an added eligibility requirement for public benefit programs. To continue receiving benefits through programs with work requirements, recipients must prove that they work or participate in work-related activities at least 80 hours per month. The reconciliation bill passed by the House would implement a federal mandate for states to implement work requirements on the Medicaid expansion population, causing more than 8 million people to lose health insurance.

How might it be enacted?

- Introducing work requirements is a cut to Medicaid, no matter how it's phrased, and will cause many current recipients—most of whom already work—to lose health coverage. It does nothing to address "fraud" or "waste."
- Both House and Senate proposals mandate states implement a "work requirement" by January 1, 2027. States will face enormous challenges setting up IT systems and internal protocols to implement such a massive change to Medicaid eligibility.
- Similar to the House-passed proposal, the Senate proposal requires everyone ages 19-64 to prove they are working at least 80 hours per month, meeting the requirement through education or training, or qualify for an exemption. The Senate bill only exempts parents who

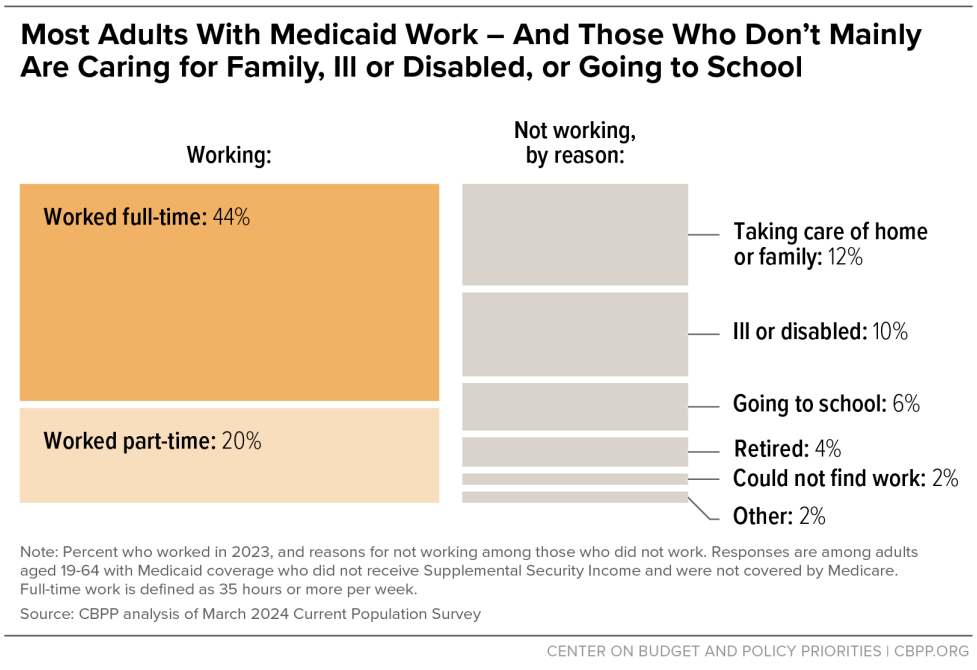
have children under age 14.

- This proposal cannot be enacted or implemented well. There will certainly be people who lose their health insurance who are meeting all the requirements or should be exempt. Lessons from other programs are clear: the purpose of "work requirements" is to kick people off the program, regardless of whether they are the intended target.

What can we say to defend against it?

- The Trump Administration encouraged states to introduce work requirements to Medicaid through the waiver process during President Trump's first term. A few states attempted to implement a work requirement, to little success[2]; they did not increase employment. In Arkansas,[3] for example, employment rates did not rise, yet almost 16,000 people out of the 60,680 who were subject to the requirement lost health coverage. Only 1,232 lost coverage because they actually did not meet the work requirements. The vast majority of those who lost their coverage had cases closed for paperwork reasons or relocation.[4]

- It's estimated that the House proposal would cause up to 14.4 million people to lose their Medicaid health insurance.[5] The Senate version will likely cause greater insurance loss due to changes in how many parents are exempt. Most people would lose coverage because of challenges navigating reporting requirements, not because they don't work. Over 90 percent of enrollees either work full- or part-time or aren't working for good reasons such as caregiving responsibilities, illness or disability, or school attendance.[6]



- Work requirements have been implemented in other programs, and the result has been no increase in employment.[7] For more than 20 years, both SNAP and TANF have had work

requirements for certain populations. These policies have not been effective in connecting people to long-term jobs.[8] Any improvements in employment outcomes are often temporary. And when people do get hired, the jobs often don't provide living wages or benefits such as health insurance or paid time off. **In fact, access to Medicaid helps people get and stay employed because they can access the health care they need to manage chronic conditions**.[9]

- Work requirements only succeed at one thing: kicking people off benefits because the application or recertification processes become too confusing.[10] For every additional piece of paperwork required, it becomes more difficult for someone to successfully apply for and retain Medicaid.[11] Proving compliance with work requirements can be especially challenging for gig workers and others who are working multiple jobs with unpredictable schedules.

