

A POLICY EQUITY ANALYSIS OF THE EARNED INCOME TAX CREDIT

FULLY INCLUDING CHILDREN IN IMMIGRANT FAMILIES AND HISPANIC CHILDREN IN THIS KEY ANTI-POVERTY PROGRAM

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I. INTRODUCTION

More than 9.12 million children in the United States (more than 12% of the U.S. child population) live in poverty, which harms their experiences during childhood, their health and education and their prospects as adults (National Academies of Sciences, 2019). The Earned Income Tax Credit and the Child Tax Credit are some of the most effective U.S. anti-poverty programs. As the nation considers program improvements that can reduce child poverty and long-standing inequities in child poverty, it is essential that we examine how to make these tax credit programs more effective and equitable.

The Biden administration has established policy goals to reduce child poverty (U.S. President, 2021b) and to improve federal policies to advance racial equity (U.S. President, 2021a). To counteract the economic effects of the Covid-19 pandemic, the Child Tax Credit was temporarily expanded in 2021, and by November it had reduced child poverty by 29%, compared to what it would have been in the program's absence (Curran, 2021). Changes to the Child Tax Credit's eligibility rules, such as including families with very-low incomes, helped correct racial/ethnic inequities in the reach and effectiveness of the program. [While the Earned Income Tax Credit \(EITC\) is another key program for addressing child poverty, analyses of how to improve the program, and how to make it more equitable, lag behind that of the Child Tax Credit.](#)

In 2019, the National Academies of Sciences, Engineering, and Medicine (NASEM) published the landmark report *A Roadmap to Reducing Child Poverty*, outlining policies to cut child poverty in half within ten years (National Academies of Sciences, 2019). The NASEM report defines child poverty using the Supplemental Poverty Measure (SPM), which includes cash and non-cash resources and subtracts basic expenses (such as medical expenses). The criteria NASEM used in selecting policies included the extent to which policies both reduce child poverty for subgroups with the highest poverty rates and improve social inclusion.

Despite these criteria, the significant solutions offered by the report showed inequitable poverty reduction—meaning that although poverty was reduced overall, the reduction was lower based on nativity, citizenship/mixed-status and race/ethnicity.¹ Children in immigrant families (families with at least one foreign-born parent), children in mixed-status families (families with at least one family member who is not a U.S. citizen) and Hispanic children benefited less compared to children in nonimmigrant families, children in all-citizen families, White children and Black children (National Academies of Sciences, 2019). For almost all considered policies, including increases of the EITC, the results of simulation models showed that poverty was reduced inequitably because most of the policy changes did not eliminate the existing restrictive eligibility criteria that target immigrant families.² Restricted eligibility for immigrant families not only hurts children in these families, but also

¹ See Appendix A for definitions of nativity, citizenship/mixed-status and other immigration terms.

² The NASEM report evaluated ten different single-policy options to reduce poverty by half—for example, expanding the EITC, raising the federal minimum wage, etc. None were sufficient, although a \$3,000 per child yearly credit would reduce child poverty considerably and deep poverty by half. The committee then developed four “packages” of policies and programs and evaluated them to see which, if any, could meet the 50% reduction goal. Two of the packages did. Among the single-policy options, the NASEM report included simulations that expanded immigrant eligibility for safety net programs. These simulations did not include increases in benefits for the social safety net, so the overall poverty reduction effect was small. However, the poverty reduction effect was much larger for children in immigrant families and Hispanic children. One of the four policy packages included restoring eligibility for safety net programs. Package 4, the “Universal Supports and Work Package,” would achieve a 50% reduction in child poverty and deep poverty by (1) Increasing the EITC payments by 40% across the entire tax schedule; (2) Converting the Child and Dependent Care Tax Credit to a fully refundable tax credit and

disproportionately hurts Hispanic children, erodes equity and limits the effectiveness of programs to reduce poverty further (Acevedo-Garcia, Joshi, Ruskin, Walters, Sofer, et al., 2021).

It is vital that anti-poverty policies fully include children in immigrant families. Efforts to reduce poverty in the United States will be unsuccessful if they do not include children in immigrant families, who make up 27% of the nation's children and a full 44% of its children in poverty, or 3.99 million children. What's more, the vast majority of these children in immigrant families living in poverty—84%—are U.S. citizens themselves.

This report builds on the landmark 2019 NASEM report to present a policy equity analysis of the EITC, focusing on the unequal treatment of U.S. citizen children in immigrant families in the design (e.g., eligibility), capacity (e.g., administrative burden) and effectiveness (e.g., poverty reduction effects) of the program (Joshi et al., 2014). This report presents the results of new simulation models that estimate the poverty reducing effects of an increase of the EITC and changes in eligibility rules for families without Social Security numbers (SSNs). These are families who work and pay taxes with Individual Taxpayer Identification Numbers (ITINs).

This report also builds on our team's work on immigrant families' access to the social safety net, starting with the fundamental changes to immigrant families' eligibility introduced during welfare reform (Acevedo-Garcia et al., 1997) and immigrants' access to high quality jobs (Earle et al., 2014; Joshi et al., 2022). Since 2020, leveraging the unique policy window of safety net expansion created by the pandemic and with funding from the W.T. Grant Foundation, the Spencer Foundation and the W.K. Kellogg Foundation, we have conducted policy equity analyses to ensure that children in immigrant families and Hispanic children are included in anti-poverty programs and post-pandemic recovery efforts (Acevedo-Garcia, Joshi, Ruskin, Walters, & Sofer, 2021; Acevedo-Garcia, Joshi, Ruskin, Walters, Sofer, et al., 2021). This report presents the findings from our policy equity analysis of the EITC.

The report is divided into ten sections. Sections I, II and III are comprised of an introduction; an overview of the extent of and inequities in child poverty in the U.S.; and an analysis of the EITC's design, effectiveness and history of exclusions for immigrants and Hispanics. Sections IV, V and VI contain our proposal for a more equitable EITC; our methods; and our findings of reductions in child poverty if the EITC were increased by 40% and made available to families without Social Security numbers. Sections VII, VIII, IX and X explain the benefits of a more inclusive EITC; an overview of recent changes in eligibility in state EITCs; our four policy recommendations to make the EITC and other tax credits more effective, equitable and accessible for all families; and a conclusion.

The main takeaways from our analyses are as follows:

The EITC, one of the most effective and largest anti-poverty programs in the United States, is denied to 21% of children in poverty, totaling 1.89 million children: children living with an undocumented family member, who have

concentrating its benefits on families with the lowest incomes and with children under the age of 5; (3) raising the \$7.25 per hour federal minimum wage to \$10.25 and indexing it to inflation; (4) restoring eligibility for SNAP, Temporary Assistance for Needy Families (TANF), Medicaid, Supplemental Security Income (SSI) and other means-tested federal programs for legal immigrants under the five-year bar; (5) instituting a new child allowance that pays a monthly benefit of \$225 per month (\$2,700 per year) to families of all children under age 17, which would also be paid to legal immigrants under the five-year bar; and (6) instituting a child support assurance policy to provide a backup source of income if a parent does not pay child support and setting guaranteed minimum child support of \$100 per month per child.

very high poverty rates of about 30%. Over 85% of these excluded children are themselves U.S. citizens living in mixed-status families. These children lose thousands of dollars in tax credits each year—a resource their parents could use to meet their needs and invest in their healthy development.

This exclusion against children with an undocumented family member has been in place since the 1996 welfare reform bill, which required that all members of a family have SSNs to receive the EITC. This was an intentional move to deny these immigrant families access to the EITC. Prior to then, low-income, working, taxpaying families were eligible for the EITC whether or not they had SSNs. This exclusion sends a message to children in mixed-status immigrant families, the vast majority of whom are U.S. citizens, that they are less deserving than children in all-citizen families. **This exclusion also has disproportionately negative effects on Hispanic children, who are much more likely than other children to live in poverty and to live with undocumented family.** Hispanic children make up 25% of the child population but 44% of those in poverty, and a full 42% of children in poverty are Hispanic citizen children living with undocumented family members.

The 2019 NASEM report called for increasing EITC benefits by 40% without changing eligibility rules, a policy change that would lift over 1.34 million children out of poverty. However, this expansion would be inequitable. It would not reach children living with undocumented family members, and therefore it would have a disproportionately small effect on children in mixed-status immigrant families and on Hispanic children.

Our simulations find that increasing EITC benefits by 40% and allowing children with SSNs to benefit from the EITC even if their parents file taxes without SSNs would lift 2.02 million children out of poverty. This change would apply the current Child Tax Credit (CTC) eligibility rules to the EITC. **Increasing EITC benefits and removing SSN requirements entirely for both parents and children would lift 2.09 million children out of poverty.** This change would amount to applying the CTC eligibility rules from before 2017 to the EITC.

Both of these policy changes would reduce inequities in child poverty. For example, **eliminating SSN requirements entirely would reduce the poverty gap between citizen children in families with undocumented members and children in all-citizen families from 21.6 percentage points to 9.8 percentage points.**

Expanding the EITC by extending eligibility to families without SSNs would have wide-ranging societal benefits: reducing child poverty equitably, thus improving child outcomes; granting the full benefits of citizenship to citizen children; improving racial/ethnic equity, especially for Hispanic children; stimulating the economy; improving fiscal fairness in the tax code and safety net; and rewarding the work effort of immigrant families.

We therefore recommend the following policy changes:

1. Restore EITC eligibility to working families without Social Security numbers;
2. Increase the EITC benefit amount by 40%;
3. Reduce administrative burden, so that immigrant and Hispanic families who are eligible can more easily access benefits;
4. And improve the Individual Tax Identification Number (ITIN) system, making it easier for workers without SSNs to obtain ITINs and file taxes.

II. CHILD POVERTY IN THE UNITED STATES: EXTENT AND INEQUITIES

Child poverty is an enduring problem in the United States. Although social policy has been effective in lowering child poverty since the 1960s, the U.S. has higher child poverty rates than other industrialized countries (National Academies of Sciences, 2019).

This section outlines the negative consequences of child poverty; inequities in poverty rates by nativity, citizenship/immigration status and race/ethnicity; the reasons for these inequities; and the hard lessons learned during the Covid-19 pandemic and its historic anti-poverty measures. Throughout the report, we define poverty using the Supplemental Poverty Measure (SPM), which is an extension of the Official Poverty Measure (OPM). Unlike the threshold of the OPM, which is calculated as three times the cost of a minimum food diet in 1963, the SPM threshold is based on expenditures of food, clothing, shelter and utilities. Under the OPM, family resources are based on cash income. The SPM is calculated based on a family's cash income and noncash benefits like government nutrition assistance and subtracts necessary expenses such as taxes, health care and child care (Appendix B).

THE NEGATIVE EFFECTS OF CHILD POVERTY

Despite being one of the richest countries in the world, the United States contains over 9.12 million children (12.3%) living in poverty (see Appendix B). The effects of child poverty include adverse outcomes through childhood, adolescence and adulthood.

Child poverty is significantly associated with adverse child outcomes such as low birthweight, structural changes in brain development, diminished physical health, mental health problems, maltreatment and economic hardship (National Academies of Sciences, 2019). Many studies show significant associations between child poverty and negative adolescent and adulthood outcomes like lower educational attainment, difficulty obtaining steady and well-paying employment and a greater likelihood of risky behaviors (Cabrera et al., 2022; National Academies of Sciences, 2019). Research evidence further indicates that poverty *causes* negative child outcomes, especially when poverty occurs in early childhood or persists through a large portion of childhood (National Academies of Sciences, 2019).

Strong evidence exists that poverty occurs intergenerationally. In other words, children who grow up in poverty are more likely to live in poverty in adulthood (Cabrera et al., 2022; National Academies of Sciences, 2019). As a follow up to the Roadmap report, the NASEM are conducting a new study of intergenerational poverty, recognizing that it "has a disproportionate effect on racial/ethnic minority families, which perpetuates racial disparities in poverty rates across generations" (National Academies of Sciences, 2022).

Child poverty is estimated to cost the U.S. between \$800 billion and \$1.1 trillion annually in terms of lost productivity, excess health care expenditures, and crime (National Academies of Sciences, 2019).

INEQUITIES IN CHILD POVERTY

Poverty and its harmful consequences throughout the life course are difficult for any child to experience, but some groups of children are more likely to endure them. Children in immigrant families (families with at least one

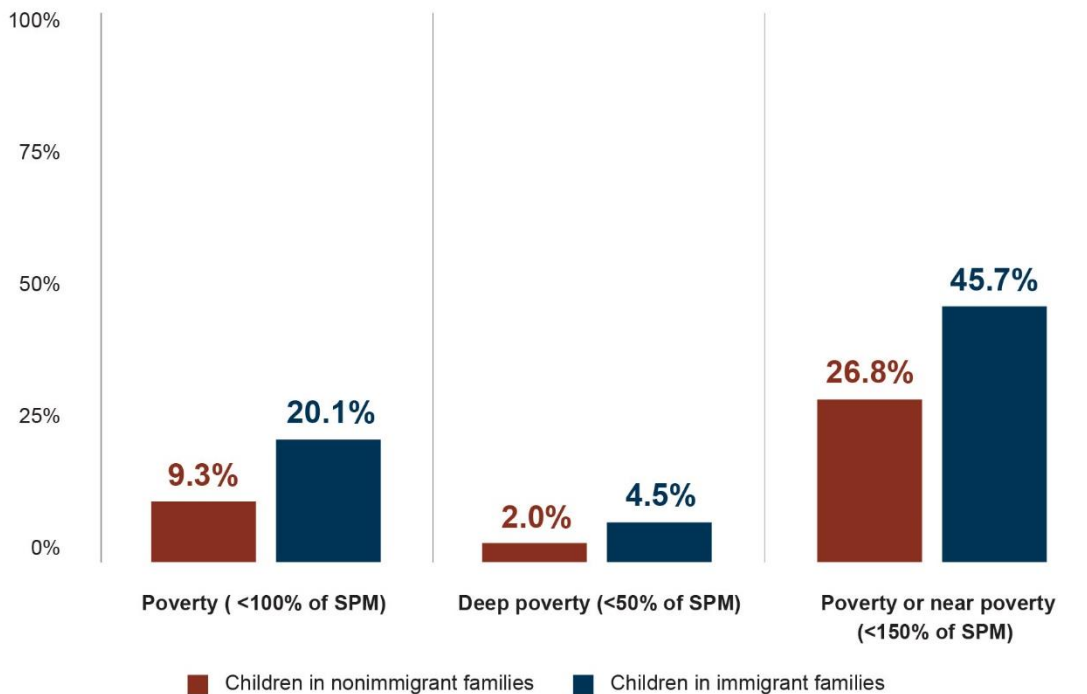
foreign-born parent) and Black and Hispanic children have the highest poverty rates (Exhibit 1 and Exhibit 5).³ Paradoxically, children in immigrant families are excluded across anti-poverty programs through restrictions in eligibility, more strict income eligibility, lower benefits, administrative burden and fear and stigma associated with the potential consequences for immigration status of interacting with public benefit systems (Acevedo-Garcia, Joshi, Ruskin, Walters, & Sofer, 2021). Reducing child poverty in the United States overall will require reducing poverty for children in immigrant families and Hispanic children, but these immigrant exclusions have the opposite effect: they increase poverty for these children.

Inequities in poverty between children in immigrant families and other children

There are large inequities in child poverty by both nativity, citizenship/mixed-status and race/ethnicity. By nativity, children in immigrant families have a poverty rate of 20.1%, compared to 9.3% for children in nonimmigrant families (families where both parents were U.S. citizens at birth)⁴ (Exhibit 1). Children in immigrant families represent 27% of all children but 44% of children in poverty (Exhibit 2).

EXHIBIT 1. Estimates of Poverty, Deep Poverty and Poverty or Near Poverty Rates by Nativity, 2017

Children in immigrant families are twice as likely to live in poverty as children in nonimmigrant families.



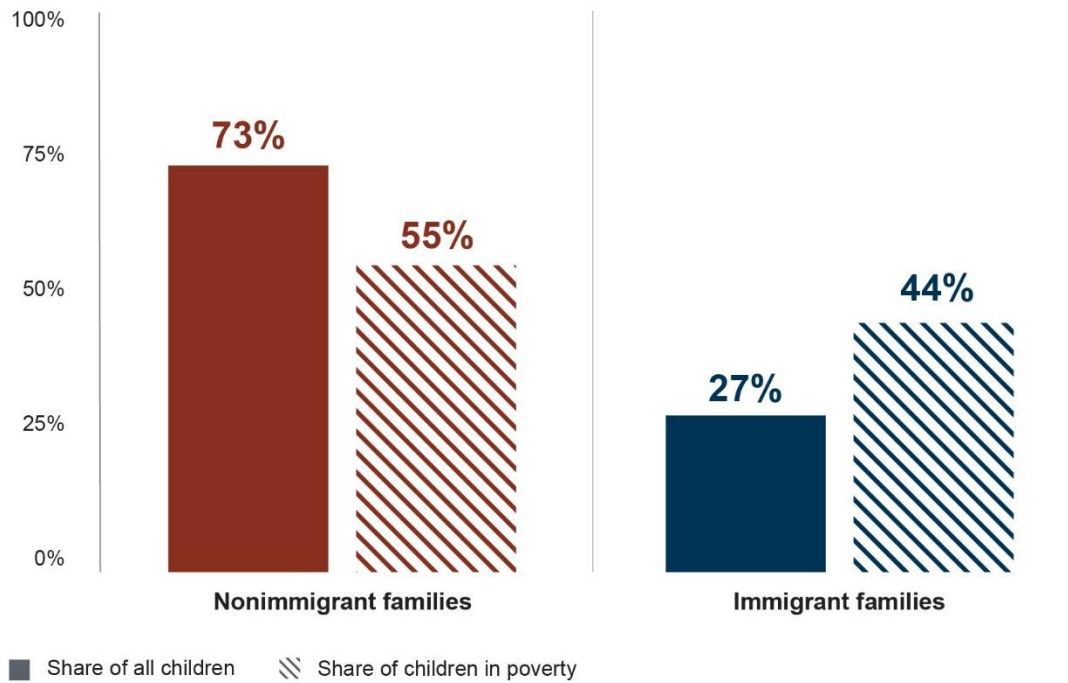
Source: Estimates from TRIM3, commissioned by authors.

³ This analysis defines families as SPM units. The SPM unit is a broader definition than the OPM unit. OPM units are the “primary family” i.e., a householder with at least one additional person who is connected to them by birth, marriage or adoption. Other household members who cannot be linked by those relationships are considered unrelated individuals. The SPM unit builds on the OPM unit and includes any cohabitating partners, unrelated individuals under age 15, foster children under age 22, and related children over age 17 with existing family units (Provencher, 2011).

⁴ See Appendix A for detailed definitions of immigrant and nonimmigrant families.

EXHIBIT 2. Estimates of the Composition of All Children and Children in Poverty by Nativity, 2017

Children in immigrant families are 27% of all children but 44% of children in poverty.



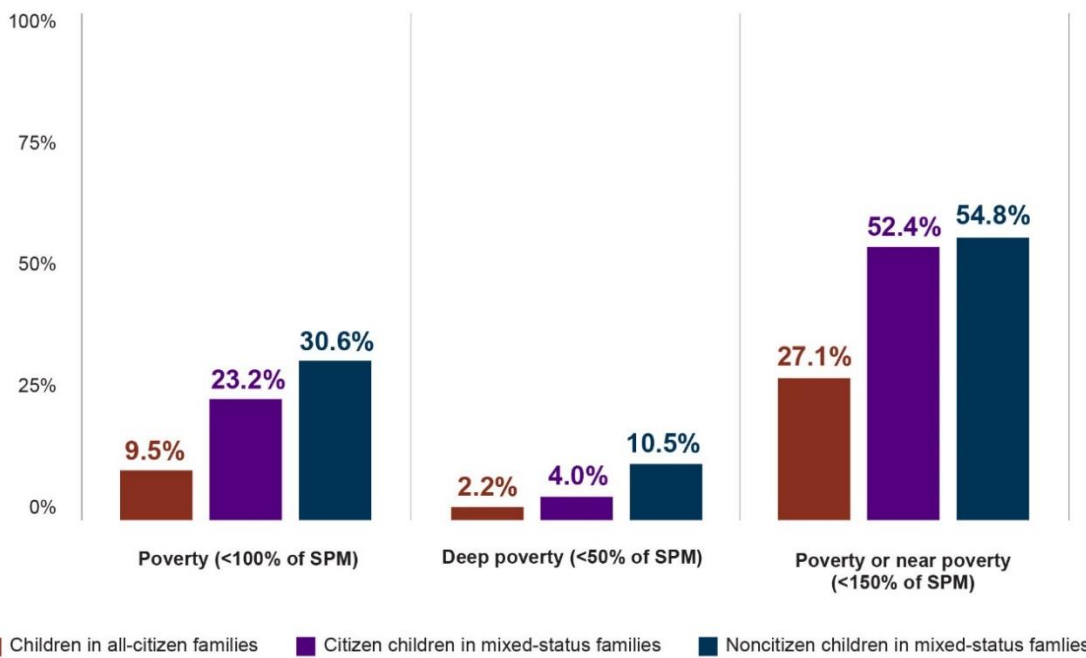
Source: Authors' calculations using estimates from TRIM3, commissioned by authors.

U.S. citizen children in mixed-status families (families in which at least one member is not a U.S. citizen) have much higher poverty rates than children in all-citizen families: more than double the poverty rate (23.2% vs. 9.5%) and almost twice the rate of deep poverty (4.0% vs. 2.2%) (Exhibit 3). While they represent 16% of the U.S. child population, citizen children in mixed-status families account for 31% of children living in poverty, or 2.8 million out of 9.12 million (Exhibit 4).

Noncitizen children in mixed-status families have the highest poverty rates. They have more than triple the poverty rate of children in all-citizen families (30.6% vs. 9.5%) and are almost five times more likely to live in deep poverty (10.5% vs. 2.2%). Approximately 600,000 noncitizen children in mixed-status families live in poverty.

