

# Immigrant Families & Tax Credits – What's At Stake?

*Tuesday, October 13, 2015*

*1:00 – 2:00 pm eastern*

The Webinar will Begin Shortly

# Webinar Overview

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- During presentations, audience will be on “listen only mode.”
- Ask questions at anytime!
- How to ask a question:
  - Use the “chat function” on your screen

# Who We Are

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**EITC**  
**Funders Network**

[www.eitcfunders.org](http://www.eitcfunders.org)



GRANTMAKERS CONCERNED WITH  
IMMIGRANTS AND REFUGEES

[www.gcir.org](http://www.gcir.org)

# Conversation Framing

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**Patrick Hain**  
Annie E. Casey Foundation

# Speakers

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**Ellen Sittenfeld Battistelli**  
National Immigration Law Center



**Wendy Cervantes**  
First Focus

# Overview

- Undocumented immigrants: who are they?
- Immigrants and taxes
- Individual Taxpayer Identification Numbers (ITINs)
- Eligibility for tax credits and looming threats
- Implications for immigrant children and families
- Upcoming challenges and opportunities

# Who are undocumented immigrants?

Individuals who:

- Overstayed temporary visas
- Entered the U.S. without legal documents
- Approximately 11 million undocumented immigrants reside in the U.S., 49 percent of whom have been in the country ten years or more

# Undocumented immigrants are young

	<b>UNDOCUMENTED IMMIGRANTS</b>	<b>U.S. POPULATION</b>
<b>Ages 0-18</b>	10%	24%
<b>Ages 19-44</b>	72%	36%
<b>Ages 45-64</b>	17%	26%
<b>Ages 65+</b>	1%	13%

