California Budget & Policy Center

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Including Immigrant Families in the CalEITC and Young Child Tax Credit Would Boost Economic Security and Benefit Local Communities

Local Economic Benefit of Including ITIN Tax Filers in the CalEITC and Young Child Tax Credit	
Total Estimated Credits for Tax Filers in Assembly District 51	**$2,516,000 - $3,594,000**

Source: Budget Center analysis of US Census Bureau, American Community Survey data

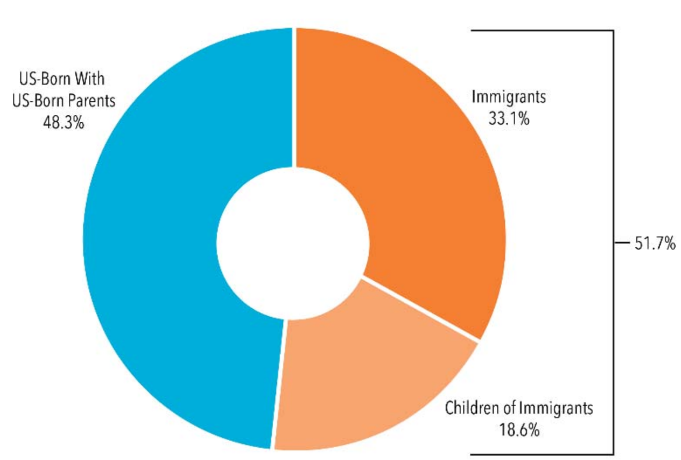
Too many families and individuals in all regions of California struggle to afford the costs of housing, child care, health care, food, and other basic necessities – with serious consequences for health and well-being that can also affect the broader community and economy. Many families that include immigrants face particular challenges to maintaining economic security, even in a strong economy, due to jobs with low wages, unstable work, and the "chilling effect" of recent anti-immigrant federal actions. An economic downturn would likely hit these families and their communities especially hard. At the same time, refundable income tax credits are proven and powerful tools to boost economic security for families and individuals, and California policymakers have made significant state investments in the state's Earned Income Tax Credit – the CalEITC – and new Young Child Tax Credit. However, hundreds of thousands of immigrant families are currently excluded from the CalEITC and Young Child Tax Credit. State lawmakers can choose to include these Californians with a simple change to filing requirements for these tax credits. Doing so would boost economic security for families and individuals in every legislative district, while pumping millions of dollars into local economies throughout California.

Inclusive Tax Credits Would Benefit Californians Who Are Vital to the Economy and Community

Immigrants make up 1 in 3 workers in California – and US-born individuals with immigrant parents represent another nearly 1 in 5 California workers. Most immigrant workers file income taxes using Social Security Numbers (SSNs), while those without SSNs can file using federally issued Individual Taxpayer Identification Numbers (ITINs). However, tax filers are currently only allowed to claim the CalEITC and Young Child Tax Credit if they file their taxes with SSNs. State policymakers

Half of All California Workers Are Immigrants or Children of Immigrants

Immigrant Status of Employed Individuals in California, 2016-2018



Note: Categories are mutually exclusive. Data include employed civilians age 15 or older.
Source: Budget Center analysis of US Census Bureau, Current Population Survey data

can choose to make these credits more inclusive by allowing tax filers who file their taxes with ITINs to claim these important credits as well, which would align eligibility for these credits with the rules for other California tax credits. This change would improve economic security for workers engaged in important, but low-paid work, such as farm workers, cooks, housekeeping cleaners, construction laborers, grounds maintenance workers, and janitors – and their families.

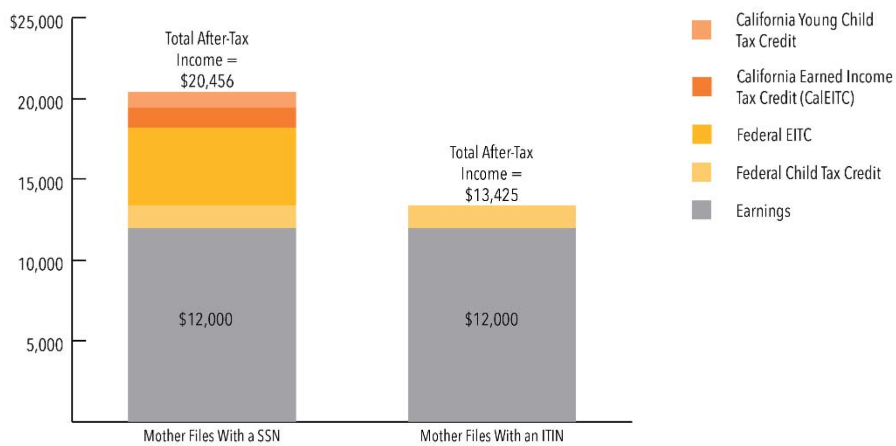
Inclusive Tax Credits Would Increase Economic Stability for Children

Extending the CalEITC and Young Child Tax Credit to excluded immigrant families would improve economic security for more than an estimated 100,000 California children who are learning in California's K-12 classrooms and young adults who are students on the state's higher education campuses – who will be part of the future workforce California needs to secure a strong economy. The current exclusion of tax filers who use ITINs causes huge disparities in after-tax income for children whose parents have exactly the same earnings (see chart). These income disparities significantly affect families' ability to meet the basic needs of their children, with both short- and long-term consequences for their health and well-being.

Most of the children harmed by these exclusions are US-born citizens with immigrant parents, who are members of "mixed status" families. Among children under age 18 currently excluded from the CalEITC because their parents file taxes with ITINs, more than 8 in 10 are estimated to be US citizens.

Tax Credit Exclusions Cause Huge Disparities in After-Tax Income for Children Whose Parents Have the Same Earnings

Two Children Whose Mother Works Part-Time at the State Minimum Wage in 2019



Note: SSN–Social Security Number valid for work. ITIN–Individual Taxpayer Identification Number. Analysis assumes both children have SSNs. These families do not owe state or federal income tax.
Source: Budget Center analysis of Section 17052 of the California Revenue and Taxation Code and Section 32 of Title 26 of the Internal Revenue Code

Including Immigrant Tax Filers in the CalEITC and Young Child Tax Credit Would Boost Security for Hundreds of Thousands of Californians and Pump Millions of Dollars Into Local Economies – Which Could Be Especially Important in an Economic Downturn

Making the CalEITC and Young Child Tax Credit more inclusive would be a smart investment for California to make both from an equity perspective – given the valuable, but often under-valued, contributions immigrants make to our society – and from an economic perspective – given that the strength of our collective future depends on the investments we make to protect the well-being of *all* of our state's residents today. More inclusive credits would benefit hundreds of thousands of Californians in low-income working immigrant households, who are likely to be particularly vulnerable in an economic downturn. Making these credits more inclusive would also stimulate local economies, by putting cash into the pockets of low-income families in all parts of the state. The dollars spent would boost local businesses and support local jobs, and could help local communities stave off or reduce the negative effects of a future economic downturn. This investment would pump dollars into local economies in all parts of the state, including millions of dollars in Assembly District 51.