- Proponents may claim work requirements only affect "able-bodied" adults, but people with disabilities and caregiving responsibilities still lose coverage because they don't have the "right" paperwork to prove their exemption.

- Work requirements create massive amounts of red tape for administrators. In Arkansas, the policy cost the state and federal government $26.1 million to implement.[12] Research found that significant costs were incurred trying to notify beneficiaries of new rules and that reporting information about eligibility online was complicated.[13] As much as 65 percent of the total cost to implement work requirements in Georgia came from systems modifications and outreach campaigns.[14]

REDUCING THE LIMIT ON STATE PROVIDER TAXES OR FEES

What would the change be?

Medicaid is financed by a combination of federal and state funding. States are responsible for anywhere between 17 percent and 50 percent of total Medicaid costs, and the federal government covers the rest. Since the 1980s, all states except Alaska have imposed fees or taxes on health care providers to help finance the state's portion. Levying provider taxes on provider classes such as hospitals, nursing facilities, and managed care plans is one tool that states have to pay their share of Medicaid costs.

Each state has different provider taxes, with revenue from provider taxes making up approximately 17 percent of state funds used toward Medicaid on average in 2018.[15] Thirty-eight states and Washington, D.C. have three or more provider taxes, and eight states have two provider taxes. Currently, the federal safe harbor limit on Medicaid provider taxes is 6 percent of net patient revenues[16] within a state. For years, policymakers debated the prospect of lowering that limit, and the Senate Finance bill text aims to do just that.

Proposed language says that states that *have not* expanded Medicaid would have a provider tax limit

of 6 percent. For *Medicaid expansion states*, starting in fiscal year (FY) 2027, limits would reduce to 5.5 percent, and drop down 0.5 percent every year until the limit reaches 3.5 percent in FY2031 and beyond, except for nursing homes and intermediate care facilities. This change would impact 22 states having to reduce provider taxes on hospitals or managed care organizations, including Arizona, California, Colorado, Connecticut, Illinois, Indiana, Iowa, Louisiana, Michigan, Minnesota, Missouri, Nevada, New Hampshire, New Jersey, New York, Oklahoma, Oregon, Pennsylvania, Rhode Island, Utah, Vermont, and Virginia.[17] Reducing the limit on provider taxes would be detrimental to state budgets, overextend hospitals, and ultimately prevent needed care for Medicaid recipients.

What can we say to defend against it?

- Most states would lose their ability to impose fees or taxes on health care providers if the 6 percent limit were reduced. As of July 2024, 37 states and Washington, D.C. reported at least one provider tax above 5.5 percent of net patient revenues.[18] If the "safe harbor" were changed to 4 percent, for example, these states may not be able to levy provider taxes starting in 2026. As many as 48 states have at least one provider tax above 3.5 percent of net patient revenues, meaning they would exceed the cap in 2028. Many states would not be able to fund their Medicaid programs if limits on provider taxes were reduced.
- States use provider taxes to supplement and fund a range of services and functions within Medicaid, from obstetric care to mental health, maternity care, and emergency services. States also use funds from provider taxes to provide critical rural and safety net care, and to meet quality and access goals.
- Many states use provider taxes to support their Medicaid expansion populations. States also tend to rely on provider taxes during economic downturns, when general funds in states may decrease. If states cannot use provider taxes, they must either replace the funds with general state revenues or make cuts to Medicaid, such as ending expansion, cutting services provided, or reducing reimbursement rates. The reason this provision is projected to save federal money is that the Congressional Budget Office (CBO) assumes that states will not be able to make up the lost funds from other sources.
- Combined with cuts to federal funding, limits on provider taxes would mean significant losses in Medicaid coverage, as many states will likely no longer be able to fund programs and services. States may limit the number of individuals eligible for Medicaid and reduce provider reimbursement rates that support many different providers in urban and rural areas across specialties—which will cause providers to leave the system.
- Under federal statute, provider taxes already have requirements and restrictions in place, which have been upheld and implemented by CMS.
- More people insured in a state means more revenues to hospitals and other medical facilities to keep their doors open.