# Undocumented immigrants are low-income

## LOW-INCOME

below 100% of the Federal Poverty Level

- 32% of undocumented adults
- 51% of undocumented children

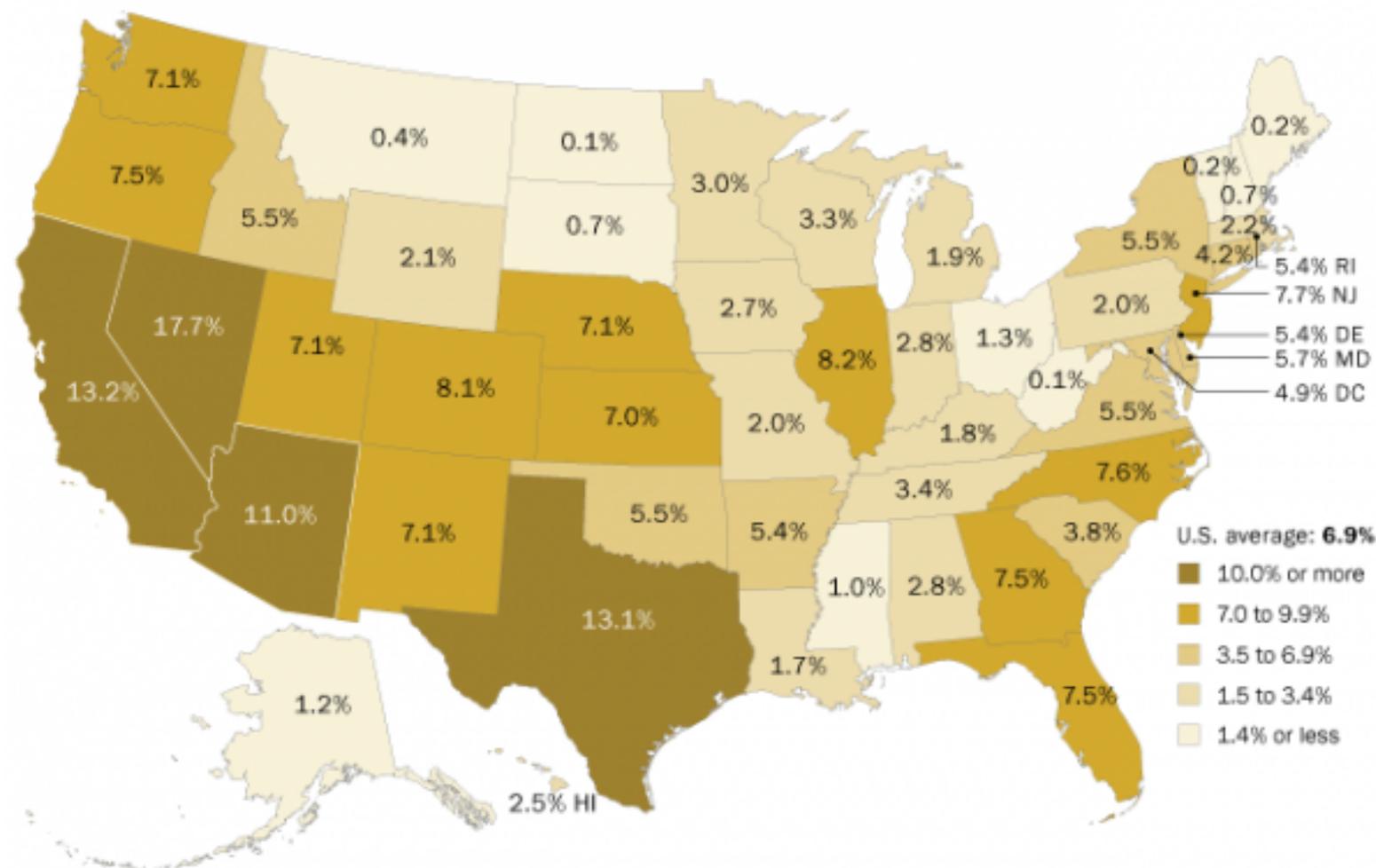
## EMPLOYED

- Large majority – 72 percent - are in the workforce – 7.3 million
- Employed in low-wage jobs:
  - Restaurant and fast food workers
  - Day-laborers
  - Child-care providers
  - Elderly caregivers
  - Farm workers
  - Food processing
- All wage earners required to pay taxes

# Children of immigrants

- Children in immigrant families now comprise **one quarter of all children in the U.S.** and represent the fastest growing segment of the U.S. child population
- **5.3 million** children, **4.5 million of whom are U.S. citizens**, live in mixed-status families with at least one undocumented parent
- Approximately **775,000 children younger than 18** are undocumented, also known as “DREAMers”

## Share of K-12 Students with Unauthorized Immigrant Parent(s), by State, 2012



Note: Percentages calculated from unrounded numbers.

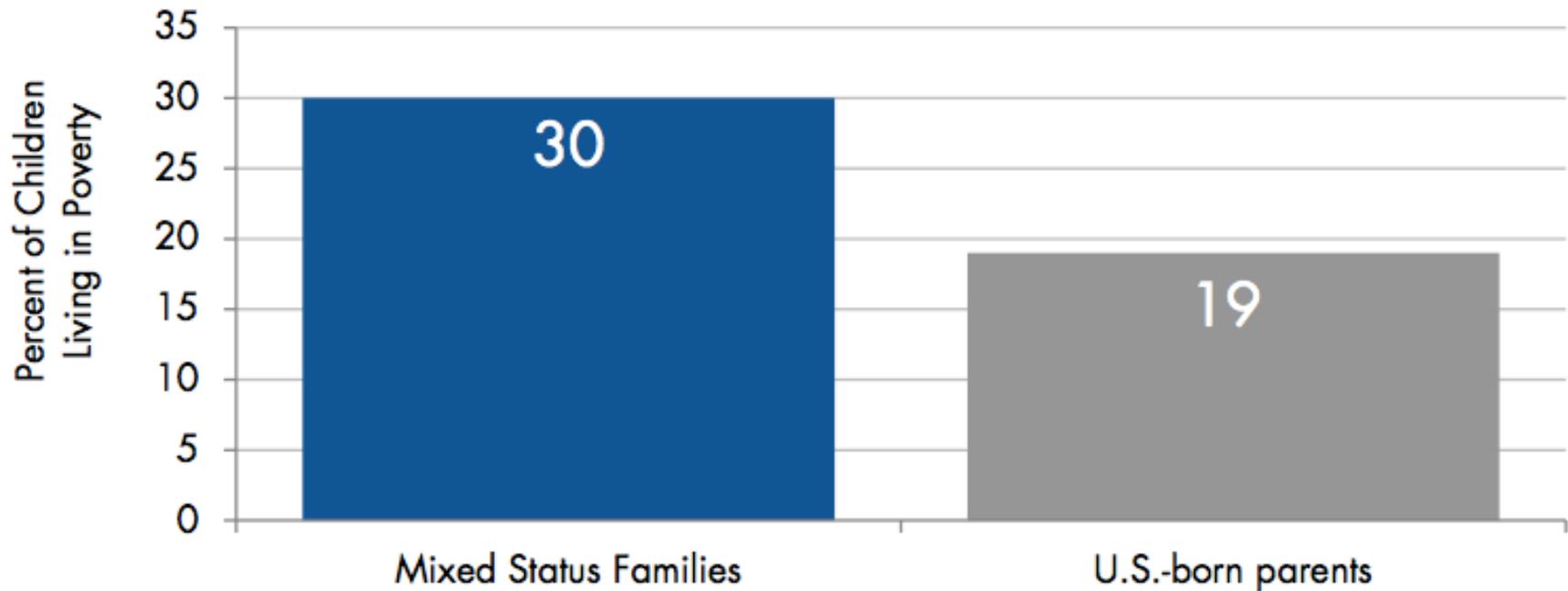
Source: Pew Research Center estimates for 2012 based on augmented American Community Survey data from Integrated Public Use Microdata Series (IPUMS)

