

Social Security Number Requirement for the Child Tax Credit is Bad Policy

Last year – in an almost straight party-line vote - the House of Representatives approved a measure to deny eligibility for the refundable Child Tax Credit (CTC) to millions of poor children, the majority of whom are U.S. citizens. This bill – which did not receive Senate consideration - would require that a parent file taxes with a Social Security number (SSN). Immigrant workers who are ineligible for an SSN and file their taxes with an Individual Tax Identification Number (ITIN) would be prevented from claiming this financial lifeline.

This vote is one example of relentless efforts by some in Congress to deny undocumented immigrants eligibility for the benefits they *earned* through the work they did and the taxes they paid. Congress has long prohibited most non-citizens from receiving many federal means-tested programs.

General Facts

All working immigrants – regardless of status - are required to pay U.S. income and payroll taxes and are eligible for the Child Tax Credit

- Undocumented immigrants and some who are lawfully present are not eligible for an SSN and must file their taxes using an ITIN issued by the IRS. This is the only means for a person without an SSN to file a federal tax return, and the IRS created ITINs specifically for this purpose.
- The Treasury Inspector General stated that in 2010, returns filed with an ITIN reported wages of up to about \$60 billion and income tax withholding of more than \$1.78 billion.
- Immigrant workers who file with ITINs pay Social Security and Medicare payroll taxes even though they are not eligible for Social Security and Medicare benefits.
- ITIN filers are legally eligible to apply for the CTC/ACTC – this is not a loophole. According to the IRS, “The law has been clear for over a decade that eligibility for these credits [CTC/ACTC] does not depend on work authorizations status or the type of taxpayer identification number used.”¹
- IRS management: “Erroneous or fraudulent claims are not unique to the ACTC, nor are they unique to ITIN filers.”²
- Immigrant workers who claim children who are ineligible for the CTC/ACTC often do so in unintentional error and/or at the direction of unscrupulous paid preparers. These individuals risk severe penalties for fraud.
- Denying ITIN eligibility to the families of millions of children will not address the allegations of fraud – it will further impoverish already vulnerable children.

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Requiring an SSN for CTC eligibility would:

Threaten children's wellbeing

- In 2012, there were nearly 5.5 million children – 4.5 million of whom are U.S. citizens - living with at least one undocumented parent.³ The remainder of the children are little Dreamers, children who are undocumented and came to the U.S. at a young age and consider this country their only home.
- In 2011, children of immigrants—more than 9 million children—accounted for *30.9 percent* of all children in the U.S. in low-income families.⁴
- *Any* change in eligibility for the ACTC will harm children—the very population the tax credit is intended to benefit.

Hurt the working poor

- This is an attack on hardworking ITIN taxpayers who, along with their employers' contributions, paid more than \$13 billion in payroll taxes in 2010.⁵
- In 2013, undocumented immigrant adults had been in the U.S. for a median time of nearly 13 years⁶ and are long-standing residents of their communities.
- Over 50 percent of families using the refundable CTC earn less than \$20,000 per year, over 60 percent earn less than \$25,000 per year, and over 75 percent earn less than \$30,000 per year.⁷
- Nearly half of these workers are raising children on hourly wages of \$10 or less.⁸
- Eliminating the tax credit for these families will take an average of \$1,800 from the low-wage families per year.⁹
- Without this tax credit, families may not be able to pay for basic needs such as groceries, utility bills, or child care.

Betray the Latino community

- This cut will hit Latinos hardest. An estimated 85 percent of families affected by this policy change are Hispanic.¹⁰
- This cut will deepen poverty. There are now nearly 15 million children living in poverty in the United States.¹¹ Nearly one-third of Hispanic children in the U.S. live in households in poverty.¹²

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¹ Andrew Zojac, “Unauthorized U.S. Workers Claim \$4.2 Billion in Tax Credits,” *Bloomberg Business*, September 9, 2011, <http://www.bloomberg.com/news/articles/2011-09-01/tax-credits-of-4-2-billion-claimed-by-unauthorized-u-s-workers>.