ELIMINATING HEALTH CARE ELIGIBILITY FOR IMMIGRANT POPULATIONS

The Senate proposals make devastating changes to health care access for immigrants with legal status, including:

Eliminating eligibility for Medicaid, CHIP, Medicare, and ACA coverage for the following groups with legal status: refugees, asylees, parolees, certain abused spouses and children, certain individuals affected by human trafficking, and others with humanitarian statuses (e.g. Cuban immigrants, individuals living in the United States under a Compact of Free Association). People in these categories have been eligible for federal health coverage due to deliberate decisions by Congress. Reversing this stance will leave many more people without health insurance, driving up costs for everyone.

REDUCING THE FEDERAL MEDICAL ASSISTANCE PERCENTAGE (FMAP) FOR STATES "USING MEDICAID FUNDS FOR UNDOCUMENTED IMMIGRANTS"

What would the change be?

Under current law, except for emergency services, states cannot provide federally funded Medicaid coverage to individuals who are undocumented immigrants. Some states, however, use their own funds to provide coverage.[19] Lawmakers have proposed penalizing states that provide care to people who are undocumented with state funds by cutting the federal government's share of Medicaid costs for the expansion population. This proposal would double the state cost for Medicaid expansion, forcing states to pay 20 percent of the cost rather than the current 10 percent.

How might it be enacted?

Retaliating against states that provide health care funds to undocumented immigrants is in the budget reconciliation bill passed by the House. This version requires certain states that use state dollars to provide health care to certain immigrants to increase their share of costs for the Medicaid expansion population from 10 percent to 20 percent. This doubles the states' costs for Medicaid expansion[20].

What can we say to defend against it?

- This proposal restricts states' autonomy over their own health care programs. While federal law restricts undocumented immigrants' access to federally supported health coverage, it doesn't limit states' ability to spend state dollars on similar programs. No member of Congress should support a provision that places such limits on a state's own budget authority.

- This provision could punish U.S. citizens who might lose coverage of some services or find it harder to obtain care because the loss of support from the federal government would cause states to reduce optional coverage or payment rates to providers.
- Communities are stronger when all residents have access to quality, affordable health care. All people living in the U.S., including undocumented immigrants, deserve health insurance. States that find creative ways to provide care to all their residents should be applauded, not punished.
- Reducing FMAP is a punitive measure to retaliate against states that use *state funds only* to cover certain populations. Telling states that they can't receive federal funds because of an unrelated expenditure of state funds sets a dangerous precedent. And this proposal is likely illegal in light of National Federation of Independent Business v. Sebelius, where the Supreme Court overturned a law that would have denied Medicaid entirely to states that did not cover the expansion population on the grounds that it was using funding to coerce state action.

REDUCING THE FMAP FOR IMMIGRANTS USING EMERGENCY SERVICES IN MEDICAID EXPANSION STATES

What would the change be?

Currently, immigrant populations living in Medicaid expansion states who are not eligible for Medicaid because of their immigration status are able to access emergency Medicaid services through funds provided from a higher federal match rate. The Senate Finance Committee proposes to reduce the higher rate given to states to provide emergency services for immigrant populations otherwise ineligible for Medicaid, down to the traditional Medicaid percentage.

What can we say to defend against it?

- Reducing FMAP for emergency services for certain individuals, in combination with lower provider taxes, reduced state directed payments, and other proposals in this bill will put states in difficult budgetary discussions where key services will be pitted against one another.
- This proposed change would increase hospitals' and other health facilities' share of uncompensated care, putting an incredible burden on states.

SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (SNAP)

SNAP helps individuals and families with low incomes access nutritious food. The program serves over 40 million people each month, including children and parents, seniors, people with disabilities, and people working in jobs that pay low wages or provide inconsistent hours. By providing monthly benefits, SNAP plays a crucial role in reducing food insecurity. The House budget resolution proposes at least $230 billion in cuts to agriculture programs, which are expected to come primarily from SNAP. This would represent a cut of approximately 20 percent in SNAP, potentially impacting other key nutrition programs like school meals and WIC because families receiving SNAP are automatically eligible for these benefits.[21]

Proposals discussed in this section include:

- **Restricting Thrifty Food Plan Updates**
- **Expanding Time Limits and Work Requirement in SNAP**
- **Requiring States to Pay a Portion of SNAP Benefits (State Match)**
- **Restricting Immigrant Eligibility**

RESTRICTING THRIFTY FOOD PLAN UPDATES

What would the change be?