# Children of immigrants: Economic well-being

- Children in immigrant families are more likely to be low-income, uninsured, and live in food insecure households
- Without status and work authorization, undocumented parents are more likely to work in low-wage, unstable jobs, be subject to exploitation, and lack access to drivers licenses and basic needs
- Immigrant parents, undocumented and lawfully present alike, are reluctant to seek out public benefits on behalf of their citizen children due to:
  - language barriers
  - confusing immigrant eligibility rules
  - immigration-related concerns

# Children of immigrants: Economic well-being

## Child Poverty Rate in Mixed Status Families and with U.S.-born Parents, 2010



**Source:** Donald Hernandez and Jeffrey Napierala, *Children in Immigrant Families: Essential to America's Future* (New York, NY: Foundation for Child Development, June 2012)



Questions?

# Immigrants and Taxes

- All wage-earners must pay federal taxes: **regardless of their immigration status**
- Undocumented workers and some legally present immigrants are ineligible for a Social Security number (SSN),
- The IRS issues Individual Taxpayer Identification Number (ITIN) as means to pay taxes for those ineligible for a SSN.
- IRS interest is tax collection and enforcing IRC and tax laws. Confidentiality rules protect against immigration enforcement

# Individual Taxpayer Identification Numbers (ITINs)

- Generally for federal tax filing purposes only
- Does not confer immigration status or work authorization
- Does not provide eligibility for Social Security benefits
- Cannot be used after obtaining an SSN

# Benefits of ITINs to the Nation

- In 2010, more than 3 million ITIN federal tax returns paid more than **\$870 million in income tax.**
- In 2010, more than 3 million unauthorized workers, including ITIN-filers, paid more than **\$13 billion into Social Security.**
- The 11.4 million undocumented immigrants currently living in the United States collectively **paid \$11.84 billion in state and local taxes in 2012.**

# Benefits of ITINs to Immigrants

- Allows them to comply with federal tax laws and contribute to the economy
- Evidence of “good moral character” when applying for citizenship
- Tax returns document work history/physical presence in the U.S. – important in proving eligibility under future immigration reform plans
- To claim premium tax credits for family members—including U.S. citizen children—eligible for health care coverage under the Affordable Care Act
- To establish eligibility for an exemption from the ACA’s individual mandate, which requires that people have health insurance
- To claim the Child Tax Credit, including the refundable portion for those with qualifying children

# ITIN Holders Eligibility for Tax Credits

- SSN and ITIN holders are subject to the same rules, deductions and credits. Except:
  - Welfare reform act of 1996 denied Earned Income Tax Credit (EITC) eligibility to ITIN filers.
- ITIN holders are still eligible for the Child Tax Credit (CTC) and the Additional Child Tax Credit (ACTC) **BUT**
- Ongoing efforts by policymakers to deny ITIN filers eligibility for the benefits they earned through the work they did and the taxes they paid
- Attacks have expanded to denying EITC to individuals who receive SSNs through deferred action and even eligibility for SSNs