² *Recovery Act: Individuals Who Are Not Authorized to Work in the United States Were Paid \$4.2 Billion in Refundable Credits* (Treasury Inspector General for Tax Administration, Ref. No. 2011-41-061, July 7, 2011) (hereinafter “TIGTA report”), www.treasury.gov/tigta/auditreports/2011reports/201141061fr.pdf.

³ Passel, Jeffrey S., D’Vera Cohn, Jens Manuel Krogstad and Ana Gonzalez-Barrera. “As Growth Stalls, Unauthorized Immigrant Population Becomes More Settled” Washington, D.C.: Pew Research Center’s Hispanic Trends Project, <http://www.pewhispanic.org/2014/09/03/as-growth-stalls-unauthorized-immigrant-population-becomes-more-settled>, 9/3/2014.

⁴ Children in Immigrant Families,” *The United States: Social and Demographic Characteristics* (Migration Policy Institute website), www.migrationinformation.org/datahub/state.cfm?ID=US.

⁵ Office of the Chief Actuary, Social Security Administration, Effects of Unauthorized immigration on the Actuarial Status of the Social Security Trust Funds, Number 151, April 2013, http://www.socialsecurity.gov/OACT/NOTES/pdf_notes/note151.pdf.

⁶ Passel, op.cit.

⁷ *SOI Tax Stats: Individual Statistical Tables by Size of Adjusted Gross Income* (Internal Revenue Service webpage), www.irs.gov/uac/SOI-Tax-Stats---Individual-Statistical-Tables-by-Size-of-Adjusted-Gross-Income (search for “All Returns: Tax Liability, Tax Credits, and Tax Payments,” then “Individual Complete Report (Publication 1304), Table 3.3,” then “Tax Year 2011”).

The 50 percent figure was obtained adding the number of returns with a gross income of less than 20,000 who received the refundable Child Tax Credit (Column CY, adding Rows 11 through 15, equaling 10,349,801) and dividing it by the total number of returns receiving the refundable Child Tax Credit (20,485,403) to equal 0.505 (greater than 50 percent).

The 60 percent figure was obtained adding the number of returns with a gross income of less than 25,000 who received the refundable Child Tax Credit (Column CY, adding Rows 11 through 16, equaling 13,397,806) and dividing it by the total number of returns receiving the refundable Child Tax Credit (20,485,403) to equal 0.654 (greater than 60 percent).

The 75 percent figure was obtained adding the number of returns with a gross income of less than 30,000 who received the refundable Child Tax Credit (Column CY, adding Rows 11 through 17, equaling 15,722,738) and dividing it by the total number of returns receiving the refundable Child Tax Credit (20,485,403) to equal 0.767 (greater than 75 percent).

⁸ David Rogers, “GOP Targets Immigrants in Tax Credit,” *Politico*, Jan. 12, 2012, www.politico.com/news/stories/0112/71370.html. The article states that, according to TIGTA, ITIN taxpayers receiving the refundable portion of the CTC make an average of about \$21,240 per household. Based on 2,000 hours of full-time work in a year, this translates to an average hourly wage of \$10.62/hour.

⁹ See TIGTA report, *supra* note 1, p. 5. In 2010, the average ACTC refund amount for ITIN taxpayers in processing year 2010 was approximately \$1,800.

¹⁰ National Council of La Raza, *Preserve Child Tax Credit for Latino Families*, March 2014, <http://www.nclr.org/images/uploads/pages/PreserveCTC4LatinoFamilies.pdf>

¹¹ U.S. Census Bureau, *Income and Poverty in the United States: 2013*, September 2014, http://www.census.gov/content/dam/Census/library/publications/2014/demo/p60-249.pdf?eml=gd&utm_medium=email&utm_source=govdelivery.

¹² Child Trends Hispanic Institute, *America’s Hispanic Children: Gaining Ground, Looking Forward*, September 24, 2014, <http://www.childtrends.org/wp-content/uploads/2014/09/2014-38AmericaHispanicChildren.pdf>.