Established in the 1970s, the Thrifty Food Plan (TFP) sets the bare-minimum grocery budget to meet basic nutritional needs. It is the cheapest of the United States Department of Agriculture (USDA)'s four food plans and determines the maximum monthly SNAP benefit. The 2018 Farm Bill directed the federal government to update TFP every five years to align SNAP benefits with current dietary guidelines and food prices.[22] Before this reevaluation requirement, the TFP had not been fully updated since 1975; benefits levels in 2020 did not reflect current eating and food preparation patterns, making SNAP increasingly inadequate. The TFP received its first adjustment in 2021; this update took into account current food prices, what Americans typically eat, dietary guidance, and the nutrients in food items, as required by law. As a result, benefit levels rose, adding $1.40 per person per day, bringing the average daily benefit to $6.20 per person.[23] The Senate proposal would require the TFP to be "cost neutral" and prevent any future increases based on reevaluations. This would permanently freeze the cost of the TFP outside of inflation adjustments, causing the benefit value to decrease as inflation rises. This will result in outdated benefits and prevent recipients from keeping pace with rising costs associated with maintaining a healthy diet, just as it was for roughly 50 years before the 2021 update. Proposals to restrict updates would decrease future benefit amounts[24] for over 40 million people[25] making it harder for families to afford a healthy diet.

How might it be enacted?

Some lawmakers have claimed that President Biden "unlawfully" increased the TFP minimum because, for 40 years, updates to the basket of food items in the TFP were artificially constrained to be "cost neutral," among other arguments.[26] Restricting future updates to the TFP will likely be included in the reconciliation package or the Farm Bill.

What can we say to defend against it?

- Freezing the updates to the TFP would cut future benefits for over 40 million SNAP participants, leaving them with inadequate support for a healthy diet.[27] Simply adjusting the TFP for inflation ignores scientific evidence and fails to keep benefits aligned with real food costs.
- In recent estimates the CBO[28] determined that rolling back the 2021 update and permanently freezing the TFP cost to only annual inflation adjustments would strip $230 billion in food assistance from SNAP households over the next decade.[29] If enacted, this would be the largest cut to the program since the 1996 welfare law.[30] That law also introduced a number of restrictions, many of which remain in effect, including stricter SNAP eligibility requirements, the time limit for adults without a child in the household, limited access for immigrant families, and some changes to how benefits are calculated that had the effect of lowering benefit amounts. These changes not only weakened SNAP but also set a precedent for long-term restrictions on public benefits, making it harder for families with low incomes to access essential support.
- Even after the 2021 TFP update, SNAP benefits remain modest, rising from just $4.80 to $6.20 per person per day.[31] Repealing the update would push benefits below pre-update levels, making it even harder for participants to afford food amid rising living costs and skyrocketing prices.[32]
- While the benefit levels are adjusted based on inflation each year, they are based on the cost of the TFP the previous June. This means that during times of high inflation, benefit levels increasingly fall behind over the course of the year.

EXPANDING TIME LIMITS AND WORK REQUIREMENTS IN SNAP

What would the change be?

SNAP has long imposed strict work requirements, limiting access for those unable to meet a set number of work hours.[33] SNAP has two distinct sets of work rules for different recipient groups: general work requirements and ABAWD (Able-Bodied Adults Without Dependents) work requirements with time limits. The proposed changes would impose additional restrictions on the ABAWD work requirements. Currently, adults 18-49 without children, referred to as ABAWDs, must

work 80 hours per month or face a three-month time limit on benefits over three years. The 2023 Fiscal Responsibility Act temporarily expanded time limits to adults up to age 54, affecting 750,000 people, while also adding exemptions for veterans, people experiencing homelessness, and former foster youth.[34] Recent proposals from Senate Republicans threaten to make these restrictions even harsher by:

- Eliminating states' ability to waive requirements during times of high unemployment or job shortages. The Senate Agriculture Committee proposal would limit waivers to areas where unemployment is over 10 percent. This restrictive condition leaves out communities with seasonal and emerging workers. Currently, there are only 10 counties[35] in the entire country that would meet this criteria.
- Adds a time limit on benefits for veterans, people experiencing homelessness, and former foster youth. Raising the age limit to 64 for both the general work requirements and ABAWDs.
- Imposing stricter work requirements on parents, grandparents, and other caregivers who have children aged 10 or older. Over 2 million parents and caregivers could lose SNAP, reducing food assistance for the 2.5 million children aged 10 to 17 who rely on them.[36]

How might it be enacted?