# Opponents Attack with Sensationalized and Overblown Charges

- **Allegations of fraud in EITC and CTC/ACTC are**
  - unintentional errors, not fraud
  - Errors resulting from complexity of tax law and incompetent and/or dishonest paid tax preparers
- **Legislative proposals seek to address allegations of fraud by:**
  - denying CTC/ACTC to ITIN filers (such as requiring a SSN for filer)
  - Stricter requirements for obtaining an ITIN
- **Harming children is not a solution for addressing fraud. Instead:**
  - Regulate tax preparers
  - Simplify tax rules
  - Install fraud alerts
  - Restore IRS funding

# Child Tax Credit Integrity Preservation Act of 2015 (S. 53)

**Requires tax filer to have an SSN to be eligible for the CTC/ACTC**

## **Impact:**

- While the bill targets tax filers by requiring that they have a SSN to claim the CTC/ACTC, children of filers are directly impacted, including U.S. citizen children

# What would be the impact to children and families?

**Immigrant families filing with an ITIN are currently raising their children on an average of only \$21,000 per year.**

Denying the CTC/ACTC to ITIN filers would:

- Deny **more than 5 million children**, the majority of whom are U.S. citizens, with support to cover basic expenses (clothing, food, rent)
- Take an **average of \$1,800** out of the pockets of low-income families
- Drive child poverty higher at a time when U.S. child poverty rates is at a 20-year high





# Executive Immigration Actions

## **Expanded Deferred Action for Childhood Arrivals (DACA) program:**

- Entered the U.S. prior to age 16, no age cap
- Have continuously resided in the U.S. since January 1, 2010
- Be enrolled in school or have obtained high school diploma or GED
- Pass a background check and pay a fee

## **Deferred Action for Parents of Americans (DAPA) program:**

- Parent of a U.S. citizen or lawfully permanent resident (LPR)
- Have continuously resided since January 1, 2010
- Pass a background check and pay a fee

***On February 16, 2015 a federal district court in the Southern District of Texas issued a preliminary injunction that temporarily blocked the implementation of the new programs.***

# Tax Credit Eligibility for Deferred Action Recipients

- When individuals obtain deferred action they are granted work permits. This then makes them eligible to obtain a SSN and are thereby eligible for the Earned Income Tax Credit (EITC).
- It is estimated that up to **4 million parents** could benefit from the 2014 program, including up to **3.3 million parents of young children**.
- Legislative proposals have focused on making deferred action recipients ineligible for the EITC

# What would be the impact to children and families?

The EITC is a proven tool for fighting child poverty. According to the Center of Budget and Policy Priorities, in 2013 the EITC helped lift **3.2 million children** out of poverty, and combined with the Child Tax Credit lifted **5 million children** out of poverty.

Denying the EITC to DACA and DAPA recipients would:

- Prevent up to **4.5 million U.S. citizen children** from finally being able to access the EITC
- Prevent millions of children from being lifted out of poverty
- Create a two-tiered, two-class system for tax payers filing with a SSN for the first time

# Looking Ahead: Challenges and Opportunities

- Congress facing **multiple deadlines and looking for offsets**
- The need to make **permanent improvements in EITC/CTC**
- Federal and state legislation impacting **immigrant access to public benefits, income supports, and other basic needs (ie. drivers licenses)** presents the need for both a defensive and offensive strategy
- Future of **executive action and immigration reform** will be shaped by changing demographics and political climate
- Federal, state, and local advocacy strategies must make the **moral and economic argument** to both policymakers and the American public

Questions?

# For more information:

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**Don't cut his lifeline.**

The Child Tax Credit helps parents afford kids' necessities like groceries and clothing. But as child poverty soars, some politicians want to raise taxes on kids. They'd permanently deny kids the Child Tax Credit to raise just one-fifth of the temporary payroll tax offset.

We can raise the same amount by asking millionaires to pay just **0.2%** more. Let's make the right choice.

**Don't Cut Kids.**



FIRST FOCUS  
CAMPAIGN FOR CHILDREN  
[www.CampaignforChildren.org](http://www.CampaignforChildren.org)

# Final Q&A

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- How to ask a question:
  - ▣ Use the “chat function” on your screen

# Thanks!

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