EXHIBIT 3. Estimates of Poverty, Deep Poverty, and Poverty or Near Poverty Rates by Citizenship/Mixed-Status, 2017

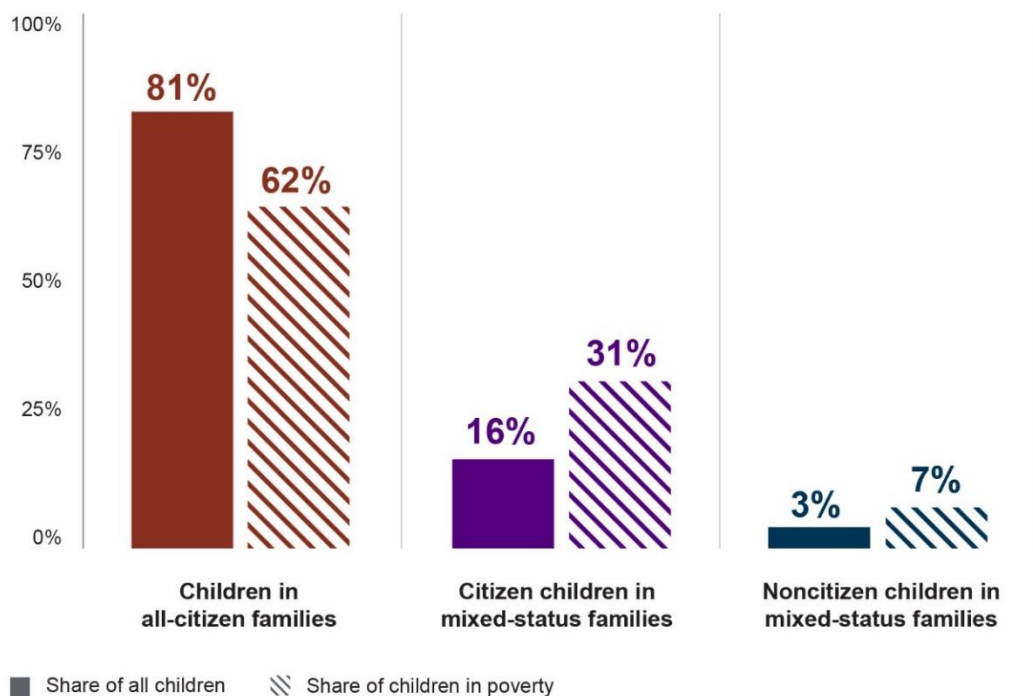
Children in mixed-status families are more than twice as likely to live in poverty as children in all-citizen families.



Source: Estimates from TRIM3, commissioned by authors.

EXHIBIT 4. Estimates of the Composition of Children and Children in Poverty by Citizenship/Mixed-Status, 2017

U.S. citizen children in mixed-status families are disproportionately more likely to live in poverty.



Source: Authors' calculations using estimates from TRIM3, commissioned by authors.

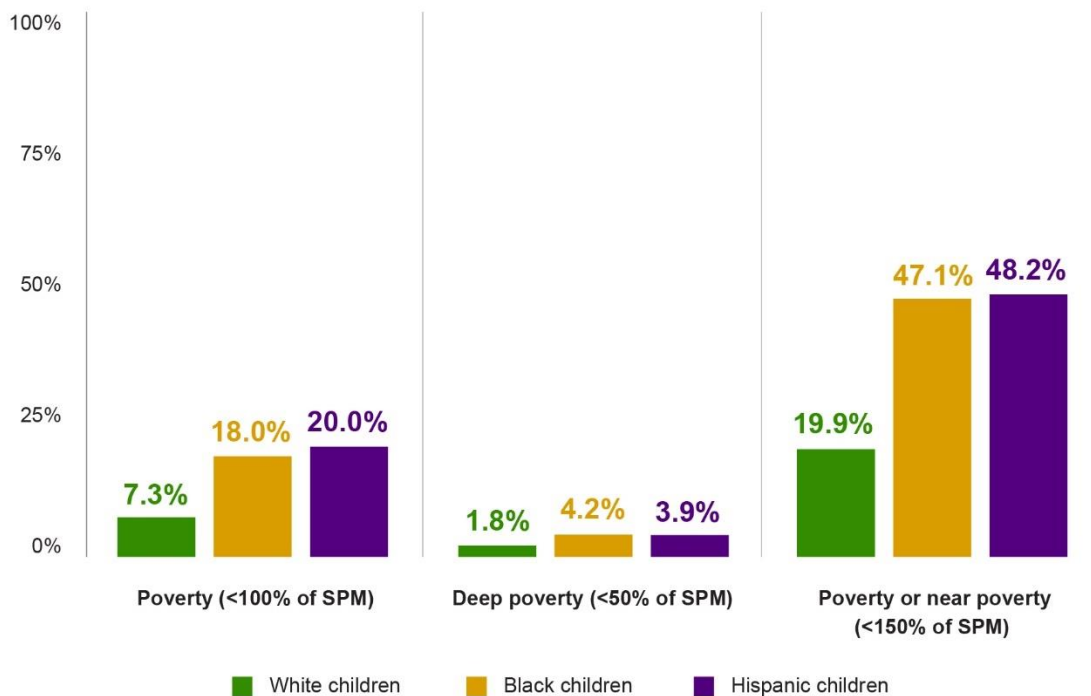
Inequities in child poverty by race/ethnicity

Huge inequities also exist in child poverty by race/ethnicity: 7.3% of White children live in poverty (<100% SPM), compared to 18.0% of Black children and 20.0% of Hispanic children (Exhibit 5). These poverty rates translate to about 2.73 million White children, 1.83 million Black children and 3.75 million Hispanic children living in poverty. Black and Hispanic children are also more likely to live in deep poverty (<50% SPM) and near poverty (<150% SPM poverty). In this report, we focus on children with the highest poverty rates—children in mixed-status families and Hispanic children. While Asian and Pacific Islander are the fastest growing population of immigrants in the U.S. (Budiman, 2020), they have low poverty rates (Appendix B).

For nearly 20 years, Hispanic children have been the largest group of children in poverty in the United States (Exhibit 6). They represent 25% of all children, but 41% of all children in poverty (Exhibit 7). Nevertheless, many of the United States' key anti-poverty policies not only fail to address this demographic reality, but actually make it more difficult for immigrant and Hispanic families to access the social safety net that is so fundamental to the lives of children living in poverty.

EXHIBIT 5. Estimates of Poverty, Deep Poverty, and Poverty or Near Poverty Rates by Race/Ethnicity, 2017

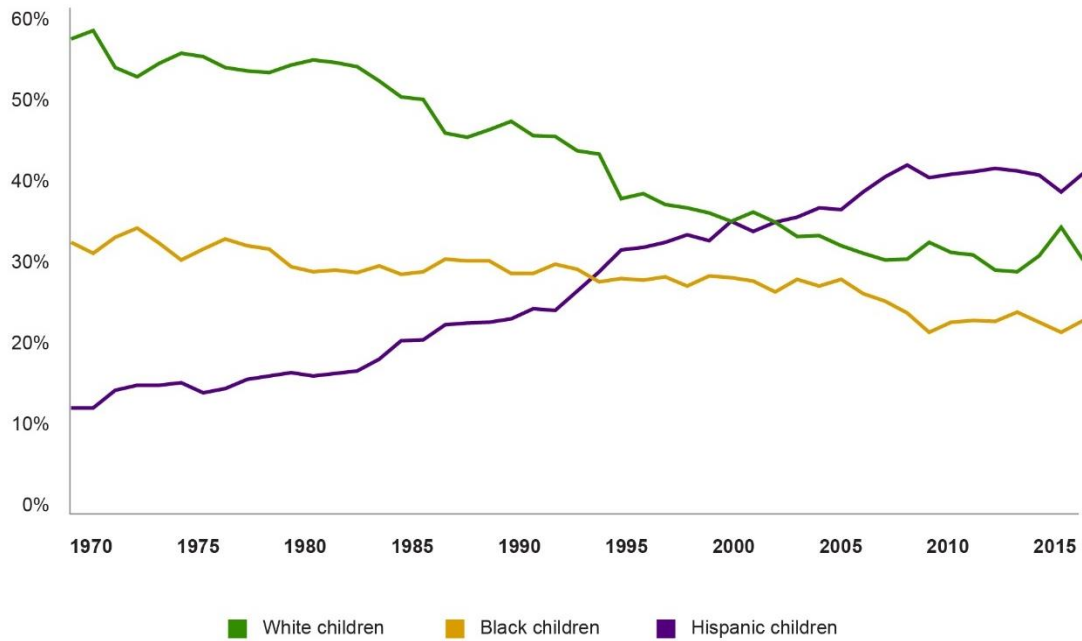
Hispanic children have almost three times the poverty rate of White children.



Note: Hispanic children may be of any race. White, Black, Asian or Pacific Islander, and other race children are non-Hispanic. Poverty rates for Asian or Pacific Islander children and other race children can be found in Appendix B.
Source: Estimates from TRIM3, commissioned by authors.

EXHIBIT 6. Estimates of the Composition of Children in Poverty by Race/Ethnicity, 1970-2016

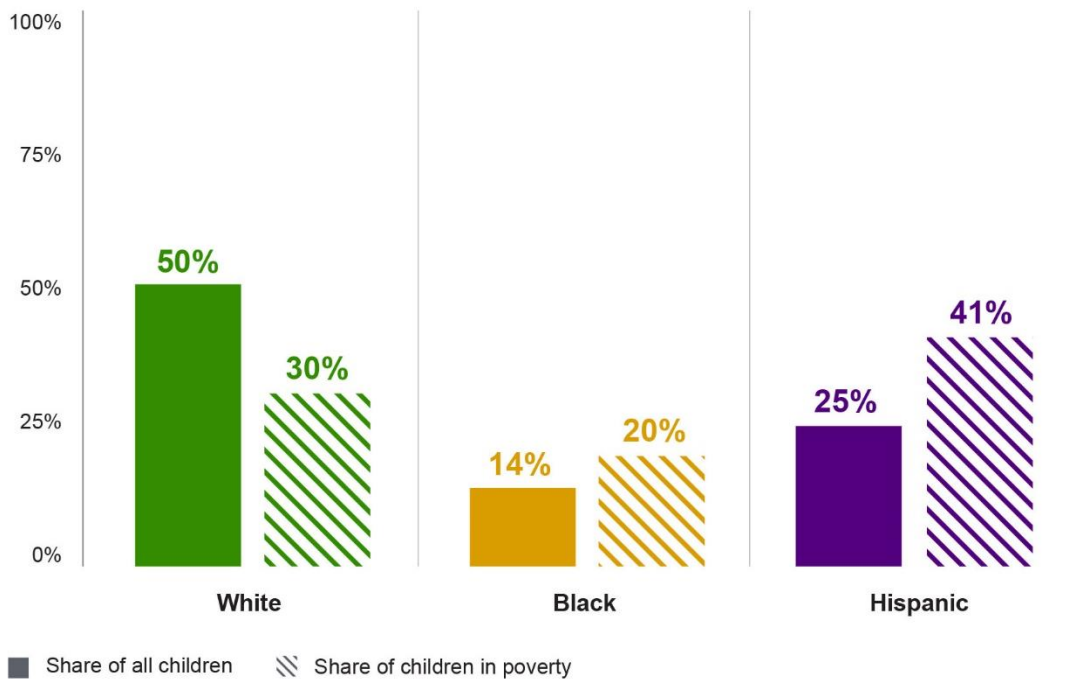
For over 50 years, Hispanic children have been a growing proportion of children in poverty.



Note: Hispanic children may be of any race. White and Black children are non-Hispanic. Children in other race/ethnic groups not shown. Source: (National Academies of Sciences, 2019).

EXHIBIT 7. Estimates of the Composition of All Children and Children in Poverty by Race/Ethnicity, 2017

Hispanic children make up 25% of the child population but 41% of children in poverty.

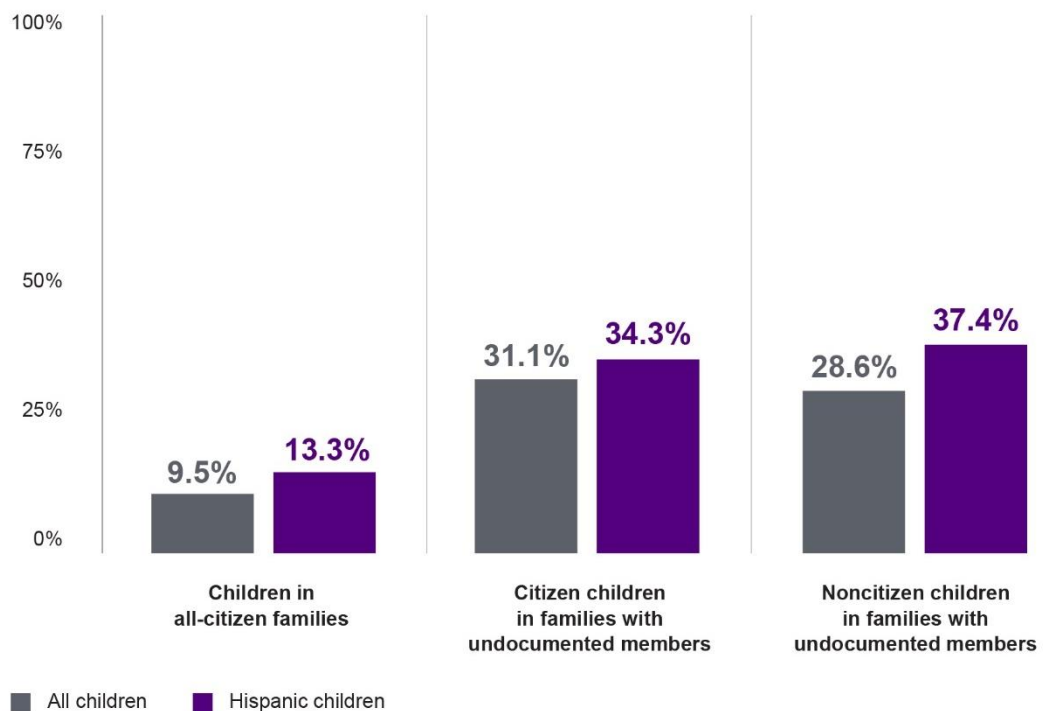


Note: Hispanic children may be of any race. White, Black, Asian or Pacific Islander, and other race children are non-Hispanic. Findings for Asian or Pacific islander children and other race children can be found in Appendix B. Source: Authors' calculations using estimates from TRIM3, commissioned by authors.

Hispanic children who reside with an undocumented family member, whom we define as immigrant noncitizens who are not legally present in the U.S.,⁵ are even more likely to live in poverty. Overall, children in families with undocumented members are more than three times as likely to live in poverty than children in all-citizen families, but Hispanic children who live with undocumented family have even higher rates (Exhibit 8). While citizen children in families with undocumented members represent 7% of the child population, they represent 18% of children in poverty (Exhibit 9). Furthermore, while Hispanic citizen children with undocumented family members represent 23% of Hispanic children, they represent 38% of all Hispanic children in poverty (Exhibit 9), and the largest group of Hispanic children in poverty are Hispanic children with undocumented family members (about 1.64 million). Importantly, the vast majority of these children are citizens: 86% of children in families with an undocumented member are U.S. citizens, and 89% of Hispanic children in families with an undocumented member are U.S. citizens (Exhibit 10).

EXHIBIT 8. Estimates of Poverty Rates by Citizenship/Undocumented Immigrant Status for All Children and Hispanic Children, 2017 and 2015-2017

Children in families with undocumented members are more than three times as likely to live in poverty.



Note: Estimates for poverty rates of all children use 2017 data while estimates for Hispanic children pool 2015-2017 data. Source: Estimates from TRIM3, commissioned by authors.

⁵ See Appendix A for a detailed definition of undocumented immigrants.

EXHIBIT 9. Estimates of the Composition of All Children and Children in Poverty by Undocumented Family Member Status, 2017 and 2015-2017

Hispanic citizen children in poverty are more than twice as likely as all citizen children in poverty to live with undocumented family members.

Demographic group	Share of child population	Share of children in poverty
All children		
Citizen children in families with undocumented members	7%	18%
Noncitizen children in families with undocumented members	1%	3%
Hispanic children		
Citizen children in families with undocumented members	23%	38%
Noncitizen children in families with undocumented members	2%	4%

Note: Estimates for poverty rates of all children use 2017 data while estimates for Hispanic children pool 2015-2017 data. Exhibit B5 provides more detail.

Source: Authors' calculations using estimates from TRIM3, commissioned by authors.

EXHIBIT 10. Share of Children in Mixed-Status Families who are U.S. Citizens, 2017 and 2015-2017

The vast majority of children in immigrant families, mixed-status families and families with undocumented immigrant members are U.S. citizens, regardless of poverty status or Hispanic ethnicity.

Demographic group	Share U.S. citizens			
	All children	Children in poverty	All Hispanic children	Hispanic Children in Poverty
Nativity				
Children in immigrant families	90%	84%	91%	89%
Citizenship/mixed-status				
Children in mixed-status families	85%	81%	90%	88%
Children in mixed-status families with undocumented members	85%	86%	90%	89%

Note: Estimates for poverty rates of all children use 2017 data while estimates for Hispanic children pool 2015-2017 data.

Source: Authors' calculations using estimates from TRIM3, commissioned by authors.

REASONS FOR HIGH POVERTY RATES AMONG CHILDREN IN IMMIGRANT FAMILIES AND HISPANIC CHILDREN

Immigrant families experience high poverty despite high work effort and employment rates. While a thorough exploration of the causes of poverty by race/ethnicity and nativity is out of the scope of this report, we examine five explanations that have policy relevance: employment, the undocumented labor market, human capital, wage inequality and access to the safety net.

Employment

U.S. social policy views work as the primary path to meeting the basic needs of families. Consequently, anti-poverty policies have increasingly required and rewarded work, as seen in the Personal Responsibility and Work

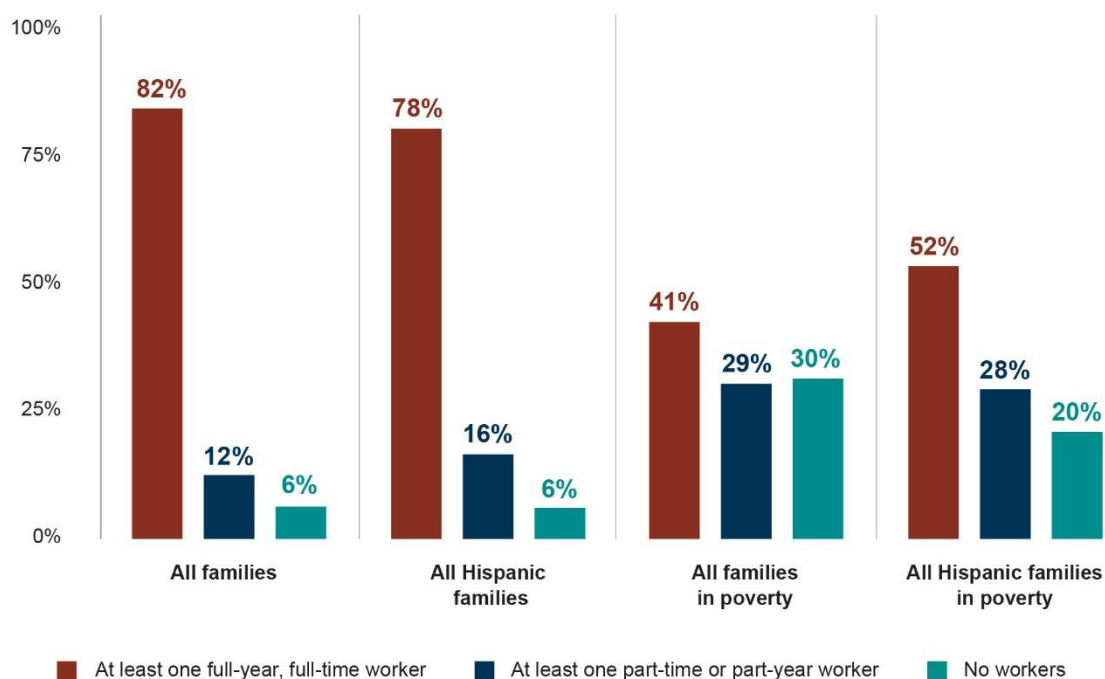
Opportunity Reconciliation Act (PRWORA) of 1996 (Loprest & Nightingale, 2018) and the current work-based safety net (*Making the Work-Based Safety Net Work Better*, 2009).

Although most immigrant parents work full-time, the characteristics of their jobs put their children at a higher risk of poverty. Primary breadwinners in immigrant families, especially in Hispanic families, are more likely to hold jobs with lower wages and fewer work benefits (Earle et al., 2014). These vulnerabilities arise from immigrants', especially Hispanic immigrants', concentration in low-wage and low-quality jobs, many of which are essential jobs.

Exhibit 11 shows that Hispanic families with children (78%) are about as likely to have a full-year, full-time working family member as all families with children (82%). Among families in poverty, Hispanic families are more likely than all families to have a member who works full-year, full-time (52% vs. 41%, respectively), and less likely to have no workers (20% vs. 30%, respectively).

EXHIBIT 11. Estimates of Employment Status of Adults in Family for All Families and Families Living in Poverty by Race/Ethnicity, 2017

Hispanic families living in poverty are more likely to have a full-year, full-time worker.



Note: Full-year, full-time work is defined as workers that work 50 weeks a year and 35 hours per week or more.

Source: Estimates from TRIM3, commissioned by authors.