Sample legislation includes the America Works Act. Introduced by Rep. Dusty Johnson (R-S.D), this bill aims to strengthen work requirements for ABAWDs receiving SNAP benefits. It raises the ABAWD age limit, exempts only those responsible for children under 7 years old (rather than under 18), and restricts states' ability to apply for waivers.[37]

What can we say to defend against it?

- Most adults who use SNAP either are already working but in jobs that pay low wages and offer unstable hours; are briefly between jobs; have a disability; and/or have significant caregiving responsibilities.
- Research shows that work requirements do not lead to stable jobs or economic security. An extensive literature review found that SNAP work requirements do not increase employment, but cause a large decline in participation in SNAP.[38] A recent study with a large data sample found work requirements have a small and insignificant effect on employment.[39] In other words, work requirements reduce access to benefits for vulnerable populations but do not lead to improvement in labor market outcomes. The people who leave are not doing so because they no longer need food assistance.
- Work requirements make public benefits harder to access and add unnecessary burdens for people who need food.[40] Basic, life-sustaining support should not depend on meeting a work requirement.

- There is a common belief that stricter work requirements save money, but evidence suggests otherwise. When Arkansas implemented work requirements for Medicaid, the policy ended up costing the state and federal government $26.1 million without achieving its intended employment goals.[41]

REQUIRING STATES TO PAY A PORTION OF SNAP BENEFITS (STATE MATCH)

What would the change be?

Currently, SNAP benefits are 100 percent federally funded, while states cover about half the administrative costs for eligibility screening and benefit distribution. However, recent proposals would require states to contribute to SNAP food benefit costs for the first time in nearly 50 years. Shifting even a small portion of SNAP funding to states would significantly alter the program's structure, strain state budgets, and force policymakers to either absorb the cost or cut funding from other programs.[42] Most states cannot take on these additional expenses, which would likely result in stricter eligibility requirements, reduced benefits, or both. Under the Senate proposal, most states would be required to cover 5 to 15 percent of food benefit costs starting in 2028, with the exact percentage based on each state's error rate. In contrast to the House-passed reconciliation package, which would require cost-sharing only from states with an error rate of 6 percent or higher, the Senate proposal imposes broader financial responsibility. In addition, this proposal would increase the state share of SNAP administrative costs from 50 percent to 75 percent for all states in 2027, reducing the federal share of administrative SNAP costs from 50 percent to 25 percent.

How might it be enacted?

- Any attempt to change SNAP's finance structure would likely be included in the reconciliation process.[43]
- President Trump's 2018 budget proposed state match starting at 10 percent and increasing to 25 percent of benefit costs over time. It would also have given states "new flexibility" to help manage their costs–likely allowing states to cut eligibility, benefits, or both.[44]

What can we say to defend against it?

- Shifting SNAP costs to states would cost states hundreds of millions of dollars and could lead to stricter eligibility rules, reduced benefit amounts, or both, directly undermining the program's effectiveness in fighting food insecurity. States that struggle to cover their share may be forced to limit participation, making it harder for vulnerable families to access the nutrition they need to stay healthy and financially stable.
- Shifting SNAP costs to states would undermine the benefit's important role as a counter-cyclical stabilizer, as states would be less able to respond to increased need at times when their budgets are under strain from falling revenues and other increased demands. This

would hurt local businesses and make recessions deeper and longer lasting.

- If states are unable to meet new SNAP funding obligations, they may be forced to cut funding for other critical programs such as education and health care. Shifting SNAP costs to states could create budget shortfalls that put these essential services at risk, disproportionately affecting communities with low incomes that rely on multiple safety net programs. This policy would negatively impact all states, but it would be especially harmful to large states like Texas and California, as well as to poorer states—particularly those in the Deep South.

RESTRICTING IMMIGRANT ELIGIBILITY

What would the change be?

The proposed legislation would deny food benefits to all non-citizens who are not lawful permanent residents, including refugees and people who have been granted asylum. These two categories of immigrants were exempted from restrictions enacted in 1996. If approved by the Senate, a large population of non-citizens would be stripped of the ability to adequately feed their families. In FY23, 434,000 refugees and asylees participated in SNAP.

What can we say to defend against it?