Increasing marginalization of the undocumented labor market

The concentration of immigrants, especially Hispanic immigrants, in low-quality jobs is partially due to human capital factors and to vulnerabilities of the undocumented labor market. Some sectors of the U.S. economy rely on undocumented workers, who due to changes in immigration policy starting in 1965, have an increasingly marginalized role. Following Menjivar and Abrego (2012) and Asad (2018), we define marginalization of undocumented workers as the regime of legal and social exclusions that (1) limits their and their families'

participation in civic and social life, and their political and social rights; (2) criminalizes their presence in the U.S. and puts them at risk of detention and removal; (3) criminalizes their work and their employers thus making it harder to demand better labor conditions and organize; and (4) increases their social vulnerability by restricting their access to benefits and services that enhance the wellbeing of other members of society, for example, nutrition assistance, housing assistance, tax credits, health care and education.

Over time, harsher penalties to undocumented immigration have contributed to the rise in the number of undocumented immigrants who stay in the U.S. Increasing militarization of the Mexico border has interrupted the historical seasonal migration pattern of workers from Mexico and Central America to the U.S. With border crossings restricted, the physical risks and costs of (re)entry have increased. In the past, undocumented workers would return to their country after the working season in the U.S. While militarization has done little to deter migrants from making an initial trip to the U.S. for work, it has increased the likelihood that undocumented workers will stay once they arrive. It has also made them more likely to form families in the U.S., which has led to an increase in mixed-status families (Massey, 2014; Menjívar & Abrego, 2012; Portes, 1978; Wishnie, 2007). Even if they are legal immigrants or citizens, members of mixed-status families are also subject to violence, discrimination and fear, regardless of their own immigration status, because their connection to undocumented immigrants makes them targets of material and symbolic exclusion (Asad & Clair, 2018).

In addition to the militarization of the border, the implementation of sanctions for employers that hire undocumented workers further weakened the position of undocumented workers. These sanctions were first implemented under the 1986 Immigration Reform and Control Act, which made it illegal to knowingly hire undocumented workers. The goal of the policy change was to deter employers from hiring undocumented labor. However, the effect has not been a reduction in undocumented labor but an increase in workplace discrimination and exploitation of undocumented immigrants, and further erosion of their wages and working conditions (Massey, 2014; Wishnie, 2007).

The changes to the welfare system introduced under PRWORA were accompanied by often overlooked but also significant changes to immigration policy codified in the Illegal Immigration Reform and Immigration Responsibility Act of 1996. This law made it more difficult for undocumented immigrants to obtain legal status while simultaneously making it easier to remove and deport undocumented immigrants (Fragomen, 1997). These policies, in combination with the militarization of the border and more sanctions targeting employers for failing to verify employment eligibility documents, contributed to the increased criminalization and marginalization of undocumented workers (Massey, 2014; Menjívar & Abrego, 2012; Portes, 1978; Wishnie, 2007).

This regime of heightened “legal violence” against undocumented immigrants and their families has increasingly deterred them from participating in civic and social life, and from accessing services they need. The fear of identification, detention and deportation reduces undocumented immigrants and mixed-status families’ contact with non-immigration law enforcement, public health—as painfully illustrated during the pandemic—and social programs (Asad & Clair, 2018; Menjívar & Abrego, 2012). Being at the margins of society has also limited their ability to file labor complaints and demand fair wages and better working conditions. The marginalization of undocumented immigrants affects Hispanics disproportionately. Hispanic immigrants make up a notable share

of undocumented immigrants, and thus are highly vulnerable to processes of exclusion and exploitation. (Baker, 2021).

Human capital

Human capital—the characteristics and assets of an individual worker, such as education, work experience and language skills—increases the worker’s economic value and opportunities for obtaining high-paying jobs with employer-provided benefits. Housing, criminal justice, education and immigration policies create significant barriers for immigrant workers and Hispanic workers to develop U.S.-specific human capital (López & Vargas Poppe, 2021) and lower the returns to human capital for these workers (Massey, 2014).

Compared to U.S.-born workers, legal immigrant workers and undocumented immigrant workers have lower human capital. For example, only 6% of U.S.-born male workers did not finish high school but 19% of male legal immigrant workers and 45% of undocumented male immigrant workers did not finish high school (Exhibit 12). Similarly, while all U.S.-born male workers speak English well, only 59% of legal immigrant workers and 27% of undocumented immigrant workers do (Borjas & Cassidy, 2019).⁶

Although Hispanic young adults value education, many of them encounter financial or family circumstances that limit their educational attainment (Lopez, 2009). Both immigrant and nonimmigrant Hispanic working adults are less likely to have a college degree than White non-Hispanic workers (12% and 20% vs 32%, respectively) (Pew Research Center, 2019). Because of these and other gaps in individual human capital, immigrant and Hispanic workers are overrepresented in low-wage jobs (Monge Naranjo & Vizcaino, 2018), many of which are essential jobs (McNicholas & Poydock, 2020).

EXHIBIT 12. Estimated Human Capital Characteristics of Nonimmigrant and Immigrant Workers, 2012-2013

Characteristic	Men			Women		
	Non-immigrant	Legal immigrant	Undocumented immigrant	Non-immigrant	Legal immigrant	Undocumented immigrant
Education						
Less than high school	6%	19%	45%	4%	15%	37%
High school	32%	25%	30%	26%	24%	30%
Some college	32%	20%	11%	35%	23%	15%
College degree or higher	31%	35%	14%	36%	38%	16%
Speaks English	-	59%	27%	-	60%	32%

Source: Adapted from (Borjas & Cassidy, 2019).

Low wage work and wage inequality

Both legal immigrants and undocumented immigrants have lower wages than U.S.-born workers. The lower wages that undocumented workers receive compared to legal immigrant workers is associated with differences

⁶ Estimates from the Pew Research Center are similar to Borjas & Cassidy (2019). Among the nonimmigrant labor force, only 8% of adults ages 25 to 64 have not completed high school, compared to 21% of legal immigrant adults. Differences in education are even larger for undocumented immigrants—an estimated 44% of undocumented immigrants ages 25 to 64 do not have high school degrees (Passel & Cohn, 2019).

in age, human capital and English language skills. Additionally, even when their qualifications are similar, undocumented immigrants may earn less than legal immigrants because their immigration status restricts their options in the labor market (Borjas & Cassidy, 2019; Massey, 2014; Portes, 1978).

Children in immigrant families and Hispanic families are disproportionately affected by low wages and wage inequality. Since the 1970s, federal policy and corporate practices have suppressed workers' wages so that compensation has not kept pace with productivity. These actions create rising income inequality between those at the very top of the income distribution and all other workers (Mishel & Bivens, 2021). Rising wage inequality disproportionately hurts Hispanic workers, because they are concentrated in the lower half of the wage scale, more so than White workers (Mishel & Bivens, 2021). Nationally, Hispanic workers earn \$0.73 relative to every \$1.00 White workers earn (Department of Labor, 2020). This inequity is even greater in states like California, where Hispanic workers earn \$0.62 for every \$1.00 White workers make (Department of Labor, 2020). The increasing marginalization and vulnerability to exploitation of undocumented workers is an additional factor that lowers wages for immigrant and Hispanic workers (Massey, 2014). Across the income distribution, wage gaps between Hispanic workers and White workers persist even when controlling for education and other factors associated with pay, which suggests that other factors, such as discrimination, also contribute to the wage gap (Mora & Dávila, 2018).

Restricted access to the social safety net

On top of all these factors that limit returns to their parents' employment, children in immigrant families are more likely to live in poverty because they are excluded from many of the very social safety net programs that support other low-income families (Acevedo-Garcia, Joshi, Ruskin, Walters, & Sofer, 2021; Acevedo-Garcia, Joshi, Ruskin, Walters, Sofer, et al., 2021). Even when they themselves are U.S. citizens or legal immigrants, children in immigrant families often are ineligible for safety net programs because of their parents' immigration status. The safety net excludes immigrants in a number of ways, from categorical eligibility based on immigrant status to stricter income eligibility to reduced benefit levels to disproportionate administrative burden. Moreover, immigrant families who do legally qualify for benefits may be less likely to take advantage of them. Public charge rules can mean that participating in social programs jeopardizes an individual's immigration status, and an anti-immigrant climate can instill fear and further deter families from accessing benefits.

All told, this restricted access greatly limits the ability of the safety net to reduce child poverty for children in immigrant families, with disproportionately negative effects on Hispanic children (Acevedo-Garcia, Joshi, Ruskin, Walters, Sofer, et al., 2021).

LESSONS FROM THE COVID-19 PANDEMIC AND ECONOMIC CRISIS

The Covid-19 pandemic laid bare these inequities. The pandemic has illuminated the enormous vulnerabilities immigrant families experience related to health, social and economic wellbeing, and it has amplified the contradiction between the United States' reliance on immigrant workers for performing essential jobs and the lack of social protections it provides for these workers (Kerwin & Warren, 2020). Many immigrants are essential workers: They account for about one out of five health care workers, nearly one-quarter of long-term care sector workers (Zallman et al., 2019) and nearly three-quarters of hired crop farmworkers (ERS, USDA, 2020). Undocumented workers account for half of hired crop farmworkers (ERS, USDA, 2020). Immigrants are also

more likely to be frontline workers, who must provide their labor in person: health care workers, cashiers in grocery stores, food processing workers and agricultural workers (Blau et al., 2021). Hispanic workers are more likely to work in these frontline jobs than other race and ethnicities (Blau et al., 2021). While these jobs in healthcare and food supply are essential for the economy and society, they pay lower wages than other jobs (McNicholas & Poydock, 2020). For example, at the beginning of the nation-wide shutdown in March 2020, the average hourly wage of frontline workers was \$22.76, compared to \$27.05 the average hourly wage for all workers, (Blau et al., 2021). Frontline workers were also more likely to earn lower wages overall (in the bottom income-quartile), although a smaller share earns high wages (in the top income quartile) (Blau et al., 2021).

Despite advocacy efforts, harmful and confusing restrictions that limit immigrant families' access to the safety net—for example, the exclusion of tax filers without Social Security numbers (SSNs) from tax credits, limited access to unemployment insurance⁷, the five-year bar and the public charge rule—remained intact in the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The 2020 stimulus payments were offered only to tax filers with SSNs. Undocumented and other immigrant workers who filed taxes using ITINs were excluded—along with their family members with different immigration statuses. This requirement effectively denied stimulus payments to over 3.7 million U.S. citizen or legal-immigrant children and 1.4 million citizen or legal-immigrant spouses in mixed-status families with undocumented members where many workers performed essential jobs (Gelatt et al., 2021).

Exhibit 13 presents an example of how immigrant exclusions in the CARES Act affected immigrant families. It depicts three nearly identical families: all with two working parents, all with two U.S. citizen children of the same ages and all with an annual family income of \$25,000 (in 2020, the 100% Supplemental Poverty Measure poverty line for a family of two adults and two children that rents was \$30,150) (Fox & Burns, 2021). During the pandemic, the first family—two parents with Social Security numbers—received a total of \$3,400 from the CARES Act. The second family did not receive the CARES stimulus payments at all, even if only one of the parents did not have an SSN. The third family, with no Social Security numbers, was also excluded.

The immigrant exclusions in the CARES Act were eventually recognized as unfair because they excluded essential workers and hurt families with children at a time when economic relief was sorely needed (Chu, 2020). The exclusions were partially rectified in the December 2020 stimulus package (Gelatt et al., 2021), but only after these vulnerable families had experienced high economic hardship for the first 10 months of the pandemic.

These exclusions are exactly the same immigrant exclusions in the Earned Income Tax Credit—one of the most effective U.S. anti-poverty programs.

⁷ Legal immigrants with work authorization are eligible for unemployment insurance, including the temporary pandemic unemployment assistance established under the CARES Act (Smith, 2020). However, confusion around the public charge rule led some immigrant workers to avoid claiming unemployment insurance (Bernstein et al., 2020; Haley et al., 2021), even though immigrant workers were experiencing significant pandemic-related hardships (Haley et al., 2021).

EXHIBIT 13. Family CARES Act Stimulus Payments by SSN status, 2020

For the first ten months of the pandemic, citizen children in mixed-status families were denied federal relief.



All family members have Social Security numbers

Maximum CARES Act payment = \$3400



Both children and one parent have Social Security numbers

Maximum CARES Act payment = \$0

or



Only children have Social Security numbers

Source: Coronavirus Aid, Relief, and Economic Security Act, 2020.

CHILD POVERTY IN THE UNITED STATES: EXTENT AND INEQUITIES

Key Takeaways

- Child poverty affects 9.12 million children in the United States, but deep inequities exist by nativity and race/ethnicity, with children in immigrant families and Hispanic children more likely to live in poverty.
- Hispanic children who live with an undocumented family member have especially high poverty rates, regardless of whether they themselves are U.S. citizens. Over one-third of Hispanic citizen children who live with an undocumented family member live in poverty.
- These poverty rates are not caused by immigrant or Hispanic parents' low work effort, but through their concentration in jobs with lower wages and fewer benefits, especially for undocumented workers.
- Despite high poverty rates and high parental work effort, children in immigrant families are denied access to essential safety net programs, even though the vast majority of them are U.S. citizens.
- The Covid-19 pandemic illuminated and worsened the enormous vulnerabilities immigrant families experience related to health, social and economic wellbeing, despite representing a large share of the essential workers that power our economy.

III. THE EARNED INCOME TAX CREDIT: PROGRAM DESIGN, EFFECTIVENESS AND EXCLUSIONS

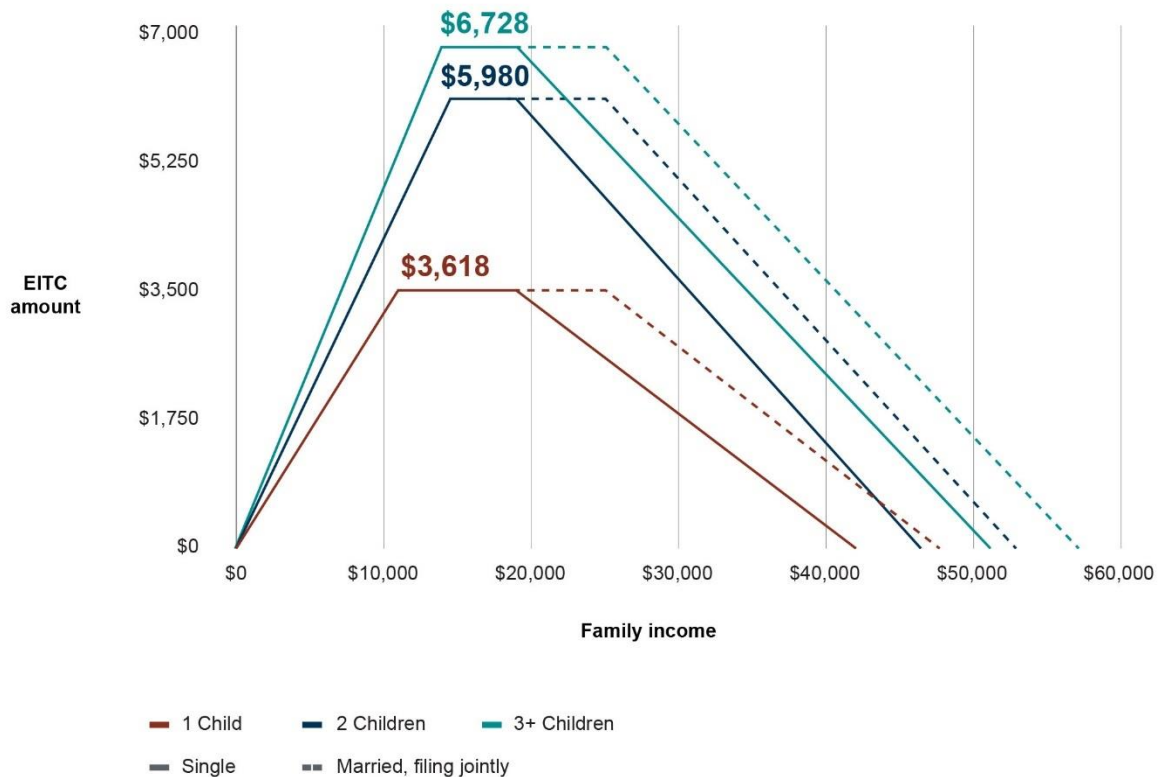
For decades, the Earned Income Tax Credit (EITC) has been one major solution to child poverty. The EITC is a refundable earnings-based credit for low- to moderate-income working families, with wide support across the ideological spectrum. This section describes EITC eligibility and exclusions; the anti-poverty effects of the EITC and the value the EITC holds for families who receive it; how the history of the EITC reveals anti-immigrant policy making; and how these exclusions disproportionately impact Hispanic children.

EITC ELIGIBILITY AND EXCLUSIONS

The EITC reduces child poverty by supplementing family income and by encouraging work. To qualify for the credit, families must show proof of earned income (all taxable income and wages an individual gets from working for someone else, themselves or from a business or farm they own.), have investment income below \$10,000, have a valid Social Security number⁸ and claim a certain filing status.⁹

EXHIBIT 14. EITC Payment Schedule by Income, Number of Children, and Filing Status, 2021

EITC benefits depend on number of children, tax filing status and income.



Source: Authors' illustration using IRS EITC tables (IRS, 2021a).

⁸ Valid SSNs must be valid for employment and issued before the due date of the tax return.

⁹ Eligible filing statuses include married filing jointly, head of household, qualifying widow or widower, and single. Taxpayers are not eligible for the EITC if their filing status is married filing separately.

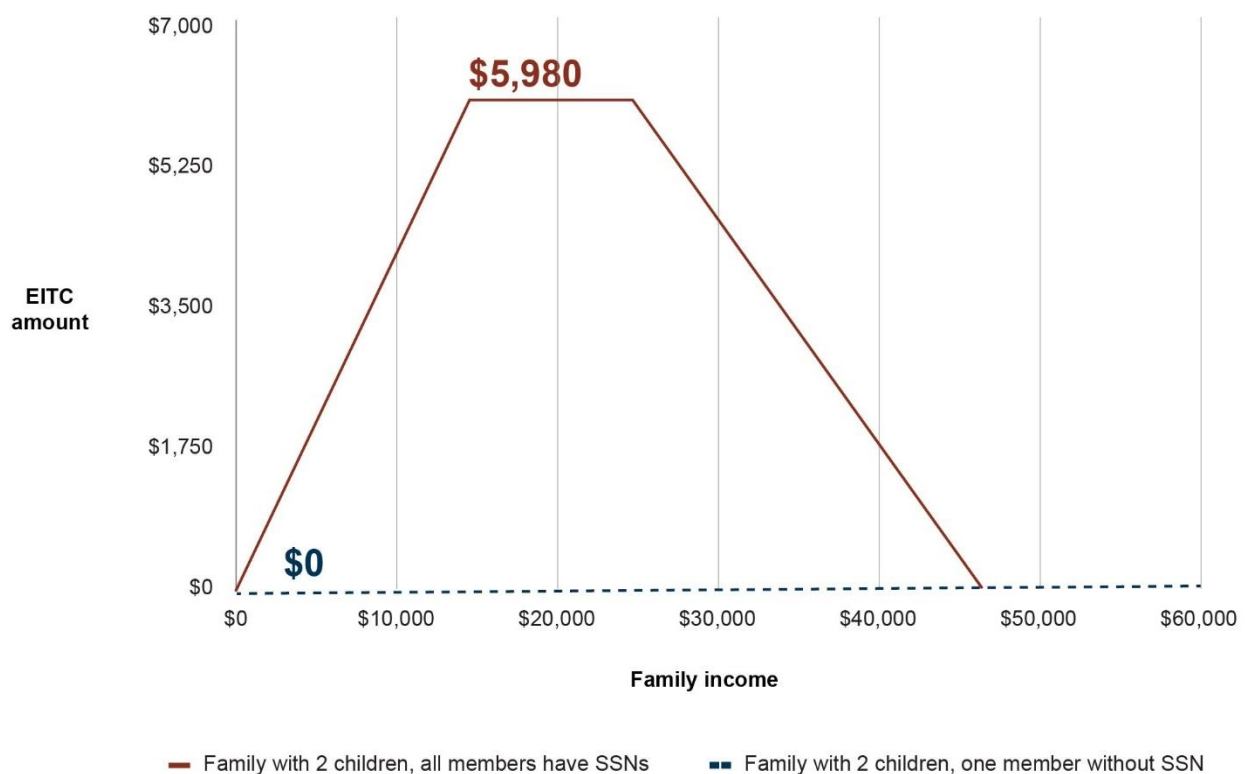
The amount of the credit a family receives depends on their earnings, tax filing status and number of qualifying dependent children.¹⁰ As shown in Exhibit 14, the credit amount first increases with earnings, reaches a plateau and then is phased out as earnings continue to rise.

For example, in 2021 the credit for a married couple filing jointly with two children is equal to 40% of earned income for earnings up to \$14,950. At an earned income level of \$14,950, the credit reaches a maximum of \$5,980. The credit remains at this level for earnings between \$14,950 and \$25,470, and then is phased out at a rate of 21.06% of earnings above \$25,470, reaching \$0 at earnings of \$53,865 (Exhibit 14; Appendix C). The EITC is refundable, so if it exceeds a families' income tax liability, the Internal Revenue Service (IRS) will refund the balance.

Families who file taxes do not qualify for the EITC if they claim on their tax return even one family member without a Social Security number (SSN). For these families—regardless of their earnings, filing status or number of children—the value of the EITC is always \$0 (Exhibit 15).

EXHIBIT 15. EITC Amount for a Married Couple Filing Jointly with Two Children by SSN Status 2021

Working families without Social Security numbers are denied the EITC.



Source: Authors' illustration using IRS EITC tables (IRS, 2021a).

¹⁰ To receive the EITC a child must meet the age, relationship and residency tests. A qualifying child must also have a valid Social Security number and cannot be claimed by more than one person as a qualifying child.

POSITIVE EFFECTS OF THE EITC

The EITC is one of the largest and most effective anti-poverty programs in the United States (National Academies of Sciences, 2019). In 2015, the child poverty rate (<100% of SPM) was 13%; without the EITC and the Child Tax Credit, it would have been 19% (National Academies of Sciences, 2019). The causal research evidence finds that periodic increases of the EITC improve children's health and educational outcomes, including increases in children's test scores in math and language arts (Chetty et al., 2011; Dahl & Lochner, 2012); increases in high school graduation or receipt of a General Education Degree (Maxfield, 2015); and an increase in college attendance (Manoli & Turner, 2018; Maxfield, 2015). The EITC also improves maternal health (Evans & Garthwaite, 2014) and infant health (Baker, 2008; H. Hoynes et al., 2015; Strully et al., 2010).

Any group of children excluded from the EITC not only miss out on the poverty reduction effects of the program, but also its beneficial effects on health and education—in childhood and beyond. Given the strength of the research evidence on the positive effects of the EITC on children, a policy decision to deny some children the EITC is also a policy decision to deny them the wide range of positive effects of the EITC.

The value of the EITC for families

What does receiving the EITC mean for families? Using the example of a family with two children and annual earnings of \$25,000, an all-citizen family gets nearly \$6,000 from the EITC, which increases their family income to \$31,000. Many families rely on this credit to pay bills and other debt (Barr & Dokko, 2006; Shaefer et al., 2011; Sykes et al., 2015), increase their savings (Barr & Dokko, 2006; Sykes et al., 2015) or contribute to other major household expenses, like payment towards a car (Barr & Dokko, 2006; Sykes et al., 2015).

For instance, Michelle Tavares, a 25-year old Black mother who cares for her 19-month-old son while her husband works as a cable installer, described how the EITC offered a financial reprieve:

Well, what I was excited about [when I received our tax credit], I was like, okay, I calculated everything...I was behind on my cell phone. [I said,] "I can pay my cell phone! I can pay my electricity! I can pay little things. I owe money on my son's insurance I can pay that." [...] And then I wanted to have leftover money to save. So we were thinking we could put a thousand in the bank to save it. But [all but \$300] ended up going towards paying bills... We had to do stuff [so] that we knew [they] wouldn't get shut off. I mean, you...have to think of basic needs for your kid. I have to think about his shelter and stuff (Sykes et al., 2015, p.252).

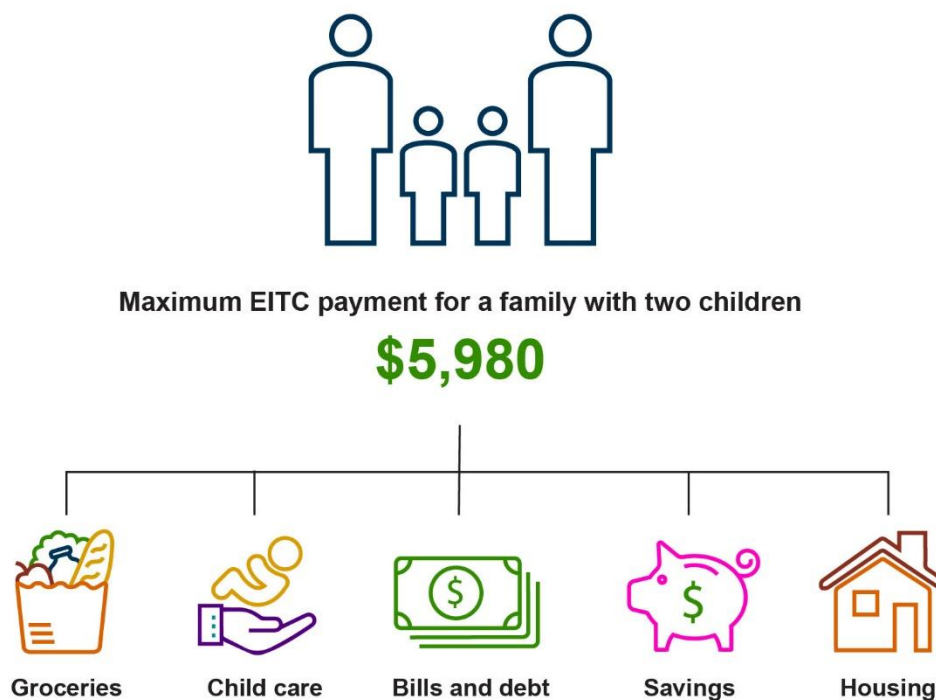
The EITC can go a long way in paying for essential expenses (Exhibit 16). In 2021, a \$6,000 check received at tax time could cover almost 60% of a family's annual grocery bill (using the cost of groceries under the U.S. Department of Agriculture's Low-Budget Food Plan),¹¹ almost 40% of full-time child care for two children for a year or over 45% of annual housing costs.¹² The maximum EITC benefit could also more than cover the average amount of revolving credit card debt or almost one-quarter the amount of average non-mortgage debt (revolving and installment) (Experian, 2022).

¹¹ The Low-Cost Food Plan is the second least expensive food plan of the USDA's four food plans. It provides a nutritionally adequate food budget at a low price. It assumes that families select lower-cost foods and that all meals are prepared in the home. Food costs are adjusted for regional differences in food prices. For more information see (Nadeau, 2021).

¹² Expenses for these categories come from annual expenses calculated by (Nadeau, 2021).

EXHIBIT 16. How Families Can Use the EITC, 2021

The EITC can go a long way in paying for essential expenses.



Source: Authors' illustration.

In addition to significant monetary value for families, the EITC has symbolic value. Qualitative research evidence shows that families not only appreciate the EITC's economic value; they also perceive it as a just reward for working throughout the year. What's more, unlike other means-tested government transfers, families see the EITC as a springboard for upward mobility—it helps them feel more secure economically and/or prepared to be even more secure in the future. Receiving the EITC enhances families' perception of their citizenship and social inclusion (Sykes et al., 2015).

Conversely, being denied the EITC—despite being a working family who meets the income eligibility criteria—sends a message to U.S. citizens in immigrant families that they deserve less than citizens in other families and that they are not full members of society.

HISTORY OF IMMIGRANT EXCLUSIONS IN THE EITC

The history of the EITC reveals that the Social Security number (SSN) requirement was a deliberate change to limit eligibility for immigrant families. In 1975, Congress first enacted the EITC as a temporary program that would offer families a work bonus and thus encourage families in poverty to increase their work effort (Crandall-Hollick, 2018). Among the EITC's stated goals was to encourage work, reduce the unemployment rate and reduce the number of people receiving welfare (Committee on Finance, 1975). Over time, poverty reduction was included as one of the policy's goals, and it became one of the countries' largest anti-poverty programs (Crandall-Hollick et al., 2021). For instance, in a state of the union address President Clinton stated: "By expanding the refundable earned income tax credit, we will make history. We will reward the work of millions of

working poor Americans by realizing the principle that if you work 40 hours a week and you've got a child in the house, you will no longer be in poverty" (U.S. President, 1993).

For nearly two decades, all immigrants who filed taxes could apply for the EITC if they were otherwise eligible even if they did not have a Social Security number. However, motivated by an increasingly hostile anti-immigrant climate, the EITC evolved toward excluding not only undocumented immigrants, but also legal immigrants and U.S. citizens in mixed-status immigrant families (Acevedo-Garcia, Joshi, Ruskin, Walters, & Sofer, 2021; Acevedo-Garcia, Joshi, Ruskin, Walters, Sofer, et al., 2021; Minoff et al., 2021).

While this report focuses on immigrant exclusions, we note that these are not the only exclusions in the design of the EITC. Other aspects of the EITC have equity implications for workers without qualifying children (Crandall-Hollick & Hughes, 2018; Fulton, 2021; Thompson et al., 2020), workers with very-low incomes (<50% Federal Poverty Level) (Crandall-Hollick & Hughes, 2018; H. W. Hoynes & Patel, 2018), younger workers (Thompson et al., 2020), families with young adult dependents (John-Franklin Bellisle & Ybarra, 2022) and children with complex families (Pilkaskas & Michelmore, 2022). Some analyses have examined the harmful effects of these aspects of the program on Black workers and their children (Pilkaskas & Michelmore, 2022; Thompson et al., 2020). Other analyses have examined how EITC expansions that address these aspects of the program would largely benefit Black, Hispanic and Asian workers (Maag et al., 2019; Marr et al., 2015; Thompson et al., 2020).

Creation of a two-tiered tax system

The 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), commonly known as "welfare reform," created a new social policy regime for immigrant families. PRWORA stratified undocumented immigrants, legal immigrants and U.S. citizens in immigrant families along a continuum of legality and restricted access to anti-poverty programs for immigrant and their families, including family members who were U.S. citizens or legal immigrants (Acevedo-Garcia, Joshi, Ruskin, Walters, & Sofer, 2021). As a result of welfare reform, many immigrant families lost federal benefits like Food Stamps, Supplemental Security Income, Temporary Assistance for Needy Families and Medicaid (Acevedo-Garcia et al., 1997). With regard to the EITC, "Congress did not believe that individuals who are not authorized to work in the United States should be able to claim the credit" (Joint Committee on Taxation, 1996).

While the EITC is not considered a federal benefit under PRWORA, the law still created new eligibility restrictions for immigrant families by requiring all family members on a tax return to have an SSN (PRWORA, 1996). In the same year, the IRS issued regulations to create Individual Tax Identification Numbers (ITINs) (Identifying Numbers, 1996). ITINs replaced the temporary Tax Identification Numbers (TINs) previously issued by the IRS to allow individuals without Social Security numbers to pay taxes (IRS, 1995).¹³ A two-tiered tax

¹³ Individuals must provide a unique identifying number in order to file tax returns, pay taxes, and otherwise comply with federal tax law. Typically, an individual's identification number is their SSN. The Social Security Administration issues SSNs to U.S. citizens and certain noncitizens such as lawful permanent residents (i.e., green card holders), asylees, refugees and other noncitizens who are authorized to work in the U.S. (Crandall-Hollick & Lunder, 2021). The Social Security Administration also issues SSNs to a small share of noncitizens without work authorization who need an SSN to receive certain public benefits. Individuals ineligible for an SSN must use an ITIN when filing their taxes and other documents with the IRS. ITINs are issued by the IRS solely to enable noncitizens to comply with federal tax law. While ITIN use is often equated with undocumented immigration status, it does not necessarily mean an individual is unlawfully present (Lunder & Crandall-Hollick, 2014),

system was created in which only individual paying taxes with an SSN would benefit from social programs. “Taxpayers [with ITINs would] enter this number on their tax returns when asked for the SSN and use it for tax purposes only. An ITIN [would] not entitle a person to the earned income credit or social security benefits, nor [would] it change employment or immigration status under U.S. law” (IRS, 1997). Policy analysts have concluded that the existence of this two-tier tax system runs contrary to principles of equality and fairness in the tax code (Lipman, 2006; Suro & Findling, 2021).

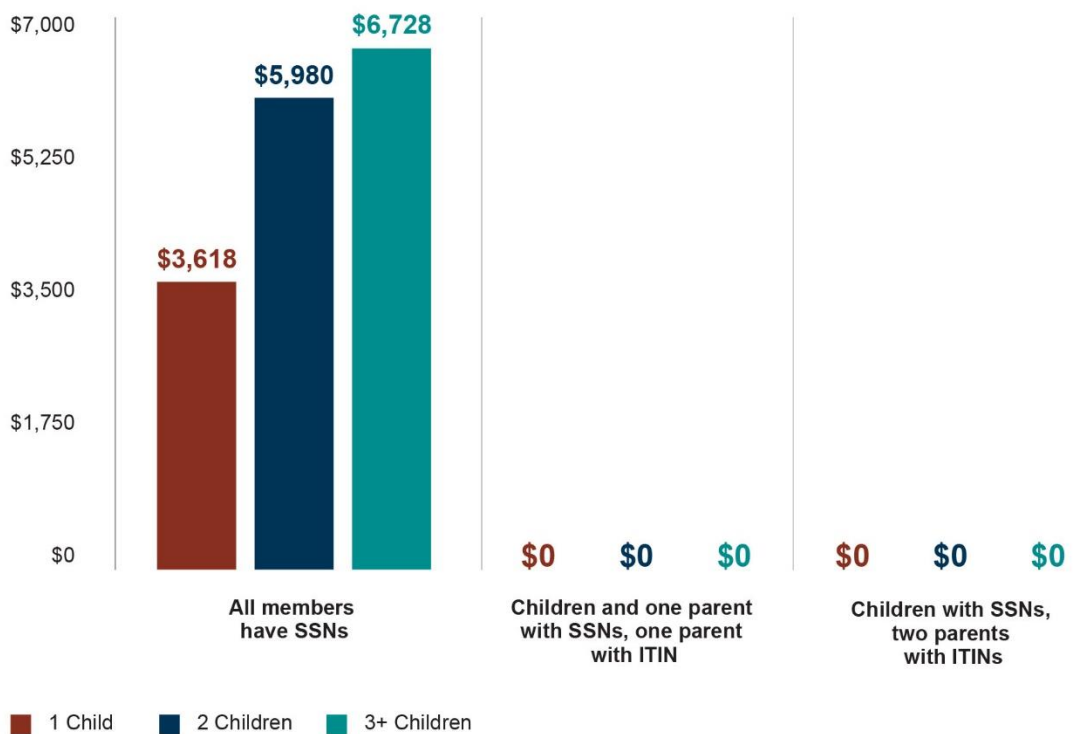
The establishment of ITINs during welfare reform was intended to exclude undocumented immigrants—individuals not authorized to work in the U.S—from receiving the EITC. However, because of the way eligibility is structured, family members of ITIN holders are also denied the EITC, even if they personally have SSNs (e.g., if they are U.S. citizen or lawful permanent residents). Therefore, denying the EITC to ITIN holders discriminates against and hurts citizen and legal immigrants. Effectively, they are less deserving of this social safety net program because they live with an undocumented family member. Importantly, other programs such as the Child Tax Credit and the Supplemental Nutrition Assistance Program are available to U.S. citizen children and other qualifying children (e.g., legal immigrant children) even if their family members are undocumented. Therefore, EITC eligibility rules are inconsistent with the rules of other programs to alleviate child poverty.

To receive the EITC, *all* family members on the tax return must have a Social Security number. Thus, if one family member is not authorized for an SSN, the entire family—even if it contains U.S. citizens—is ineligible, and the family loses thousands of dollars in tax credits each year (Exhibit 17). Eighteen percent (more than 1.63 million) of U.S. citizen children in poverty live with an undocumented family member, meaning nearly one-fifth of U.S. children in poverty are excluded from one of the most effective anti-poverty programs. The ITIN exclusion from the EITC means that families with modest earnings and an ITIN tax filer will actually *pay more in taxes* than a family with an identical tax return filed with SSNs, even if the first family includes U.S. citizen children. Paradoxically and unfairly, although children in immigrant families have some of the highest poverty rates, they have more restricted access to anti-poverty programs like the EITC than other children. Even when these children meet other EITC eligibility criteria (e.g., working family, income), their families have lower access to the EITC simply because of the identification number a member of their family uses to pay taxes.

however past research indications that a large portion of ITIN taxpayers are undocumented immigrants working in the U.S. (Brostek, 2004).

EXHIBIT 17. Maximum EITC by Number of Qualifying Children and Tax Filing Method, 2021

If one family member does not have a Social Security number, the entire family is ineligible for the EITC.



Source: IRS, 2021.

The exclusion of immigrant families from the EITC highlights fundamental contradictions in the treatment of children in immigrant families in U.S. tax and social policy. First, the exclusion of immigrant families from the EITC runs contrary to the increasing demographic importance of children of immigrants. In 1970, children in immigrant families represented just 6% of U.S. children (Acevedo-Garcia, 2021); today, they represent 27% of all U.S. children. The majority of children in immigrant families (90%) are U.S. citizens (Exhibit 10). Despite being more than one-fourth of the child population and predominantly U.S. citizens, these children cannot access the economic, social and health benefits associated with the EITC because restrictions placed on immigrants without Social Security numbers affect their noncitizen parents and siblings. These exclusions also create inequities between U.S. citizen children in mixed-status families and U.S. citizen children in all-citizen families. Finally, they promote fiscal unfairness—a two-tiered tax system where taxpayers without SSNs pay higher taxes than otherwise equal taxpayers with SSNs.

Intentional exclusion of immigrant families from the EITC

It is important to make clear that the changes in immigrant eligibility for social programs introduced in 1996 as part of welfare reform had an explicit exclusionary intent. The targets of this exclusionary intent were immigrant families—not only undocumented but also legal immigrant families (Acevedo-Garcia et al., 1997; Crandall-Hollick, 2018; Fix & Tumlin, 1997). In the case of the EITC, ostensibly the main target of the exclusions was *individuals* without authorization to work in the U.S., or workers without SSNs who are largely undocumented

immigrants (Crandall-Hollick, 2018). However, because even one family member without an SSN excluded the entire family from the EITC, implicitly and in practice, the target of the exclusion was immigrant *families* with at least one member without an SSN, even if other family members were legal immigrants or U.S. citizens.

PRWORA specifically stated, “It is a compelling government interest to remove the incentive for illegal immigration provided by the availability of public benefits” (PRWORA, 1996). A highly influential working paper used census data to show that immigrants were more likely than nonimmigrants to live in states with relatively generous welfare benefits (Borjas, 1999). While this paper did not establish a causal relationship, it sparked serious concern that immigrants were coming to the U.S. to access more generous public benefits (Haskins, 2009; Minoff et al., 2021). While this research informed the shift to exclude immigrants from the social safety net, anecdotes that a “welfare magnet [...] attracted lazy foreigners [to] c[o]me here to live on welfare” were even more influential in shaping welfare reform (Haskins, 2009). The link between welfare benefits and immigration is highly contested (Chiquiar & Hanson, 2005). Research evidence suggests that immigrants choose their destination based on areas with large immigrant populations, rather than based on relative welfare generosity (Ponce, 2019; Zavodny, 1997).

In 1996, the U.S. House Committee on Ways and Means recommended to the House Committee on the Budget: “Current law is silent on alienage under other programs, like [...] the earned income credit. [...] It is the intent of the Committee that individuals who are illegally present in the U.S. [...] should not receive public welfare benefits” and that “The Committee does not believe that individuals who are not authorized to work in the United States should be able to claim the credit [EITC]” (Committee on the Budget, 1996). The impact of PRWORA on U.S. citizen children in mixed-status families was only discussed once in the over 2,000-page report, with dissenting opinions stating: “Most disturbingly, H.R. 3507 dangerously proposes to deny subsistence benefits for poor immigrants; nearly all of the savings achieved come from denying benefits to legal immigrants. Perversely, H.R. 3507 would pose harm to U.S. citizen children by denying WIC benefits to illegal immigrant mothers. This kind of policy is unconscionable and pernicious” (Committee on the Budget, 1996)

We view the targeting of undocumented immigrants under the EITC as part of a larger trend to legally and socially criminalize, marginalize and racialize undocumented immigrants (Brown, 2013a; Fox, 2016, 2019; Massey, 2014; Menjívar, 2021; Menjívar & Abrego, 2012). While the EITC exclusion was established purposefully to target undocumented immigrants, it predictably had wider exclusionary effects with serious equity implications, which were not addressed during the policy debates. The exclusion of families without SSNs hurts not only undocumented but legal immigrants and U.S. citizens in those families. Therefore, we also place the targeting of undocumented immigrants under the EITC as part of a larger trend to expand and increasingly stratify the concept of legality—or illegality—in immigration and social policy to exclude not only undocumented immigrants but also legal immigrants and U.S. citizens in immigrant families (Acevedo-Garcia, Joshi, Ruskin, Walters, & Sofer, 2021; Menjívar & Abrego, 2012).

In 2006, members of Congress put forward a proposal to deny the EITC even to legal immigrants with SSNs (Aron-Dine, 2007), and the arguments put forward at that time by Democrats and Republicans alike to counteract this proposal (U.S. Senate, 2006) are the same arguments one can use today against the current

system that denies the EITC to legal immigrants and citizens in families where even one member does not have a Social Security number. For instance, Senator Kennedy (D-MA) argued:

It is fundamentally wrong to subject immigrant workers to a different, harsher Tax Code than the one that applies to everyone else in the country. An immigrant worker should pay exactly the same income tax that every other worker earning the same pay and supporting the same size family pays -- no less and no more. We should not be designing a special punitive Tax Code for immigrants that makes them pay more than everyone else [...]

Denying the EITC to legal immigrant residents would unduly harm their children, including many children who are citizens. About 98% of the EITC goes to working families with children. Census data show that the EITC lifts more children out of poverty than any other federal program.

Sen. Edward M. Kennedy, May 25, 2006

And Senator McCain (R-AZ) stated that the amendment:

...would really impose an indefensible double standard on legalized workers. What is next? Are we going to say work-authorized immigrants have to ride in the back of the bus? [...]
This amendment, if adopted, would mean that huge numbers of children would be thrust into, or deeper into, poverty.