- It's essential to understand that asylees and refugees have fled persecution and violence, and often carry deep trauma. Instead of supporting their healing, policies that restrict access to food only add to their stress and hardship
- This proposal creates fear and confusion, discouraging even eligible immigrants and U.S. citizen children from accessing food assistance. When immigrant families avoid programs like SNAP due to fear, hunger and poverty increase. This change would have a particularly chilling effect on SNAP enrollment among immigrant communities. It could also cause mixed-status families to lose benefits or face confusion and fear around eligibility.
- Research has shown that the stress caused by the lack of readily available nutrient-rich food can adversely impact physical and emotional health over both the short and long term.[45]
- We must protect access to SNAP for all, regardless of if they are citizens or not. Rejecting fear-based policies and standing up for what is humane is the first step in the right direction.
- The CBO estimates this provision would strip food assistance from 120,000 to 250,000 immigrants over the next decade—including an estimated 50,000 children[46]—putting them at greater risk of food insecurity and long-term harm to their health and development.

CHILD TAX CREDIT (CTC)

The CTC is a partially refundable credit for families with children that is currently worth up to $2,000 per child. The credit's amount phases in for workers starting at $2,500 of earnings, at a rate of 15 cents for every dollar earned.[47] This phase-in means that children in families with the lowest incomes do not receive the full benefit of the credit. The CTC has gone through several changes since it was established in 1997. For example, the 2017 Tax Cuts and Jobs Act (TCJA) modestly improved the CTC for families with very low incomes: a single mother with two children earning the minimum wage received an additional $75 per year. By contrast, the 2017 law doubled the value of the credit for middle-class families and made it newly available to families with higher incomes, pushing the point at which it begins to phase out to $200,000 for single parents (up from $75,000) and $400,000 for married parents (up from $110,000). A more impactful change to the CTC was made in 2021 through the American Rescue Plan Act. The 2021 law temporarily increased the CTC to $3,600 per child ages 0-5 and $3,000 per child ages 6-17; made the credit available to families monthly; and made it fully refundable. This change drove the one-year historic drop in child poverty by nearly half.[48]

Proposals discussed in this section include:

- **Eliminating Eligibility for Children with SSNs in Mixed-Status Households**
- **Failing to Restore Eligibility for Children with ITINs**
- **Not Making the CTC Fully Refundable and Available to Families with Low Incomes**

ELIMINATING ELIGIBILITY FOR CHILDREN WITH SSNS IN MIXED-STATUS HOUSEHOLDS

What would the change be?

Under current law, children with Social Security numbers (SSNs) in mixed-status families can receive the CTC if their household meets the other eligibility requirements. A parent with an Individual Taxpayer Identification Number (ITIN)[49] can claim the CTC for any children in the household with an SSN when they file their taxes. Some lawmakers want to take the CTC away from children who are citizens if their filing parent has an ITIN.

The House-passed reconciliation bill restricts the CTC to households where every family member has an SSN. If lawmakers remove eligibility for parents with ITINs and require that the whole household have SSNs, this will bar access to the credit for an estimated **4.5 million children who are U.S. citizens and legal permanent residents**.[50] State data is available with how many children would be impacted by this proposed exclusion.[51]

The Senate reconciliation bill restricts access to the CTC to families that have at least one parent with an SSN. An estimated **2.6 million citizen children have only undocumented parent(s), meaning they would be barred from accessing the CTC under this proposal**.[52] State data is available with how many children would be impacted by this proposed exclusion.[53]

How might it be enacted?

- Requiring all household members to have an SSN for the family to be eligible for the CTC would likely be included in an extension of the 2017 TCJA provisions through reconciliation.
- Previously introduced bills have included this proposed requirement, including the Family First Act[54] and the Family Security Act (S.5256).[55] The bill language that could be used is:

"(e) Identification requirements. —

"(1) IN GENERAL. —No credit shall be allowed under this section to a taxpayer who does not include on the return of tax for the taxable year—

"(A) the social security number of the taxpayer (and, in the case of a joint return, the social security number of at least 1 spouse), and

"(B) with respect to any qualifying child, the name and the social security number of such qualifying child."

What can we say to defend against it?

- All families who pay federal taxes should be eligible for the CTC, regardless of their immigration status. People with ITINs pay federal taxes—that's why they have an ITIN number.
- It is a myth that undocumented immigrants don't pay taxes. In 2022, undocumented immigrants paid an estimated $59.4 billion in federal taxes and $37.3 billion in taxes for state and local governments, totaling $96.7 billion.[56] In 40 states, undocumented immigrants pay higher state and local tax rates than the top 1 percent of households in the state.[57]
- Providing cash to families through policies like the CTC has a positive return on investment for families by reducing child poverty.[58] Children flourish when their material needs are met, and they are better able to form nurturing relationships with caregivers when the adults in their life aren't overwhelmed with stress about where their next meal will come from. Arbitrarily restricting access to the CTC for mixed-immigration status households will leave us all worse off.