Sen. John McCain, May 25, 2006

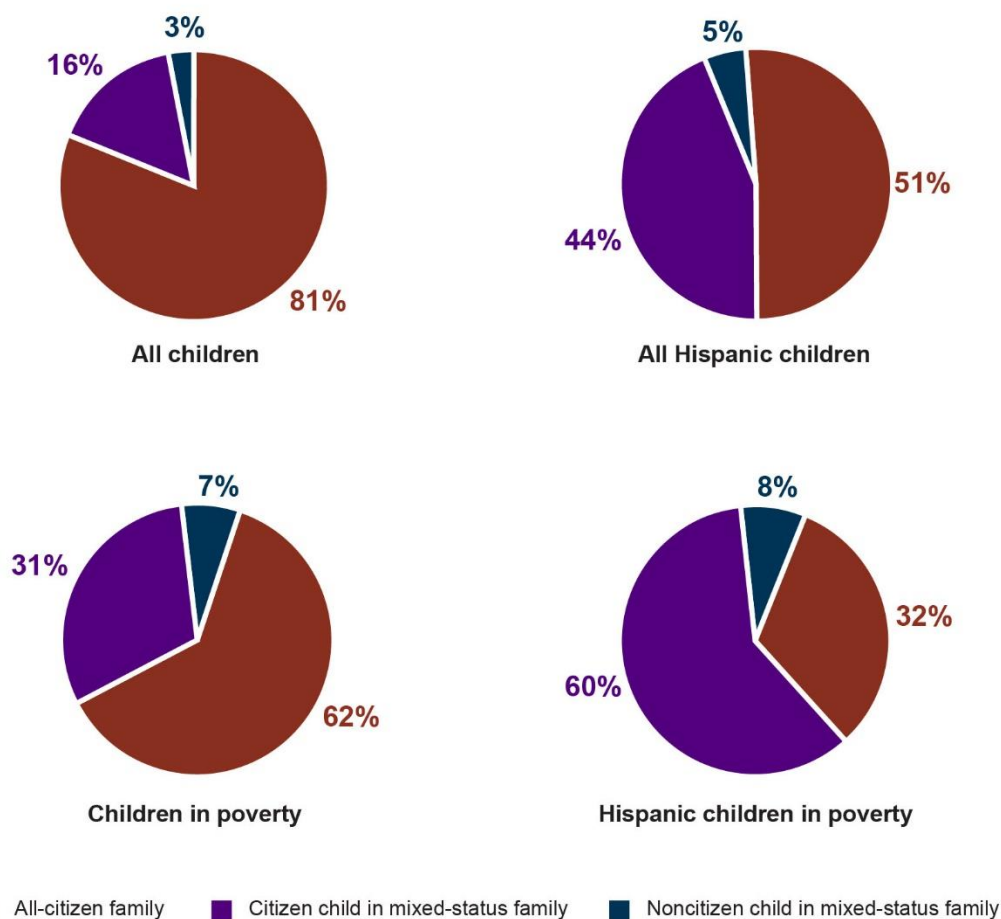
Excluding mixed-status families from the EITC was an explicit goal of the changes in the program's eligibility rules introduced during welfare reform. The justification was to exclude undocumented immigrants—who do not have Social Security numbers—in order to eliminate or weaken “welfare” as a “magnet” for undocumented immigration. Predictably, the EITC exclusion of families without SSNs has hurt not only undocumented immigrants—the main target by design—but also legal immigrant and citizen members of these families—implicit targets by design. It is perplexing that the country has not had a robust debate about the reach and unfairness of these exclusions, which senators Kennedy and McCain so eloquently articulated in 2006.

Inequitable impact of EITC immigrant exclusions on Hispanic families

While on its face the EITC eligibility restrictions for immigrants without SSNs appear race neutral, they are not. These restrictions have had serious disproportionately negative effects on Hispanic children, who are much more likely than other children to live in mixed-status families and families with undocumented members. Of Hispanic children in poverty, nearly four in ten (38%) are citizens living with an undocumented family member, and six in ten (60%) are citizens in a mixed-status family. In contrast, of all children in poverty, only about two in ten (18%) are citizens living with an undocumented family member, and only three in ten (31%) are citizens in a mixed-status family (Exhibit 18; Appendix B).

EXHIBIT 18. Estimates of the Composition of All Children and Hispanic Children by Poverty and Citizenship/Mixed-Status, 2017 and 2015-2017

Hispanic children—and especially Hispanic children in poverty—are much more likely to live in mixed-status families.



Note: Estimates of poverty rates for all children use 2017 data while estimates for Hispanic children pool 2015-2017 data. Source: Authors' calculations using estimates from TRIM3, commissioned by authors.

While the exclusion of immigrant families was an explicit design element of the policy changes introduced under PRWORA, anti-Hispanic animus has been subtler, and part of a larger evolution of U.S. racist attitudes and policy discourse. In general, racism in public opinion surveys and policy debates is increasingly “coded” as rejection of socially unacceptable behaviors. However, in an experimental analysis, Hartman et al. (2014) showed that public attitudes are significantly more negative when the individuals displaying negative behaviors such as “overstaying their visa” or “working under the table” are of Hispanic vs. non-Hispanic ethnicity. In turn, heightened negative attitudes triggered by Hispanic ethnicity increase support for harsh immigration policies. While Hartman et al. (2014) did not analyze immigrant restrictions in social policy, it is plausible that anti-Hispanic animus has influenced the increasing exclusion of immigrant families in social policy starting in the 1990s.

Findings from social science analysis support this conclusion. It is true that race/ethnicity and legal status are two separate exclusionary frames and that “legality” is often used independently from race to justify exclusionary

attitudes.¹⁴ However, the two frames intersect, and legal status is increasingly used to discriminate and exclude Hispanics (Brown, 2013a; Massey, 2014; Menjivar, 2021; Waters & Kasnitz, 2021). As summarized by Menjivar, “[t]oday, Latino groups are the preeminent target group of both the social and the legal production of illegality” (Menjivar 2021, p. 91).

Understanding the history and role of racial/ethnic prejudice in shaping public policy is part of a policy equity analysis. In the current context of a call for advancing equity in federal policy, it is especially important to understand bias behind policy decisions and implementation. Although it is beyond the scope of this report to present a full analysis of the relative weight of anti-immigrant vs. anti-undocumented immigrant vs. anti-Hispanic attitudes in shaping anti-poverty policy, the research literature suggests that both anti-immigrant and (coded) anti-Hispanic attitudes have played a role in policy decisions around immigration and access to the safety net. Immigrant exclusions are now legally coded as race-neutral but they may hide anti-Hispanic bias (Brown, 2013a; Hartman et al., 2014) and disproportionately hurt Hispanics (Acevedo-Garcia, Joshi, Ruskin, Walters, & Sofer, 2021; Acevedo-Garcia, Joshi, Ruskin, Walters, Sofer, et al., 2021; Minoff et al., 2021). For this reason, scholars of immigration have called for using the concept of “racialized legal status” to analyze attitudes and policies that target immigrants (Asad & Clair, 2018; Menjivar, 2021; Waters & Kasnitz, 2021).

The EITC immigrant exclusions have much broader equity implications than just the explicit target of the exclusions, who are undocumented immigrants. Massey’s statement about the nature of the immigrant exclusions in PRWORA extends to the immigrant exclusions in the EITC: “Congress increased the social penalties for being poor, Hispanic, foreign, and undocumented, in 1996 even cutting off legal immigrants from public services for which they had heretofore qualified” (Massey, 2014, p. 35).

DIFFICULTIES AND INEQUITIES IN ACCESSING THE EITC

Even if families who file taxes without SSNs were made eligible for the EITC, other barriers and inequities in the tax system may prevent them from receiving it. Currently, approximately one in five eligible taxpayers do not claim the EITC (IRS, 2021b).¹⁵ One survey estimated that 44% of eligible respondents were unaware of the tax credit, and 44% of respondents eligible for the EITC incorrectly believed they were ineligible (Bhargava and Manoli, 2015). Among respondents who correctly believed they were eligible for the EITC, 61% underestimated the size of the benefit they would receive and 41% under-estimated the benefit size by 50% or more (Bhargava and Manoli, 2015).

Even if a family is aware of the EITC, many do not understand how it works or how their benefits may change due to changes in their tax filing status (Halpern-Meekin et al., 2015). While the EITC form itself is only one page long, the explanation of how to determine eligibility is thirty-seven pages (Herd & Moynihan, 2018b). Almost one in four of eligible taxpayers said they would not claim the EITC because the forms were too confusing (Bhargava & Manoli, 2015).

¹⁴ This separation is why the relationship between racialization and welfare policy is more complex for Hispanics than for Blacks (Brown, 2013b).

¹⁵ Thomson et al. (2020) suggest much lower take-up rates than the IRS estimates. It is outside of the scope of this report to try to reconcile these estimates, but we do note that their differences are likely due to using different definitions of eligible families. According to Thomson, among income-eligible families, 56% of all-citizen families receive the EITC compared with 44% to mixed-status families. Hispanic families also have lower participation rates in the EITC. While 55% of income-eligible White families receive the EITC, only 46% of income-eligible Hispanic families did (Thomson et al., 2020). (IRS, 2021b).

EITC awareness is lower and administrative barriers are worse for immigrant and Hispanic families

While for many tax filers the EITC is comparatively easier to access than other anti-poverty programs (Herd & Moynihan, 2018a), many eligible families, especially immigrant families, must overcome notable barriers to receive the credit. Families must be aware of the program, understand eligibility requirements and the value of the credit, and claim the credit on their tax returns.

Compared to other racial/ethnic groups, Hispanic families are much less likely to have heard about the EITC and to receive the credit (Maag, 2005; Ross Phillips, 2001). Experimental evidence finds that informational IRS mailings to EITC-eligible households increases take-up (Bhargava & Manoli, 2015). However, relying on materials only written in English lowered take-up rates for Hispanic families (Bhargava & Manoli, 2015).

Given the complexity of filing taxes and determining eligibility for the EITC, 54% of EITC claimants used a paid tax preparer (Government Accountability Office, 2019). Hispanic families are much more likely to use paid tax preparer compared to other racial/ethnic groups (CLASP, 2021), and EITC recipients living in immigrant communities are also more likely to use a paid preparer to file taxes than those in other communities (Berube, 2005). Tax preparation fees vary widely based on the tax forms used, including the EITC form. On average, workers eligible for the EITC spend \$400—between 13% and 22% of the average refund—at national tax preparation chains to file their taxes (Weinstein Jr & Patten, 2016). These fees may reduce the anti-poverty effect of the EITC and its associated educational and health benefits for children.

Confusion about eligibility is also greater among immigrant and Hispanic families, and this confusion worsened during the Trump administration. In 2018, a leaked proposal to change the public charge rule targeting legal immigrants included tax credits like the EITC (Miroff, 2018). If enacted, this proposal would have severely hindered immigrants lawfully present in the U.S. from being able to obtain permanent residence, and put prospective legal immigrants at risk of not being allowed into the U.S. to join family, if family members—including U.S. citizens—had received, or were considered likely to receive, federal benefits, including the EITC (Greenstein, 2018). Although the proposed change to the public charge rule was eventually revised to exclude the EITC and the rule was never implemented, it still instilled confusion and fear in immigrant families. Many decided not to enroll in government programs they were otherwise eligible for (Barofsky et al., 2020; Bernstein et al., 2020). However, there is no specific evidence that the proposed public charge rule deterred families from claiming the EITC.

Lessons from the temporary expansion of the Child Tax Credit

The Child Tax Credit (CTC), including the recent temporary expansion, allows families where the parents have ITINs and children have SSNs to claim the credit. Yet, while CTC eligibility is more inclusive of immigrant families than EITC eligibility, the recent expansion of the CTC highlighted significant administrative barriers eligible immigrant families face when trying to claim tax credits (Rodriguez, 2021, 2022). Immigrant parents were less likely to know about the CTC than nonimmigrant parents (Maag & Brugger, 2021). Furthermore, Hispanic children and children in households whose primary language is Spanish were especially at risk for not receiving the CTC (Augustine et al., 2021). In the initial implementation of the CTC, resources were only available in

English (Code for America, 2021) and later Spanish-language resources were poorly translated and confusing (Rodriguez, 2022). Barriers also included unclear IRS guidance for mixed-status families, technological barriers, limited ease in accessing the IRS tool on the CTC, misinformation about the CTC and fear from immigrant and mixed-status families that receiving the credit could expose them to immigration enforcement (Rodriguez, 2021, 2022). This scenario highlighted the importance of ensuring that Spanish-language resources are accurate, simple and consistent; that informational material outlines potential next steps; and that partner with community-based service providers can help families enroll (Rodriguez, 2021, 2022).

Additionally, even if eligibility for the EITC was restored for families without SSNs, applying for an ITIN is a burdensome process that may prevent families from filing taxes and claiming the EITC. In its annual report to congress, the Taxpayer Advocate Service, which is part of the Internal Revenue Service, concluded that the ITIN application process “unduly burdens and harm taxpayers” and negatively impacts taxpayer rights to be informed, get quality service, pay no more than the correct amount of tax, challenge the IRS’s position and have a fair and just tax system (Taxpayer Advocate, 2016). Advocates also describe the ITIN process as “plagued with delays in processing and beset with practical problems” (Rodriguez, 2022). This burdensome process prevented families from accessing not only the CTC but also the Covid-19 stimulus payments under the December Omnibus (which included retroactive payments for families excluded from the CARES Act stimulus payments) (Ojeda, 2021) and the American Rescue Plan Act (Rodriguez, 2022).

Immigrant families have significantly lower participation in anti-poverty programs such as the EITC (Acevedo-Garcia, Joshi, Ruskin, Walters, & Sofer, 2021). These lower participation rates are the result not only of exclusionary eligibility, but also of both significant administrative burden that limit access to programs and disincentives to participate—like fear that receiving benefits could jeopardize a family’s ability to become permanent residents (Acevedo-Garcia, Joshi, Ruskin, Walters, & Sofer, 2021). In turn, restricted access to the EITC hurts individual immigrant families by significantly reducing their resources to care for their children, including meeting basic needs and making enrichment expenses (Barr & Dokko, 2006; Shaefer et al., 2011; Sykes et al., 2015). Immigrant restrictions also have effects at the population level such as increasing poverty rates for immigrant and Hispanic children and limiting our ability to further reduce child poverty overall.

THE EITC: PROGRAM DESIGN, EFFECTIVENESS AND EXCLUSIONS

Key Takeaways

- The EITC is one of the most effective and largest anti-poverty programs in the U.S. Paradoxically and unfairly, it is denied to 18% of children in poverty—U.S. citizen children living with an undocumented family member who have a poverty rate over 30%—because the 1996 welfare reform required all family members to have Social Security numbers to receive the credit.
- In 1996, the EITC was reformed with the explicit intent of denying the credit to undocumented workers. Although the change was structured so that this exclusion would also extend to legal immigrants and U.S. citizens in families with undocumented members, its inequitable effects and unfair fiscal implications were not addressed. More than 25 years later, the EITC continues to be exclusionary of mixed-status families and inequitable by design.
- Each year, children in mixed-status families, most of whom are U.S. citizens, lose thousands of dollars in tax credits that their parents could use to meet their needs and invest in their healthy development. The EITC eligibility rules send a message to these children that they are less deserving than children in all-citizen families and that they are not full members of society.
- While on its face the EITC eligibility restriction for immigrants without SSNs appears race neutral, it is not. It has serious disproportionately negative effects on Hispanic children, who are much more likely than other children to live in mixed-status families and families with undocumented members.
- Administrative burden, especially complex and unclear eligibility rules, is higher for immigrant families and makes it difficult even for eligible immigrant families to access the EITC. These barriers reduce the resources available to families to care for their children, with disproportionately negative effects on Hispanic children.

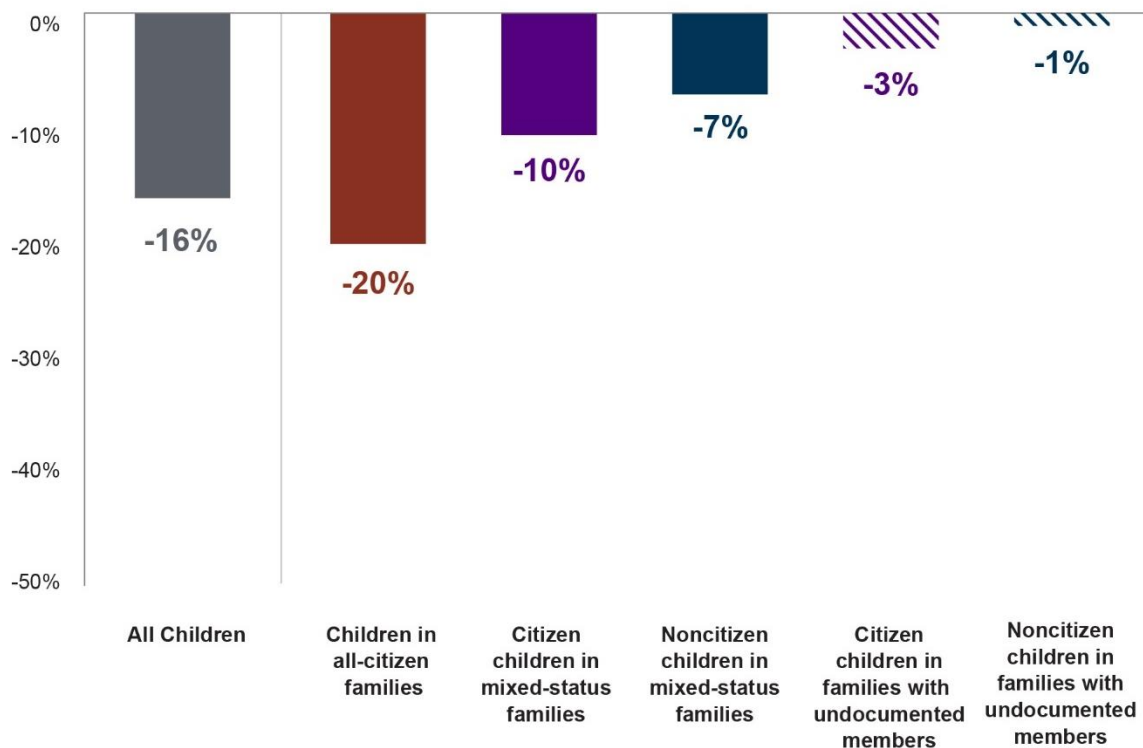
IV. A PROPOSAL FOR A MORE EFFECTIVE, EQUITABLE AND INCLUSIVE EITC

This section outlines our proposal for a more effective, equitable and inclusive EITC as an extension of the proposals offered in the 2019 landmark report *A Roadmap to Reducing Child Poverty* from the National Academy of Sciences, Engineering, and Medicine (NASEM).

In 2019, the NASEM report identified 20 individual policy solutions that had the potential to reduce child poverty and deep poverty in the United States by half within ten years. One recommended policy was to increase EITC payments by 40% while maintaining the current eligibility criteria. Although this policy option reduced poverty across most subgroups considered—e.g., by race/ethnicity, nativity, citizenship, parental employment and family structure—that poverty reduction was inequitable by citizenship/mixed-status and race/ethnicity. U.S. citizen children in mixed-status families benefited only half as much, and noncitizen children benefited even less, compared to children in all-citizen families (Exhibit 19). By race/ethnicity, Hispanic children benefited less than White and Black children (Exhibit 20). In both cases, these children benefited relatively less because the simulated EITC increase maintained the restrictive Social Security number eligibility requirements that disproportionately harm children in immigrant families and Hispanic children.

EXHIBIT 19. Estimates of Reduction in Child Poverty Rate by Citizenship/Mixed-Status from a 40% Increase in the EITC without Changing Social Security Number Eligibility Requirements, 2015

An increase in EITC payments would reduce child poverty overall, but with fewer benefits for children in mixed-status families.



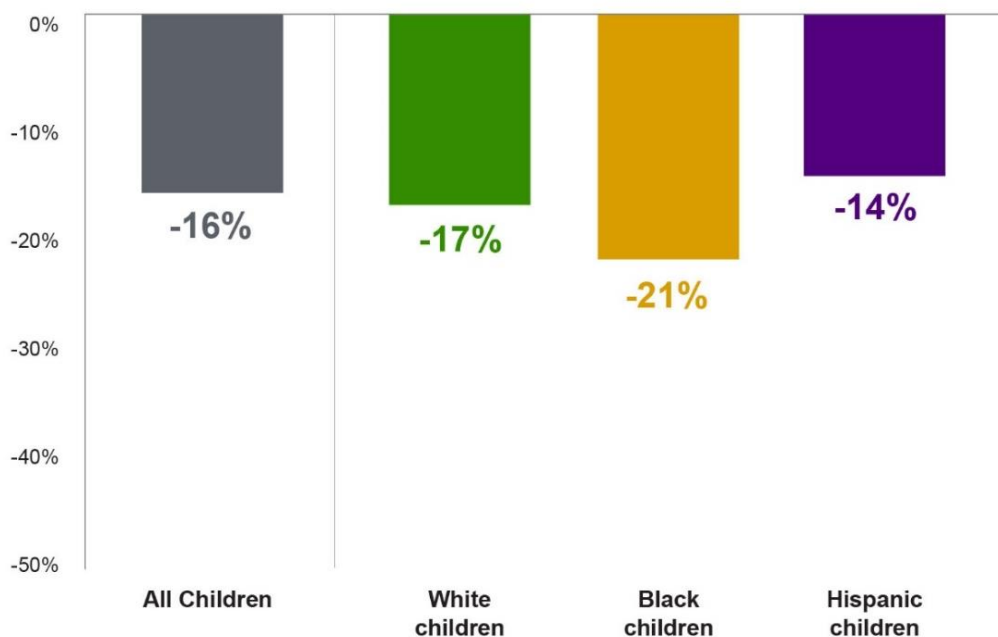
Source: Authors' calculations using estimates from TRIM3, commissioned by NASEM committee.

This report builds on *A Roadmap to Reducing Child Poverty* to present new estimates of the Committee's proposal to increase EITC payments by 40%, and it combines that increase with a novel enhancement to make the EITC more effective, equitable and inclusive by extending eligibility to working families who file taxes without Social Security numbers.

We commissioned the Urban Institute to carry out simulations using the Transfer Income Model Version 3 (TRIM3) to analyze the potential poverty reduction effects of policy changes that combine increases in the size of the EITC benefit considered in the Roadmap with expanded eligibility to benefit children in immigrant families.

EXHIBIT 20. Estimates of Reduction in Child Poverty Rates by Race/Ethnicity from a 40% Increase in the EITC without Changing Social Security Number Eligibility Requirements, 2015

An increase in EITC payments would reduce child poverty overall, but with fewer benefits for Hispanic children.



Note: Hispanic children may be of any race. White, Black, Asian or Pacific Islander, and other race children are non-Hispanic. For results for Asian or Pacific Islander children and other race children see the NASEM committee report (National Academies of Sciences, 2019)
Source: Authors' calculations using estimates from TRIM3, commissioned by NASEM committee.

These estimates expand on the 2019 NASEM report in several ways:

- First, we simulate three variations of NASEM's proposed 40% increase in EITC benefits (see Exhibit 21) under three different scenarios of taxpayer identification for EITC eligibility (all reported estimates include employment and earning effects; see Appendices B and D):
 1. *Scenario 1* uses more recent data to describe the 2019 NASEM simulation with current EITC eligibility rules regarding SSNs. It does not extend EITC eligibility to families without SSNs.
 2. *Scenario 2* requires that only children claimed for the EITC have SSNs, while parents are not required to have SSNs to receive the EITC.
 3. *Scenario 3* eliminates SSN requirements in the EITC for families with children altogether; in other words, neither parents nor children are required to have SSNs.
- Second, we use more recent data: 2017 calendar year data from the 2018 U.S. Census Bureau *Current Population Survey Annual Social and Economic Supplement* (ASEC).
- Finally, we use 2017 EITC program rules, with one exception: our estimates use 2018 federal income tax rules to account for the substantial changes made to the tax code by the Tax Cut and Jobs Act of 2017.¹⁶

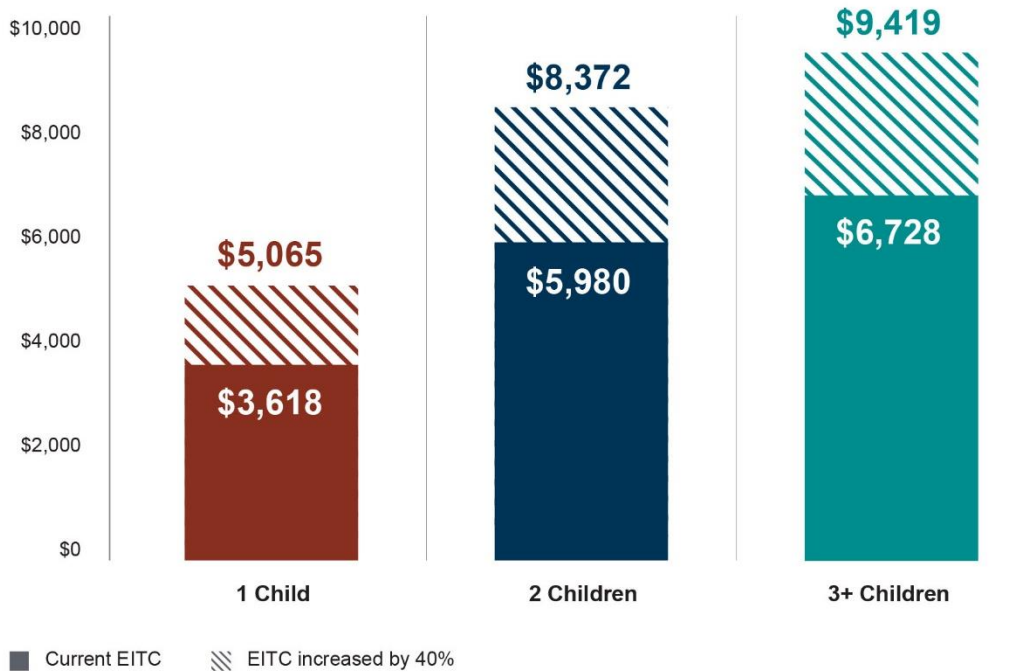
We note that the change to taxpayer identification eligibility in scenario 2—extending EITC eligibility to families with parents without SSNs—would amount to simply applying to the EITC the current eligibility rules that exist

¹⁶ The Tax Cuts and Jobs Act changed how the EITC is indexed for inflation but did not change any other program parameters.

for the Child Tax Credit. The change would also restore EITC eligibility to the taxpayer identification rules that were in place until the 1996 welfare reform. Even the change in taxpayer identification eligibility under scenario 3—extending EITC eligibility to families with parents and children without SSNs—would amount to applying to the EITC the eligibility rules that existed for the Child Tax Credit before the Tax Cuts and Jobs Act of 2017. Until then, children without SSNs were eligible for the Child Tax Credit.

EXHIBIT 21. Maximum Current EITC and Maximum Increased EITC by Number of Qualifying Children, 2021

A 40% increase in the maximum EITC would raise benefits substantially.



Source: Authors' calculations using IRS EITC tables (IRS, 2021a).

A PROPOSAL FOR A MORE EQUITABLE, EFFECTIVE AND INCLUSIVE EITC

Key Takeaways

- The 2019 National Academy of Sciences, Engineering, and Medicine (NASEM) report stated a goal of reducing child poverty in half. One recommended policy solution was to increase EITC payments by 40%, which had large effects on child poverty overall but minimal effects on children in mixed-status families and limited effects on Hispanic children.
- We build on the NASEM report to analyze how child poverty could be reduced equitably by not only expanding EITC benefits by 40% (Scenario 1), but also by expanding eligibility to include parents without Social Security numbers (Scenario 2), and then to include children without Social Security numbers (Scenario 3).
- These changes in EITC eligibility would not be a radical departure from other U.S. social policies. Extending EITC eligibility to families with parents without SSNs would amount to applying to the EITC the current eligibility rules for the Child Tax Credit. The change would also restore EITC eligibility to the taxpayer identification rules that were in place until 1996. Even extending EITC eligibility to families with parents and children without SSNs would amount to applying to the EITC the eligibility rules that existed for the Child Tax Credit before the Tax Cuts and Jobs Act of 2017.

V. METHODS

This section provides an overview of the policy equity analysis approach, the TRIM3 microsimulations and key definitions used in this analysis.

POLICY EQUITY ANALYSIS

This report uses the policy equity analysis (PEA) framework to assess equity of the EITC in its design (e.g., eligibility), capacity (e.g., administrative burden) and effectiveness (e.g., poverty reduction effects). PEAs combine the methods of policy analysis and rigorous equity analysis to synthesize existing research and conduct new analyses of a policy's ability to reduce inequities by nativity, citizenship/mixed-status and race/ethnicity (Joshi et al., 2014). The PEA framework embeds equity within each step of the policy assessment. Furthermore, it moves beyond the question of whether a policy is working as intended and asks whether the policy actually reduces gaps by nativity, citizenship/mixed-status and race/ethnicity in access and outcomes. It also assesses whether there are inequities in access to and quality of services, and whether different policy impacts exist. In using the PEA, this report is able to identify specific policy recommendations that reduce inequities by nativity, citizenship/mixed-status and race/ethnicity and to identify future directions of research for making the EITC a more equitable policy.

The PEA begins with an examination of a policy's logic to evaluate if a policy's justification and development, history, explicit goals, implicit goals and population targeting are equity focused. This step includes identifying structural factors at the macroeconomic and political levels, federal and state policy choices and institutional policies that influence how the policy is designed and implemented. In the previous section, we analyzed the history of the EITC to assess whether its primary purpose and other goals were equitable or had exclusionary intent. Next, a PEA examines a policy's capacity: how the policy will serve everyone who needs it, how it meets the needs of different groups, the extent to which its allocated resources are adequate and qualified for implementation relative to the needs of the different groups, and how administrative burdens vary by nativity, citizenship/mixed-status, and race/ethnicity. In this report, we assess whether there are differences in the participation rates of the EITC by nativity and race/ethnicity and identify administrative burdens for children in immigrant families, mixed-status families, and Hispanic children. Finally, the PEA looks for evidence of the policy's short- and long-term impacts (i.e. effectiveness in improving outcomes) by nativity, citizenship/mixed-status and race/ethnicity and other factors such as immigrant status, evidence of differential implementation, cost and data availability by subgroup. We review the causal research evidence for the effects of the EITC on outcomes in childhood and adulthood and simulate hypothetical increases to the EITC coupled with expansions of eligibility rules to see how such policy changes can improve citizenship/mixed-status and racial/ethnic equity in the EITC.

OVERVIEW OF TRIM3

The Transfer Income Model, version 3—TRIM3—is a microsimulation model that uses the U.S. Census Bureau's *Current Population Survey Annual Social and Economic Supplement* (CPS ASEC) to simulate the effect of tax and

benefit programs on U.S. households. TRIM3 includes all major tax and benefit programs that directly affect the well-being of low-income families in the U.S.¹⁷

TRIM3 can mimic actual program rules and simulate hypothetical policy changes. Estimates are developed by applying rules of tax and benefit programs to each of the families in the sample. Aggregate impacts of these changes are estimated by aggregating individual-level impacts using the weight for each family.

TRIM3 is a detailed model and captures how policies, like cash-assistance programs and variation in state income taxes, vary at the state level. TRIM3 model also captures interactions across programs¹⁸ and how policy changes would affect employment. For more detail on TRIM3 see Appendix F in *A Roadmap to Reducing Child Poverty* (National Academies of Sciences, 2019).

Imputing immigration status and Social Security numbers in TRIM3

The CPS asks whether people are U.S. citizens, and it asks noncitizens when they came to the U.S. to stay. The survey does not ask about noncitizen's immigration status—whether they are a lawful permanent resident, refugee, asylee, temporary resident or an undocumented immigrant (Appendix A). For many government benefits and tax credits, a child's eligibility depends on their family's immigration status—even if the child is a U.S. citizen (Acevedo-Garcia, Joshi, Ruskin, Walters, & Sofer, 2021).

To account for these eligibility rules, TRIM3 uses a widely accepted approach (Passel & Clark, 1998; Passel & Cohn, 2011, 2018) to impute immigration statuses for each noncitizen based on the year they immigrated to the U.S., country of origin, demographic characteristics, employment characteristics and occupation. For more details on the imputation strategy used in TRIM3, see Appendix F in *A Roadmap to Reducing Child Poverty*.

The EITC bases eligibility not on immigration status but on a tax filer's taxpayer identification number, which is often tied to citizenship and immigration status. TRIM3 assumes that citizen and legal immigrants have Social Security numbers (SSNs), and that undocumented immigrants and temporary residents do not have SSNs.¹⁹ We use the TRIM3 immigration status imputations to create additional categories by nativity and citizenship/mixed-status family.

Definitions of nativity and citizenship/mixed-status family

Nativity status refers to whether a person is native or foreign born. A family's nativity is based on that of the parents. Nonimmigrant families are families in which both parents were U.S. citizens at birth either by being born in the U.S. or one of its territories (e.g., Puerto Rico), or by being born abroad to U.S. citizens. Immigrant families

¹⁷ Major tax programs include payroll taxes, federal income taxes and credits, and state income taxes and credits. Cash benefits include Supplemental Security Income (SSI) and Temporary Assistance for Needy Families (TANF). Nutrition benefits include Supplemental Nutrition Assistance Program (SNAP) and the Women, Infants and Children (WIC) program. Other in-kind benefits and subsidies include public and subsidized housing, child care subsidies through the Child Care and Development Fund (CCDF) and the Low Income Energy Assistance Program.

¹⁸ For instance, benefits from SSI and TANF are counted as income by SNAP. If a simulation increased the benefits of SSI and TANF, the secondary effects on SNAP would also be modeled.

¹⁹ This assumption is a simplification. Undocumented immigrants with Deferred Action on Childhood Arrivals (DACA) status can receive an SSN. However, TRIM3 does not identify DACA status and treats immigrants with DACA status the same as other undocumented immigrants in the policy simulations. A person with temporary resident status who came to the U.S. for work or as a student would have an SSN, but typically, their family members would not have an SSN. TRIM3 assumes all temporary residents do not have an SSN.

are families where at least one parent was not a U.S. citizen at birth, including those who have become U.S. citizens through naturalization.

Citizenship/mixed-status categories refer to whether a child is a U.S. citizen and if one family member is a noncitizen. “Children in all-citizen families” refer to families in which all members are U.S. citizens either through birth or naturalization, so this category can include nonimmigrant and immigrant families. “Citizen children in mixed-status families” refer to U.S. citizen children, either through birth or naturalization, in families in which at least one family member is not a U.S. citizen. “Noncitizens” may include legal, temporary, and undocumented immigrants. “Noncitizen children in mixed-status families” refers to children who are not U.S. citizens and live in families that do not include U.S. citizens. These noncitizens may include legal, temporary and undocumented immigrants.

Definitions of race/ethnicity

Race/ethnicity is based on the child’s race/ethnicity. This report focuses on three of the five major racial or ethnic groups in the United States: Non-Hispanic White, Non-Hispanic Black and Hispanic, as defined by the U.S. Census Bureau (U.S. Census Bureau, 2022, 2021). The White racial group refers to people who self-identify as having origins in any of the original peoples of Europe, the Middle East or North Africa. The Black racial group refers to people who self-identify as having origins in any of the Black racial groups of Africa. Hispanic ethnicity refers to people who self-identify as being of Cuban, Mexican, Puerto Rican, South American, Central American or other Spanish culture or origin regardless of race (U.S. Census Bureau, 2021). Hispanic children may be of any race. White, Black, Asian or Pacific Islander, and other race children are non-Hispanic. Appendix B and D reports the findings for Asian and Pacific Islanders and the “Other” racial group, which includes non-Hispanic children who are American Indians or Alaska Natives or who report more than one race.

We use these racial and ethnic terms because they are among the preferred terms reported for adults (McCarthy & Dupréé, 2021) and are consistent with the TRIM3 data source—the CPS ASEC. We recognize, though, that individuals may prefer to use a different racial and/or ethnic term than those used by the federal government. For instance, there is an ongoing discussion about whether Hispanic, Latino/a, Latinx or Latine is the most appropriate and inclusive term to describe people with origins from Cuba, Mexico, Puerto Rico, South American or Central America (Campos, 2021; Martin & Herrera, 2019; McCarthy & Dupréé, 2021; Noe-Bustamante et al., 2020). We acknowledge that the racial and ethnic descriptions used in this report may or may not be the preferred terms that individuals and communities use to name themselves.

BASELINE POVERTY ESTIMATES

Frequently, self-reported data on program receipt and benefit amount may be inconsistent with what would be computed by applying the program rules to the family’s income and demographic data (National Academies of Sciences, 2019). To ensure that the only difference between the baseline EITC and the increased EITC is the result of the 40% increase, TRIM3 estimates a set of baseline poverty simulations. These simulations apply the actual tax and program rules in place and create new information for each household on their tax liability, eligibility, and receipt for various tax and benefit programs. The baseline data is used to change, and in some instances, replace the survey-reported data on the programs.

The baseline poverty estimates use calendar year 2017 data from the 2018 CPS ASEC. The simulations use 2017 program rules, with one exception—it simulates federal income taxes using the 2018 federal income tax rules to account for the substantial changes made to the tax code by the Tax Cut and Jobs Act of 2017 (TCJA).²⁰ To examine the intersection between race/ethnicity and nativity and citizenship/mixed-status categories, baseline results on Hispanic child poverty averaged three years of data (calendar years 2015 to 2017) to increase the sample size. These estimates used the actual pre-TCJA tax rules in effect those years. For more detail on how TRIM3 estimates baseline poverty, see Appendix F of *A Roadmap to Reducing Child Poverty* (National Academies of Sciences, 2019).

EITC SIMULATIONS

The EITC simulations are based on a recommendation from the NASEM report, which increased the EITC credit by 40%. This report builds on this recommendation by simulating three versions of this expansion under three different SSN eligibility requirements:

Scenario 1: Increase the EITC by 40% and maintain SSN eligibility requirements for parents and children;

Scenario 2: Increase the EITC by 40%, eliminate SSN eligibility requirements for parents while maintaining SSN requirements for children;

Scenario 3: Increase the EITC by 40% and eliminate SSN eligibility requirements for both parents and children.

While these eligibility rules change, the current rules defining a qualifying child and asset limits remain the same for each simulation. Many states have a state EITC that is based off of the federal EITC amount. For example, in 2022, Colorado's state EITC is 15% of the federal EITC. These simulations assume states would not change their EITC eligibility rules in response to a change in the eligibility rules for the federal EITC. So, in a state that computes their state EITC as a percentage of the federal EITC, a 40% increase in the federal EITC would also cause a 40% increase in the state EITC. However, it is assumed that states would not extend state EITC eligibility to families without SSN due to a change at the federal level.

TRIM3 assumptions of program take-up

These simulations assume 100% participation in the EITC. A goal of TRIM3 is to match the simulations of the number of families receiving the EITC to actual caseloads in IRS administrative data. However, the simulated number of EITC participants tend to fall short of the number of actual participants (National Academies of Sciences, 2019).²¹ So, TRIM3 assumes 100% participation so that estimates more closely reflect IRS data, since the number of families receiving the EITC fall short of the number of actual participants based on IRS data. Actual participation in an increased EITC would likely be less than 100%, particularly for mixed-status immigrant families and Hispanic families to the extent that some people do not file taxes, incorrectly believe they are ineligible for the EITC, or are reluctant to apply due to fear that it could affect their immigration status.

²⁰ For these simulations, 2018 tax rules are deflated to 2017 except for the rules related to the Child Tax Credit. The simulations use the nominal 2018 rules for simulating the Child Tax Credit. While TCJA changed how the EITC is indexed for inflation, it did not change any other parameters.

²¹ For more information on TRIM3 simulations compared to IRS administrative data, see Appendix F of *A Roadmap to Reducing Child Poverty* (National Academies of Sciences, 2019).

Assumptions about EITC employment and earnings effects

This simulation uses the same approach as the simulations in *A Roadmap to Reducing Poverty* for estimating employment and earning effects, with some adaptations due to the new simulations. The NASEM committee specified a set of changes for unmarried and married mothers' employment and hours in response to an expanded EITC. For unmarried mothers, a 40% expansion of the EITC is assumed to increase their employment rate by 7.4 percentage points. For married mothers, an expanded EITC is assumed to reduce their employment rate by 0.8 percentage points and reduce their hours of work. No changes were specified for men's employment status or hours of work. Unmarried mothers are assumed to increase their employment if they would be eligible for the EITC if they began work. Each woman assigned a new job was probabilistically assigned to either a full-time, full-year or part-time, part-year job based on the likelihood of each job type among unmarried women receiving the EITC in the baseline data. The probability of new employment also varies by educational attainment. Married mothers are assumed to stop working if their family would still be eligible for the EITC due to their husband's earnings. For noncitizen mothers newly eligible for the EITC, this analysis used the same probabilities of starting or ending employment as for mothers who are eligible under the expanded EITC with SSN restrictions. For results on the employment and earnings effects, see Appendix D.

Note that the above assumptions—and those in the NASEM report (2019)—do not differentiate between employment effects for immigrant and nonimmigrant individuals. There is limited peer-reviewed research on employment effects by immigrant status that could be used in simulation research. Borjas (2017) used the *Current Population Survey* to study the labor supply behavior of undocumented immigrants from 1994 to 2014. He found that the labor supply of undocumented men is more inelastic than that of legal immigrants and nonimmigrant workers (Borjas, 2017). In recent working papers, Bhardwaj (2021, 2022) examined the labor market effects of ending the EITC for undocumented immigrants in the United States leveraging a natural experiment provided by the establishment of SSN requirements under the 1996 welfare reform. Similar to Borjas (2017), their results showed that ending the EITC did not affect the labor force participation of undocumented immigrants in general, i.e., overall undocumented immigrants have a very inelastic labor supply. However, the elimination of EITC eligibility for those without SSNs reduced the labor supply of undocumented single mothers by 10 percentage points—a high elasticity of 0.88. Additional research is needed to develop a deeper understanding of the employment effects by immigration status before these estimates can be incorporated into the TRIM3 model.

VI. FINDINGS

This section lays out our findings for each of the three scenarios simulated, first by nativity and citizenship/mixed-status, and then by race/ethnicity. Overall, we find that eliminating Social Security number requirements for the EITC would greatly reduce poverty for children in immigrant families, with stronger effects for citizen children in mixed-status families, and for Hispanic children. No group of children would be negatively affected by expanding eligibility to families without SSNs; accordingly, these changes would further reduce overall child poverty in the United States.

Appendix D contains full results by poverty rates, percent poverty reduction and absolute numbers of children, as well as inequities in child poverty measured by the ratio of SPM poverty rates and the percentage point gap in poverty rates, which demonstrate that scenarios 2 and 3 both result in improvements in equity by citizenship/mixed-status and race/ethnicity. Appendix D also contains findings on the poverty gap, employment and earning effects, and the cost of the EITC policy changes.

POVERTY REDUCTION BY CITIZENSHIP/MIXED-STATUS

Scenario 1 Finding: Increasing EITC benefits by 40% without extending eligibility to families without SSNs leaves citizen children in immigrant families with very high poverty rates

Increasing the EITC benefit by 40% while maintaining current eligibility rules is estimated to reduce the overall child poverty rate by 15%, lifting over 1.34 million children out of poverty (see Appendix D).

However, without changing the SSN requirements, this decrease in child poverty is inequitable. Children in all-citizen families benefit substantially more, experiencing a 19% decrease in poverty. Children in mixed-status families, conversely, benefit much less. Citizen children in mixed-status families experience an 8% decrease in poverty, with 234,000 being pulled out of poverty out of a baseline poverty count of 2.79 million. Noncitizen children in mixed-status families experience a poverty reduction of only 6%, with just 38,000 out of 635,000 lifted out of poverty (Exhibit 22). Citizen children and noncitizen children in families with undocumented members do not benefit from the EITC increase—a 1% reduction and 0% reduction in child poverty, respectively (Appendix D).

It is important to remember that these children in mixed-status families and especially those living with undocumented members start out with have much higher poverty rates than children in all-citizen families—a fact that amplifies the unfairness and implications for their wellbeing of being excluded from this key anti-poverty program (Appendix D).

Scenario 2 Finding: Increasing EITC benefits by 40% and extending eligibility to parents without SSNs if their children have SSNs reduces poverty for citizen children in mixed-status families by 33%

Increasing the EITC benefit by 40% and allowing parents to claim the EITC for children with SSNs, regardless of the tax identification status for parents, reduces the overall child poverty rate by 22%, lifting 2.02 million children out of poverty (Exhibit 22). As noted earlier, this change in taxpayer identification eligibility would amount to applying to the EITC the current eligibility rules for the Child Tax Credit. The change would also restore EITC eligibility to the taxpayer identification rules that were in place until 1996.