FAILING TO RESTORE ELIGIBILITY FOR CHILDREN WITH ITINS

What would the change be?

Prior to the 2017 TCJA, households with ITINs could claim the CTC for any child in the home if they met the other income and household eligibility requirements. The 2017 tax law cruelly attacked immigrant children by restricting CTC eligibility to children who have SSNs, making an estimated 1 million children ineligible for the CTC.[59] State fact sheets are also available to evaluate how many children are excluded and the economic impact of this policy.[60]

How might it be enacted?

The exclusion of children with ITINs will expire at the end of 2025 if Congress lets the 2017 TCJA expire. Extending the exclusion would likely be included in an extension of TCJA provisions through reconciliation.

What can we say to defend against it?

- All families who pay federal taxes should be eligible for the CTC, regardless of their immigration status. People with ITINs pay federal taxes—that's why they have an ITIN number.
- It is a myth that undocumented immigrants don't pay taxes. In 2022, undocumented immigrants paid an estimated $59.4 billion in federal taxes, and $37.3 billion in taxes for state and local governments, totaling $96.7 billion.[61] In 40 states, undocumented immigrants pay higher state and local tax rates than the top 1 percent of households in the state.[62]
- Providing cash to families through policies like the CTC has a positive return on investment by reducing child poverty.[63] Children flourish when their material needs are met and they are better able to form nurturing relationships with caregivers when the adults in their life aren't overwhelmed with stress about where their next meal will come from. All kids deserve a stress-free childhood.

NOT MAKING THE CTC FULLY REFUNDABLE AND AVAILABLE TO FAMILIES WITH LOW INCOMES

What would the change be?

Under current law (as was implemented under the 2017 TCJA), the CTC is only partially refundable and has an earning requirement of $2,500.[64] Once a family's earnings go above this amount, the credit phases in at 15 cents for every dollar earned. The earning requirement, low phase-in rate, and

partial refundability of the credit result in some families not getting the full CTC due to their families not earning enough. These are the families who could benefit from the CTC the most.

How might it be enacted?

Some lawmakers have suggested that tying the value of the CTC to inflation and/or increasing the size of the credit is the primary reform needed. Simply adjusting the credit to inflation or increasing the size of the credit would benefit families with high incomes but have little benefit for families with low incomes who are already unable to access the full value of the credit. Inflation adjustments would not change the structural issues with the credit. Lawmakers can and should do more to reduce child poverty by making the credit fully refundable.

What can we say to defend against it?

- Lawmakers should prioritize changes to the CTC that make the credit fully refundable and available to families with little to no earnings in the reconciliation package—this would be the most effective way to reduce child poverty.[65] Increasing the maximum credit amount would cost more than making the full credit available to families with the lowest incomes and would not address the equity gap.
- An estimated 17 million children didn't get the full CTC due to their families not having high enough incomes in 2023—this represents 25 percent of our nation's children. These children are disproportionately likely to be Black and Latino due to structural racism embedded within our nation's labor market. In addition, 30 percent of children living in rural communities were not eligible for the full CTC due to their families' income being too low.[66]
- The House-passed reconciliation package temporarily increases the maximum CTC to $2,500 per child while not changing the structural problems with the credit. Under these proposed changes, an estimated **one in three children** (22 million children) would not get the full credit because their family does not earn enough.[67]
- The Senate reconciliation package permanently increases the maximum CTC to $2,200 per child and permanently indexes the nonrefundable credit amount for inflation beginning after tax year 2025. This does not increase the credit available to the 17 million children who don't get the full CTC due to their families not earning enough and does not fix the structural inequities within the CTC.

EARNED INCOME TAX CREDIT (EITC)

Designed to reward work and reduce poverty, the EITC is a refundable tax credit for working people who are paid low incomes. In 2025, the maximum credit is $649 for tax filers without a qualifying child, $4,328 for tax filers with one qualifying child, $7,152 for tax filers with two qualifying children, and $8,046 for tax filers with three or more qualifying children. The credit phases in with earnings, such that filers with two or more children must have earnings of at least $17,880 to receive the full credit, and starts to phase out once earnings reach $57,310 for a single parent with two children.[68,69] The EITC has traditionally received bipartisan support in Congress.[70]

Proposals discussed in this section include:

- **Restructuring the EITC to Reduce "Improper Payments"**
- **Not Fixing the EITC to Prevent Workers Without Dependent Children from Being Taxed Deeper into Poverty**

RESTRUCTURING THE EITC TO REDUCE "IMPROPER PAYMENTS"

What would the change be?