Unlike the first scenario, citizen children in mixed-status families benefit substantially more than children in all-citizen families. Children in all-citizen families experience about the same reduction in poverty as in the previous scenario: 18%, or 1.05 million children. However, this scenario reduces poverty for citizen children in mixed-status families by 33%, or 916,000 children out of a baseline of 2.79 million, and by 42% for citizen children in families with an undocumented member, or about 689,000 children out of a baseline of 1.63 million (Exhibit 22; Appendix D). Because this change does not extend the EITC to children without SSNs, noncitizen children in mixed-status families still experience a much smaller reduction in poverty—9%, or 55,000 children (Exhibit 22).

Scenario 3 Finding: Increasing the EITC benefit by 40% and extending eligibility to children and parents without SSNs reduces poverty for noncitizen children in mixed-status families by 15.7%

Increasing the EITC benefit by 40% and eliminating the Social Security number requirement altogether reduces overall child poverty by 23%, bringing 2.09 million children out of poverty from a baseline of 9.12 million (Exhibit 22). This change in taxpayer identification eligibility would amount to applying to the EITC the eligibility rules that existed for the Child Tax Credit before the Tax Cuts and Jobs Act of 2017. Until then, children without SSNs were eligible for the Child Tax Credit.

Unlike the first two scenarios, this change brings about a more equitable poverty reduction for noncitizen children. Children in all-citizen families still experience an 18% reduction in poverty, and citizen children in mixed-status families experience a 34% reduction (Exhibit 22). However, because children without SSNs would be eligible for the benefit, this scenario also reduces poverty for noncitizen children in mixed-status families by 16% (Exhibit 22), equal to 100,000 children from a baseline of 635,000. Noncitizen children in families with an undocumented member experience a 23% reduction in poverty, or about 59,000 children (Appendix D).

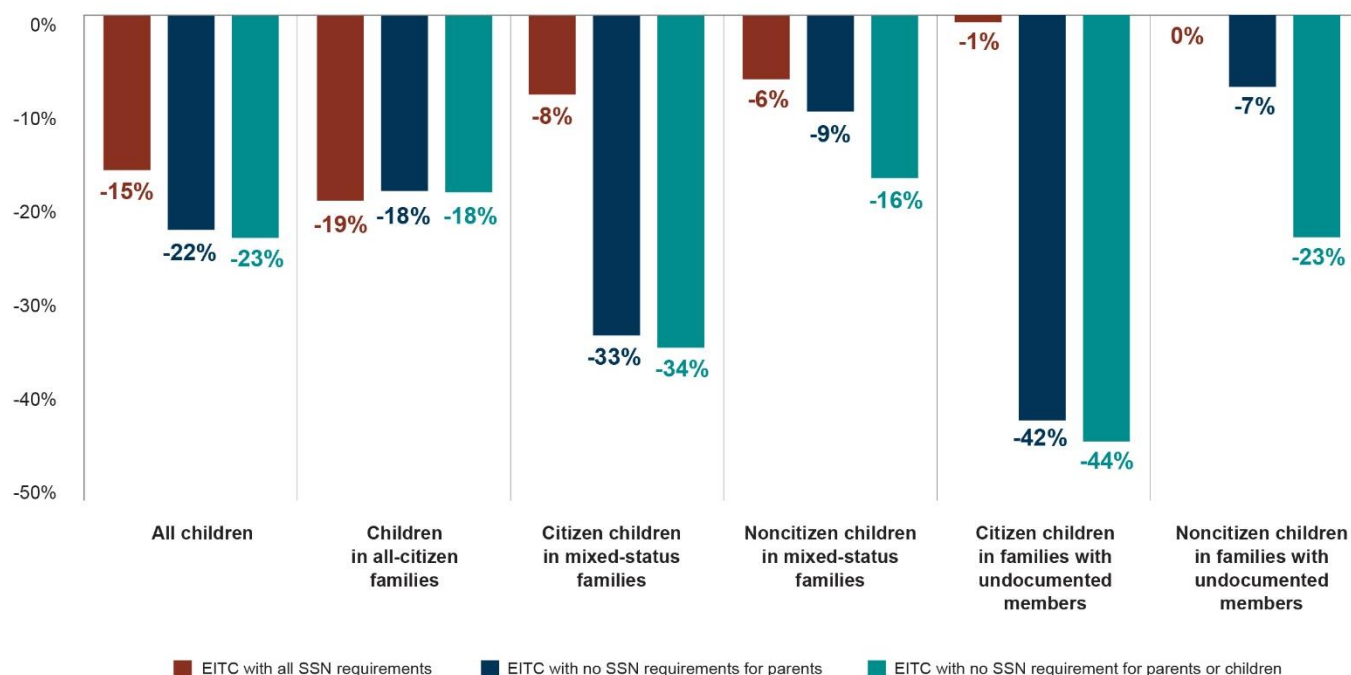
Reduction in inequities in child poverty by citizenship/mixed-status

In addition to substantial reductions in poverty rates, policy changes to extend EITC eligibility to families without SSNs (Scenarios 2 and 3) lead to substantial reductions in inequities in child poverty by citizenship/mixed-status. This results from both policy changes having larger poverty reduction effects for children with the highest poverty rates at baseline—children in mixed-status families, and families with undocumented members.

We use two measures of inequities in child poverty: the ratio of poverty rates and the percentage-point gap in child poverty rates between a given group of children and children in all-citizen families (the comparison group). Appendix Exhibits D4 and D5 shows the reductions in inequities between the baseline and the three policy scenarios. For example, at baseline, the gap in poverty rates between children in mixed-status families with undocumented members and children in all-citizen families is 21.6 percentage points. After extending eligibility to parents and children without SSNs, the poverty gap between these two groups decreases from 21.6 to 9.8 percentage points.

EXHIBIT 22. Estimates of Reduction in Child Poverty Rates from a 40% Increase in the EITC by Citizenship/Mixed-Status, 2017

Eliminating Social Security number requirements and increasing the EITC by 40% would lower poverty substantially for citizen children in mixed-status families and for citizen children in families with undocumented members.



Source: Authors' calculations using estimates from TRIM3, commissioned by authors.

POVERTY REDUCTION BY RACE/ETHNICITY

Scenario 1 Finding: Increasing EITC benefits by 40% without extending eligibility to families without SSNs creates inequitable effects for Hispanic families.

While the SSN eligibility rule appears race neutral, it disproportionately harms Hispanic children, who are more likely to live in immigrant families and in mixed-status families than children in other racial/ethnic groups (Exhibit 10 and Exhibit 18). Expanding the EITC while maintaining SSN requirements reduces poverty by 18% for White children and 19% for Black children. However, this change reduces poverty for Hispanic children by only 11% (Exhibit 23)—396,000 children out of 3.75 million (Appendix D). Asian or Pacific Islander and other race children are not substantially affected by the EITC exclusions (Appendix D).

Scenario 2 Finding: Increasing EITC benefits by 40% and extending eligibility to parents without SSNs if their children have SSNs reduces poverty equitably for Hispanic children by 27%.

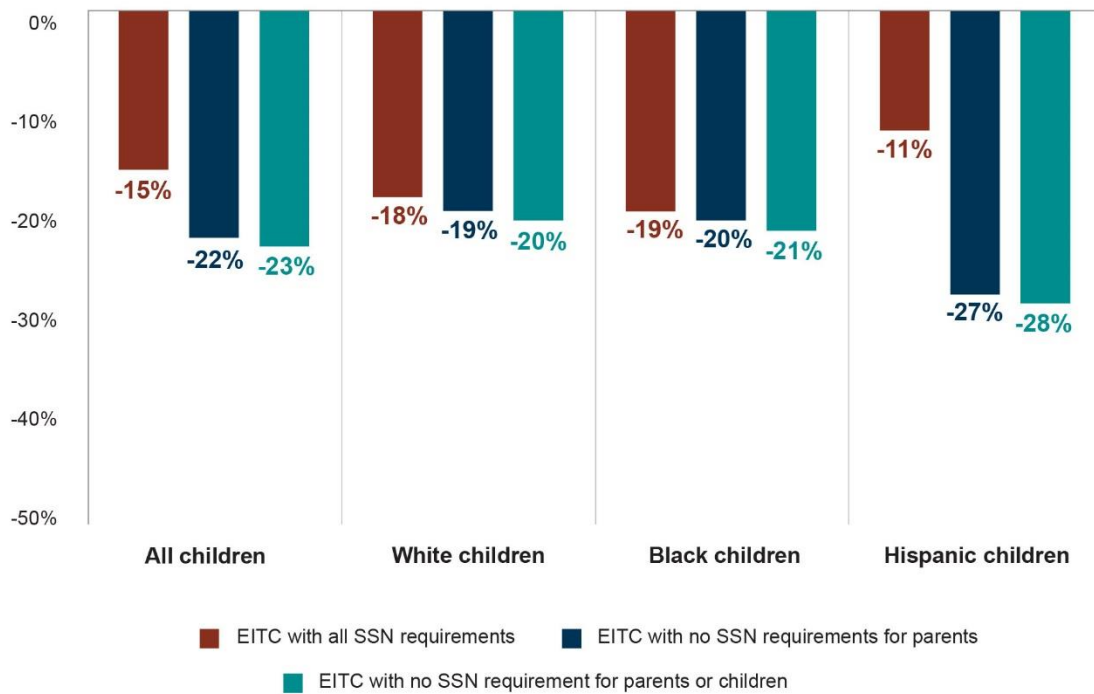
Unlike the first scenario, this change has a large positive effect for Hispanic children. Under an expanded EITC that only requires SSNs for children, Hispanic children would experience a 27% reduction in poverty (Exhibit 23), lifting 1.01 million children out of poverty. White children and Black children would experience a slightly larger poverty reduction than in the first scenario: 19% for White children (532,000 children) and 20% for Black children (370,000 children) (Appendix D).

Scenario 3 Finding: Increasing the EITC benefit by 40% and extending eligibility to children and parents without SSNs has only slightly larger effects for all racial/ethnic groups.

With all SSN requirements removed and the benefit increased by 40%, Hispanic children experience a 28% reduction in child poverty, or 1.06 million lifted out of poverty. With all SSN requirements removed and the benefit increased by 40%, Hispanic children experience a 28% reduction in child poverty, or 1.06 million children lifted out of poverty (Exhibit 23; Appendix D). Notably, this reduction is only slightly greater than in the second scenario because most children in immigrant families are U.S. citizens and therefore have SSNs. Consequently, for Hispanic children, expanding eligibility on the basis of their parents' taxpayer identification is the policy change that drives most of the large reduction in child poverty.

EXHIBIT 23. TRIM3-SPM Estimates of Reduction in Child Poverty Rates from a 40% Increase in the EITC by Race/Ethnic Category, 2017

Eliminating Social Security number requirements and the increasing EITC by 40% would lower poverty substantially for Hispanic children.



Note: Hispanic children may be of any race. White, Black, Asian or Pacific Islander, and other race children are non-Hispanic. Findings for Asian or Pacific islander children and other race children can be found in Appendix D.
Source: Authors' calculations using estimates from TRIM3, commissioned by authors.

Reduction in inequities in child poverty by race/ethnicity

These policy changes to extend EITC eligibility to families without SSNs (Scenarios 2 and 3) also lead to a large reduction in inequities in child poverty between White and Hispanic children. For instance, at baseline, the gap in poverty rates between White children and Hispanic children is 12.7 percentage points. After extending eligibility to parents and children without SSNs, the poverty gap between these two groups decreases to 8.5 percentage points.

In conclusion, we find that an increase in the overall EITC benefit, accompanied by inclusive eligibility of families without SSNs—a change that would make EITC eligibility similar to that of the Child Tax Credit—would go a long way toward reducing inequities in child poverty and reducing poverty rates for children with some of the highest poverty rates in the United States: citizen children in mixed-status families and Hispanic children.

FINDINGS

Key Takeaways

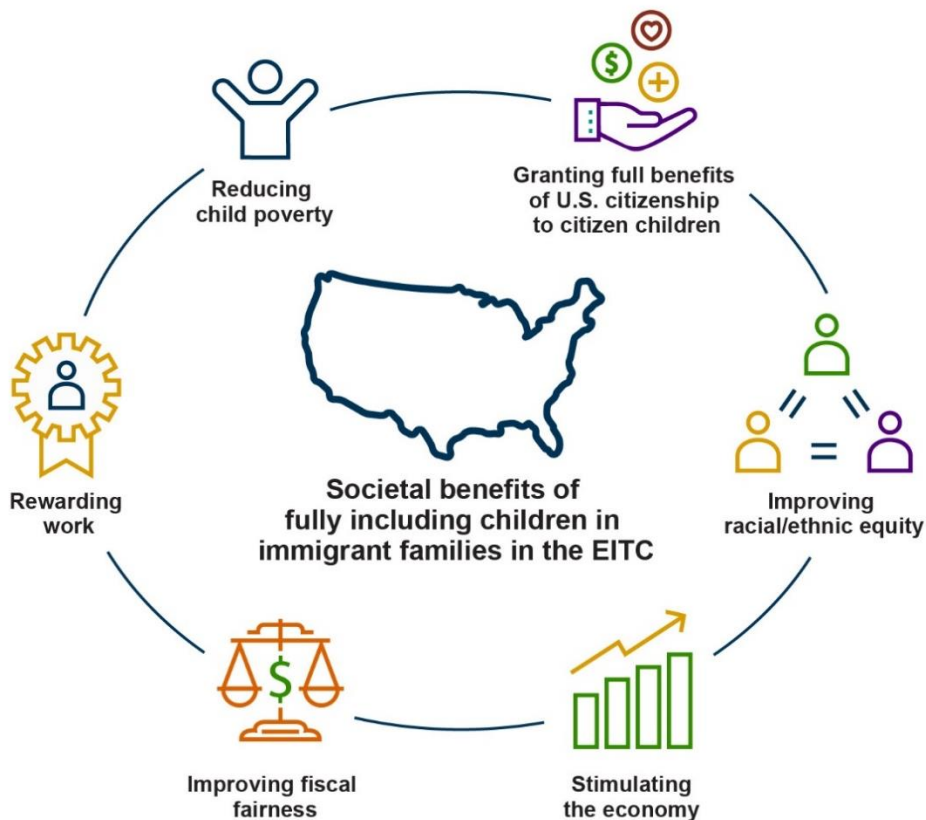
- Increasing EITC benefits by 40% without extending eligibility to families without Social Security numbers (Scenario 1) lifts 1.34 million children out of poverty.
 - Scenario 1 does not have large effects for citizen children in mixed-status families (8% poverty reduction), citizen children in families with an undocumented member (1% poverty reduction) or Hispanic children (11% poverty reduction). In contrast, children in all-citizen families would experience a poverty reduction of 19%, White children of 18% and Black children of 19%.
- Increasing EITC benefits and allowing children with SSNs to benefit from the EITC even if their parents file taxes without SSNs (Scenario 2) lifts 2.02 million children out of poverty.
 - Scenario 2 has much larger effects on citizen children in mixed-status families, lifting 916,000 children out of poverty (33% poverty reduction). For citizen children in families with an undocumented member, Scenario 2 lifts 689,000 children out of poverty (an even more dramatic 42% poverty reduction). For Hispanic children, Scenario 2 lifts over 1 million children out of poverty (27% poverty reduction).
- Increasing EITC benefits and removing SSN requirements entirely (Scenario 3) lifts 2.09 million children out of poverty.
 - Compared to Scenario 2, Scenario 3 reduces poverty rates only slightly further for citizen children in mixed-status families (34% poverty reduction), but it has a large positive effect on noncitizen children in mixed-status families, lifting over 100,000 children out of poverty (16% poverty reduction), and especially for noncitizen children in families with undocumented members, lifting 60,000 children out of poverty (23% poverty reduction).
 - Compared to Scenario 2, Scenario 3 would reduce poverty rates only slightly further for Hispanic children (28%) because nearly all Hispanic children in mixed-status families are themselves U.S. citizens.
- In addition to large reductions in poverty rates, extending EITC eligibility to families without SSNs produces large reductions in inequities in child poverty, such as a reduction from 21.6 (Baseline) to 9.8 (Scenario 3) percentage points in the poverty gap between citizen children in all-citizen families and citizen children in families with undocumented members (Appendix D).

VII. BENEFITS OF INCLUDING CHILDREN IN IMMIGRANT FAMILIES IN THE EITC

Extending eligibility for the EITC to families with members without Social Security numbers (SSNs) would have wide-ranging benefits—on both the health and wellbeing of children in immigrant families and the social and economic fabric of the nation (Exhibit 24). This section summarizes those benefits: reducing child poverty overall and especially for at-risk groups; granting the full benefits of citizenship to citizen children; improving racial/ethnic equity; stimulating the economy; improving fiscal fairness in the tax code and in the social safety net; and rewarding the work effort of immigrant families.

EXHIBIT 24. Societal Benefits of the EITC

Removing Social Security number requirements from the EITC would have a wide range of social and economic benefits for the nation.



Source: Authors' illustration.

REDUCING CHILD POVERTY

An EITC that includes families without SSNs would benefit a significant proportion of children in poverty who currently cannot benefit from the program: about 1.63 million citizen children and 256,000 noncitizen children in mixed-status families with undocumented members, who make up about 21% of all children in poverty.

Beyond this positive effect on children in immigrant families, enhancing the EITC's reach would also make it a more effective anti-poverty program. For example, in the context of a 40% increase in the EITC, eliminating the SSN requirement for parents would reduce child poverty by 22%. This reduction is important because a shared

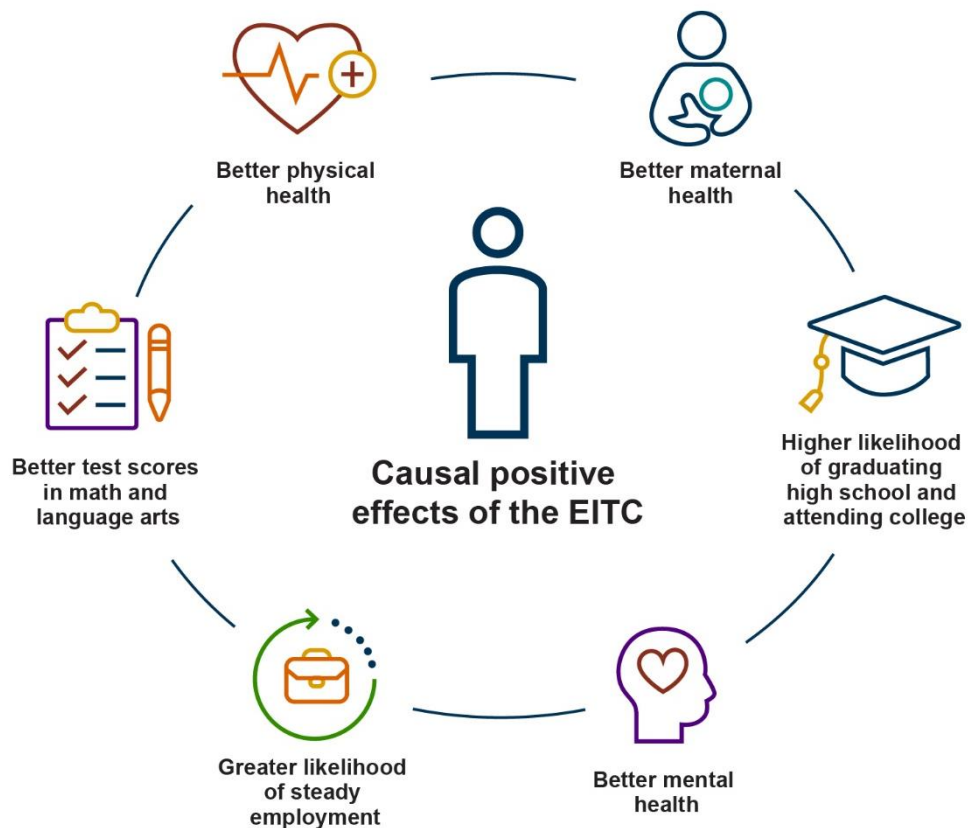
goal in policy circles—articulated in the 2019 NASEM report—is to reduce child poverty in the U.S. by 50% (National Academies of Sciences, 2019). This ambitious goal will likely require improvements across various anti-poverty programs (Cabrera et al., 2022; National Academies of Sciences, 2019), but changes to the EITC are an integral part of that work. A complimentary approach would be to enhance other anti-poverty programs not only by their increasing benefits, but also by making their eligibility more inclusive and equitable.

Reducing poverty for children with the highest poverty rates

One of the main goals of the EITC is to reduce poverty primarily for families with children (Ventry, 2000). Perversely, though, the taxpayer identification exclusions limit the EITC from lowering poverty for some of the children with the highest poverty rates: children in mixed-status immigrant families and Hispanic children. These children represent a large proportion of children in poverty: 31% and 41% respectively. Therefore, by including families without SSNs in the EITC, the program would become both more equitable and more aligned with one of its main goals of reducing poverty for families with children.

Exhibit 25. The EITC Causes Improvements in Outcomes in Childhood and Beyond

Eliminating Social Security number requirements would ensure more children enjoy the positive effects of the EITC.



Source: Authors illustration based on the causal research evidence (Baker, 2008; Chetty et al., 2011; Dahl & Lochner, 2012; Evans & Garthwaite, 2014; H. Hoynes et al., 2015; Manoli & Turner, 2018; Maxfield, 2015; Strully et al., 2010).

Improving child and future adult health, education and socioeconomic outcomes

In reducing child poverty, extending EITC eligibility to families without SSNs would also grant the EITC's proven positive effects on child and future adult outcomes to millions of additional children. A large body of rigorous research evidence shows that living in poverty during childhood has detrimental effects on health and educational outcomes and limits employment and income in adulthood—and that the EITC improves outcomes in childhood and beyond, from education (Bhargava & Manoli, 2015; Chetty et al., 2011; Dahl & Lochner, 2012; Maxfield, 2015) to infant health (Baker, 2008; H. Hoynes et al., 2015; Strully et al., 2010) to maternal health (Evans & Garthwaite, 2014). By offering the EITC to more children in need, the program would not only lower their poverty rates but also improve their health, education and future adult outcomes, and alleviate the intergenerational transmission of poverty (Exhibit 25).