One of the policy proposals that has been circulated is titled "Restructuring the EITC to Reduce Improper Payments."[71] Lawmakers may propose provisions that they claim reduce improper payments within the EITC to create revenue. These lawmakers use the phrase "improper payments" to promote the false narrative that public benefit programs and tax credits are filled with "fraud." So-called improper payment rates within the EITC are most often innocent mistakes made by taxpayers when filing their taxes. Studies by analysts at the Department of Treasury indicate that a minority of improper payments stem from fraudulent actions.[72]

In the House-passed reconciliation bill and in the Senate reconciliation bill, lawmakers proposed creating a new "pre-certification" for the EITC beginning in 2028, which would create burdensome time and paperwork requirements for parents to claim the credit. This proposal would require that parent filers apply for a certificate for each of their qualifying children every year they claim the EITC beginning in tax year 2028. A similar policy was piloted under the Bush Administration in the early 2000s, and it significantly reduced EITC claims from people eligible to receive the credit, as well as for ineligible filers. The Bush Administration ultimately ended the program.[73] This would be implemented during large cuts in IRS funding and staffing, likely making it harder for the agency to provide comprehensive customer service as tax filers navigate these new rules.

What can we say to defend against it?

- Efforts to reduce "improper payments" in the EITC may cause unnecessary burdens for taxpayers as they try to claim the credit. Filing taxes already is a time-consuming, confusing,

and expensive process for taxpayers. An estimated 1 out of 5 workers who are eligible for the EITC don't receive it.[74] Creating additional barriers to filing for the credit could result in fewer tax filers getting the EITC they are eligible for.

- According to the National Taxpayer Advocate Service, "The improper payment rate does not take into account that for every dollar of EITC improper payments, 40 cents of EITC went unclaimed by taxpayers who appear to be eligible for the credit."[75]
- The main driver of improper payments in the EITC is taxpayer confusion due to the complexity of the rules for claiming the credit. Therefore, lawmakers should invest more money in programs—like VITA, IRS Direct File, and additional funding for the IRS to invest in comprehensive customer support services—that help people with low incomes file their taxes and correctly claim the credits they are eligible for.

NOT FIXING THE EITC TO PREVENT WORKERS WITHOUT DEPENDENT CHILDREN FROM BEING TAXED DEEPER INTO POVERTY

What would the change be?

Under current law, the EITC doesn't reach workers without dependent children as effectively as workers with children.[76] Because the EITC provides a lower credit to this population and because workers must have a low maximum income to be eligible, some people are taxed *deeper* into poverty. This happens because their federal payroll and income taxes exceed their credit, despite having an annual income below the poverty line.[77, 78]

In addition, younger workers (under age 25) and older workers (over age 64) are ineligible for the EITC if they don't have children. Lawmakers may fix the age restrictions for so-called childless workers in the reconciliation bill but not increase the size of the credit for this population. Just expanding eligibility isn't enough to help workers without dependent children. The American Rescue Plan Act of 2021[79] and the Working Families Tax Relief Act[80] are positive examples of legislation that *both* expanded EITC eligibility to younger and older workers without dependent children *and* fixed the credit amount for many people in this population.

What can we say to defend against it?

- Lawmakers may fix the age restrictions without increasing the size of the credit for workers without dependent children, or remove the age restriction for older workers but not younger workers. Just changing the age restrictions would not fix the credit for many of these workers. If lawmakers want to truly improve access to the EITC for workers without dependent children, they must do more than simply extend the ages of eligibility. They must also increase the credit amount and the phase-in and phase-out rates, as well as increase the

income level where the credit begins to phase out for this group of workers.[81]

- Younger workers are more likely to start their careers in jobs that pay a lower wage and may not have much in savings. For this population, getting a substantive EITC is especially important.[82] One study found that the expanded EITC decreased the share of young workers with difficulty affording their rent and mortgage payments.[83] Young workers are also often ineligible for support through federal anti-poverty programs or are only eligible for meager benefits, and face higher poverty rates than other age demographics.

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