GRANTING FULL BENEFITS OF U.S. CITIZENSHIP TO CITIZEN CHILDREN

The taxpayer identification eligibility rules in the EITC are part of a system of immigrant exclusions in social programs that deny U.S. citizen children in immigrant families the full benefits of citizenship—namely, social protection and social inclusion. Again, these exclusions have a disparate impact on Hispanic children, because 38% of Hispanic children in poverty are U.S. citizens in families with undocumented members, compared to 18% of all children in poverty. Millions of citizen children in immigrant families, and by extension millions of citizen Hispanic children, are subject to a tax and social policy regime inferior to that available to other citizen children. Across facets of society, children depend on their parents as proxies for their access to the full benefits of citizenship, including access to anti-poverty programs like the EITC, but it does not have to be this way. By tying children's access to the benefits of citizenship to their own citizenship status, we can alleviate undue hardship for citizen children in immigrant families and strengthen the social contract by reinforcing sentiments about their deservingness to social protection and social inclusion (Acevedo-Garcia, Joshi, Ruskin, Walters, & Sofer, 2021; Acevedo-Garcia, Joshi, Ruskin, Walters, Sofer, et al., 2021; Halpern-Meekin et al., 2015).

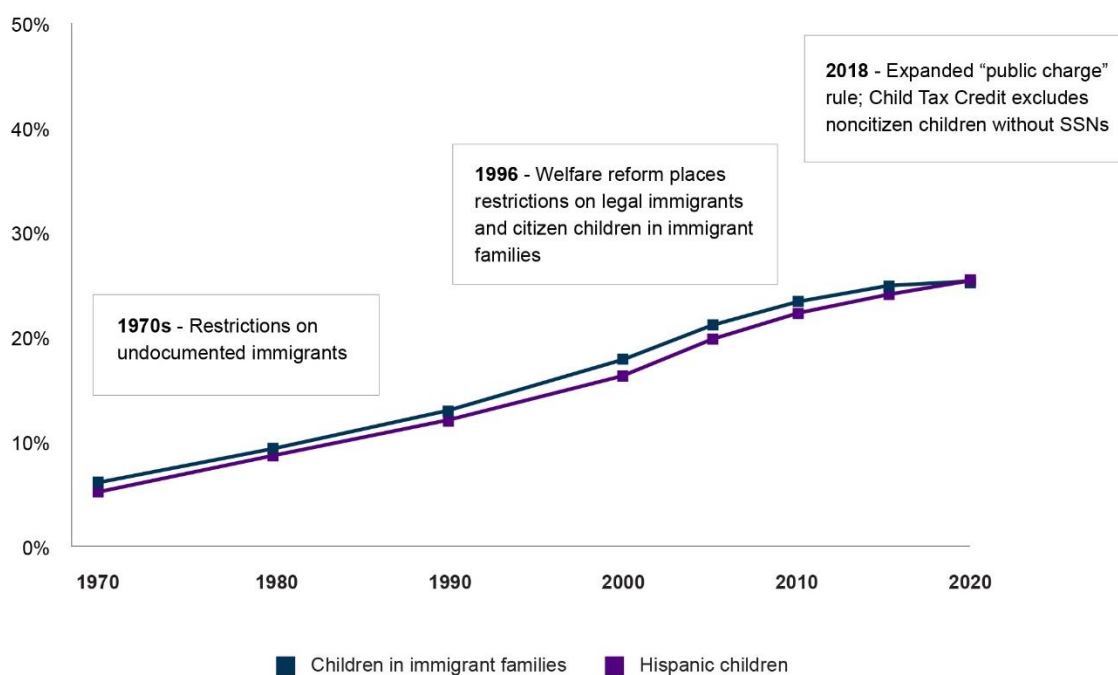
The poverty reduction estimates in this report illustrate how essential it is to eliminate the SSN requirement for parents, so that citizen children in immigrant families and citizen Hispanic children are afforded the full benefits of their citizenship. This conclusion builds on a body of research that has highlighted the social inclusion benefits of access to the EITC (Sykes et al., 2015) and the increasing erosion of full citizenship for children in immigrant families (Menjívar, 2006; Menjívar & Abrego, 2012; Tienda, 2002).

Making anti-poverty policy consistent with the increasing number of children in immigrant families

The exclusion of immigrant families from the EITC runs contrary to the increasing demographic prominence of children in immigrant families. In 1970, children in immigrant families represented just 6% of U.S. children; in the mid-1990s, when the immigrant eligibility restrictions to the EITC were introduced, they represented about 15% of the child population (Exhibit 26). They now represent 27% of all U.S. children. The majority of children in immigrant families are U.S. citizens (90%) and the majority of children in immigrant families (71%) live in mixed-status families. Many of these children cannot access the benefits associated with the EITC because restrictions placed on immigrants without SSNs affect their noncitizen parents and siblings.

Exhibit 26. Share of Child Population for Children in Immigrant Families and Hispanic Children, 1970-2019

The increase in the share of the population of children in immigrant families and Hispanic children was accompanied by increased safety net exclusions targeting these families.



Source: Adapted from (Acevedo-Garcia, 2021).

It is contradictory at best that the program design of one of our country's main anti-poverty programs denies eligibility to about 20% of children in poverty, and may actually exclude many more due to confusion about eligibility, administrative burden and the heightened anti-immigrant climate. Addressing child poverty will require reducing child poverty for children of immigrants. Additionally, the health and wellbeing of these children will have strong impacts on the health and productivity of the young workforce and our communities. Helping them now will help the nation as a whole.

IMPROVING RACIAL/ETHNIC EQUITY

Despite the 2021 Executive Order to Advance Racial Equity (U.S. President, 2021a) and new calls to identify inequities and bias in federal policy (Yearby et al., 2022), anti-immigrant exclusions in social policy have not been sufficiently examined with a racial equity lens. In our scholarly and policy work, we have found that discussions about racial equity—including discussions about welfare reform—often ignore immigrants and/or Hispanics.²² We note two recent and important exceptions: in 2021 two reports used a racial equity framework to explore the extended consequences of immigrant exclusions in public policy. Minoff et al. (2021) detail how racist and xenophobic rhetoric has permeated political discussions and shaped the development of social policy for the past 50 years. Since the early 1970s, narratives such as the “Latino threat” have fueled immigrant exclusions from social assistance programs. In particular, the 1996 welfare reform “legitimized exclusion in part

²² In addition to anti-immigrant and anti-Hispanic motivations of welfare reform, a rich body of evidence illustrates that welfare reform was also motivated by anti-Black racism and sexism (Brown, 2013a). Anti-black racism affects public support for cash welfare and racist stereotypes of the “welfare queen” helped garner support for welfare reform.

by creating a feedback loop between racist stereotypes and public policy—as myths and tropes shaped policy, policy continued to perpetuate these stereotypes by sending messages about who is deserving and who is not” (Minoff et al. 2021, p. 17). Similarly, Suro and Findling (2021) summarize the historical and present-day racism of the two-tier tax system that creates unnecessary distinctions between workers with SSNs and those with ITINs (Suro & Findling, 2021).

This report has made a case that immigrant exclusions in the EITC are an equity issue and that eliminating them would improve equity. The exclusions explicitly target immigrant families, specifically those with undocumented members. Moreover, the design of the exclusions also implicitly targets citizen and legal immigrant children and spouses in families with undocumented members. Furthermore, although anti-Hispanic animus was not salient in the rationale for the 1996 changes to the EITC, political analysis suggest that anti-immigrant language and intent are often code for anti-Hispanic bias (Brown, 2013a; Hartman et al., 2014), and one practical effect of the taxpayer identification eligibility restrictions has been that they disproportionately hurt Hispanic children.

This exclusionary immigrant eligibility in the EITC has a disparate impact on Hispanic children, including citizen children. Disparate impact is a way to evaluate discriminatory effects. Even if intentional discrimination did not exist or cannot be proven, a group may suffer disproportionate negative effects from a policy. In this case, Hispanic families suffer disproportionately negative effects from immigrant eligibility exclusions. A legal analysis of these questions is beyond the scope of this report and beyond our expertise. However, morally and conceptually, as shown in our data analysis, we can make a disparate impact argument that Hispanic children suffer disproportionately from the SSN eligibility exclusions in the EITC, because they have higher poverty rates than other children but more restricted access. Most of these children are citizens and meet other EITC eligibility criteria, but they cannot benefit from the EITC simply because of the identification number their parents or siblings use to file taxes. Even for immigrant families where all members have Social Security numbers, there are other administrative burdens arising from a highly fragmented and complex tax and social policy system. For instance, immigrant parents may be confused about whether a parent is eligible to claim the EITC while also being categorically ineligible for the Supplemental Nutrition and Assistance Program (SNAP) under the five-year bar.²³ These systems further restrict access to poverty alleviation credits like the EITC and create higher child poverty rates for children in immigrant families and Hispanic children.

Making anti-poverty policy consistent with the increasing number of Hispanic children

In the same way that maintaining the taxpayer identification eligibility runs contrary to the increasing demographic prominence of children in immigrant families, it also ignores the growing number of Hispanic children in the United States. Over the past half-century, the Hispanic child population grew from 6% of the overall child population in 1970 to 25% today (Exhibit 25). Hispanic children are also the largest group of children in poverty—over 3.75 million or 41%—and the largest racial/ethnic minority group of children. Therefore, the exclusions in the EITC are at best outdated and inconsistent with the demographic reality of the U.S. child population, and at worst discriminatory. We can establish a foundation for Hispanic children’s health, wellbeing and long-term productivity by fully including them in programs that reduce child poverty. The present

²³ The five-year bar is a five-year waiting period that begins when an adult immigrant receives qualified immigrant status (e.g., Legal Permanent Resident). With few exceptions, qualified immigrant adults under the five-year bar cannot access federal safety-net programs even if they would otherwise be eligible.

design of the EITC simply does not allow for that, because in denying eligibility for families without SSNs, it excludes 42% of Hispanic children in poverty in families with undocumented members—over 1.46 million are U.S. citizens and over 170,000 are noncitizens (Appendix B).

STIMULATING THE ECONOMY

The EITC is intended to stimulate the economy by giving more income to low-income consumers (Ventry, 2000); accordingly, the fiscal impacts of the EITC extend beyond recipients and their children. Evidence from federal and state EITC programs show the tax credit can indeed stimulate local and state economies (Avalos & Alley, 2010; Berube, 2016; Jacob France Institute, 2004). Families that receive tax refunds often spend those resources towards purchasing household items or paying bills and other debts (Barr & Dokko, 2006; Spader et al., 2005; Sykes et al., 2015). This increased short-term spending circulates dollars between consumers, firms and employees (Berube, 2016). An evaluation from Baltimore, Maryland, estimated that the combined federal and state EITC programs created 1,000 jobs and \$102 million in economic output within the city in 2002 (Jacob France Institute, 2004). In California, the EITC was estimated to generate over \$5 billion in economic output and 30,000 jobs across the state in 2007 (Avalos & Alley, 2010). Expanding EITC eligibility to ITIN holders, would increase the general uptake, and therefore likely create even greater economic benefits.

IMPROVING FISCAL FAIRNESS

The exclusion of taxpayers without SSNs from the EITC violates an essential equity principle in the tax system: that similarly situated households should pay the same amount in taxes. Mixed-status families with undocumented members are subject to the same income tax laws as families with legal immigrants and all-citizen families. But with current EITC eligibility, mixed-status families with undocumented members effectively pay taxes at a higher rate than all-citizen and legal mixed-status families with similar incomes (Lipman, 2006; Suro & Findling, 2021). At a given income level and filing status (e.g., married couple filing jointly), these families pay the same taxes—but since they do not receive the EITC, they ultimately pay taxes at a higher tax rate. This federal income tax treatment of mixed-status families with undocumented members has been described as “separate, unequal, and without representation” (Lipman, 2006). This unequal treatment has serious impacts for U.S. citizen children in immigrant families (Acevedo-Garcia, Joshi, Ruskin, Walters, & Sofer, 2021; Minoff et al., 2021; Suro & Findling, 2021), and it represents another way in which the present EITC system denies the full benefits of citizenship to citizen children in families without SSNs. Eliminating this unfair eligibility rule would strengthen the principles of equity and fairness in the tax code.

Making EITC eligibility for U.S. citizen children consistent with the rest of the safety net

Improving fiscal fairness would entail both improving the fairness of the tax system and the fairness of safety net programs. The social safety net consists of a patchwork of different federal and state program eligibility rules for citizen children in mixed-status families. While many of these children are eligible for food assistance under the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), SNAP, Head Start, child care subsidies and Medicaid (albeit in some programs with reduced benefits), a glaring inconsistency is that they are ineligible for the EITC (Acevedo-Garcia, Joshi, Ruskin, Walters, & Sofer, 2021; Acevedo-Garcia, Joshi, Ruskin, Walters, Sofer, et al., 2021). Understanding and keeping track of these varying program criteria can be confusing for both immigrant parents and for providers, which can derail access to multiple benefits. A growing body of research suggests that these eligibility criteria have unintended consequences on eligible families’ participation

across programs; for example, restrictive immigrant eligibility criteria lowers SNAP and Medicaid participation among eligible citizen children in Hispanic families (Bitler et al., 2021). Among EITC-eligible all-citizen Hispanic families, if there are foreign born family members in the household, they are less likely to receive the EITC (Thomson et al., 2020). Modifying program eligibility criteria to be consistent and inclusive across programs will increase fairness across the safety net by easing administrative burden and increasing mixed-status families and Hispanic families' receipt of benefits.

REWARDING WORK

With the enactment of the EITC in the 1970s and passage of welfare reform in 1996, U.S. social policy has increasingly moved towards rewarding work or requiring work as a condition for receiving public assistance. This change should have benefitted immigrant families. An overwhelming majority of immigrant families with U.S. citizen children (84%) have at least one adult that works year-round and full-time—slightly higher than nonimmigrant families (82%) (Urban Institute, 2019). Undocumented immigrant men are much more likely to be employed than U.S.-born or legal immigrant men: adjusting for age and education, the labor force participation of legal immigrant male workers is 6 percentage points higher than that of U.S.-born male workers, and the labor force participation of undocumented workers is 12 percentage points higher (Borjas, 2017). Since 1994, the gap has widened as U.S.-born male workers have tended to work less, while undocumented immigrants have tended to work more (although the pattern for female workers is the opposite) (Borjas, 2017). However, despite the professed shared value of incentivizing work, and despite the high labor force participation for immigrants, social policy for immigrant families rewards work much less than for nonimmigrant families.

Denying access to the EITC not only fails to reward the work of tax filers without SSNs, but it also is exploitative. Evidence suggests that overall immigrants' work supply did not decrease with the 1996 elimination of EITC eligibility for those without SSNs. Other studies indicate that the labor supply of undocumented male workers is very inelastic: it does not respond to changes in wages (Bhardwaj, 2021, 2022; Borjas, 2017). The EITC acts by boosting wages; conversely, not having the EITC lowers wages. In the case of undocumented workers, the unresponsiveness of their labor supply to wages and to the EITC is likely associated with their marginalization and vulnerability to exploitation, which limits their ability to reduce work in response to lower earnings or make claims for better wages or benefits.

In addition to having high work effort, immigrants are highly concentrated in essential jobs (agriculture, health care, construction, elder and child care, critical retail). Immigrant and nonimmigrant Hispanic workers are also more likely to be essential workers than their White counterparts (Kerwin et al., 2020); for example, undocumented immigrants represent 26% of workers in farming, but are only 5% of the entire labor force (Passel & Cohn, 2016). Immigrant workers are also concentrated in sectors highly affected by pandemic-induced layoffs (e.g., restaurants, cleaning services, child and elder care services) (Gelatt, 2020). Immigrants power our economy; they should be rewarded for doing so.

While immigrant families performed essential work and were disproportionately affected by the pandemic-induced layoffs, they were also excluded from badly needed pandemic-relief. Initially, three million U.S. citizens and legal immigrants were excluded from stimulus payments under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) because eligibility was modeled off of the EITC and required all family members to

have a Social Security numbers (Acevedo-Garcia, Joshi, Ruskin, Walters, Sofer, et al., 2021). Subsequent economic impact payments during the pandemic eliminated this requirement. Going forward the EITC should follow this precedent established during the pandemic to become a program that rewards immigrant families' work effort in the same way it rewards nonimmigrant families' work.

BENEFITS OF INCLUDING CHILDREN IN IMMIGRANT FAMILIES IN THE EITC

Key Takeaways

- Reducing child poverty equitably, thus improving child and future adult outcomes. With SSN requirements removed, child poverty would decrease by 23%—an important reduction because a shared goal in policy circles, articulated in the 2019 NASEM report, is to reduce child poverty by 50%. In this scenario, 1.89 million additional children would receive the EITC (Appendix B)—mainly Hispanic children and children in immigrant families, who have high poverty rates. Those children would also benefit from the proven positive effects of the EITC on health, education and wellbeing.
- Granting full benefits of citizenship to citizen children. Citizen children in mixed-status families are often denied social protection and inclusion, despite being a large and growing portion of the child population. Allowing these children to access the EITC even if they have family members without an SSN would alleviate undue hardship and demonstrate to these children that they deserve every aspect of citizenship.
- Improving racial/ethnicity equity, especially for Hispanic children. We have found that policy and scholarship discussions about racial equity ignore immigrants and/or Hispanics at best and contain implicit anti-Hispanic rhetoric at worst. Expanding the EITC would ensure that the safety net supports more Hispanic children and would enhance equity and inclusivity in national policy.
- Stimulating the economy. Increasing the income of mixed-status immigrant families by granting them eligibility to the EITC will lead to increased buying power, economic output and job creation.
- Improving fiscal fairness in the tax code and the safety net. The current SSN requirements in the EITC violate fairness principles of the tax code and create inconsistencies in eligibility across social programs. Allowing families with ITINs to access the EITC would ensure that families with the same income pay taxes at the same rate and have the same access to the EITC that they have to other anti-poverty programs like the CTC, SNAP, WIC and child care subsidies.
- Rewarding work for immigrant families. Immigrant workers have higher labor force participation than nonimmigrant workers, and they are more likely to be essential and front-line workers who feed and care for America. Much of U.S. social policy aims to tie work to receiving public assistance. An inclusive EITC would justly reward immigrant families for their work effort.

VIII. RECENT PROGRESS: INCLUDING FAMILIES WITHOUT SOCIAL SECURITY NUMBERS IN STATE EITCS

Recognizing the many benefits of a more inclusive EITC outlined above, states began in 2020 to reform their EITC eligibility criteria to include taxpayers with ITINs. This section provides a brief overview of state EITCs, and it describes the shift to more inclusive state EITCs; the arguments state-level policymakers and analysts have used to extend eligibility to families without Social Security numbers (SSNs); and why that matters for federal change.

Thirty states and the District of Columbia have their own state EITCs (National Conference of State Legislatures, 2022). The first states to expand their EITC eligibility to families with ITINs were Colorado and California. At the time of this writing, seven states have extended the state portion of the EITC to taxpayers who use ITINs (Appendix E). While these state-level actions are noteworthy and beneficial to many families, federal action is still needed. The federal EITC affects taxpayers nationwide and is a much larger benefit. Among states that have expanded the EITC to ITIN taxpayers, the value of their EITC ranges from \$538 to \$2,691. In contrast, the value of the federal EITC for a family with two qualifying children is \$5,980 (Appendix E). Furthermore, four states do not have a refundable state EITC, while the federal credit is fully refundable (Urban Institute, 2022)

State policymakers have recognized the value of including families with ITINs in the EITC, especially after the hard lessons from the pandemic. When these families were excluded from initial pandemic relief payments despite their contributions to the economy as essential workers, the consequences were felt not only by these families, but also by state economies. During the second half of March 2020, household spending (excluding food delivery and grocery spending) rapidly declined as the Covid-19 virus spread (S. R. Baker et al., 2020). The majority of families who received the CARES stimulus payments used them to pay for household expenses like food, utilities and rent or mortgage payments (Perez-Lopez & Bee, 2020)—spending that helped keep state economies afloat. Exclusions that barred stimulus payments to over 4 million families without SSNs (Gelatt et al., 2021)—in exactly the same way the EITC has excluded these families since 1996—likely weakened the CARES Act’s ability to stimulate state economies. Additionally, CARES Act exclusions harmed these immigrant families’ children, who are predominantly U.S. citizens, by not granting them access to the resources their families needed. Not investing in these children in the present will likely lead to more public expenditures down the road.

Since 1986, when Rhode Island established the first state EITC, most states with their own state-level EITC have made it refundable, like the federal EITC. With some exceptions, until 2020 state eligibility rules matched federal eligibility rules (National Conference of State Legislatures, 2022). An important recent departure from this trend is the movement towards including families with ITINs in state EITCs. Of course, this expansion is not the first time that states have made policy changes to fill serious gaps in federal social policy towards immigrant families. A major policy shift that began with welfare reform was the devolution of the responsibility of the safety net for immigrant families from the federal government to state governments (Espenshade et al., 1997). Still, back then as well as today, state stakeholders worry that having to fill the gaps in federal policy unduly shifts social program costs and administrative burden to states.

The advocacy campaigns that have led to expanding state EITCs to ITIN holders illustrate key policy arguments in favor of this policy change. First, state advocates and policymakers recognized that the pandemic intensified the need for this change. For instance, in California, it was estimated that a full two-thirds of immigrant workers excluded from the EITC were essential workers (Office of Governor, 2020; United Ways of California, 2020).

California Assembly Member Lorena Gonzalez said:

We know that immigrant workers have been disproportionately devastated by our current public health and economic crises. These tax-paying, essential workers continue to be shamefully and systematically left out of federal relief efforts.

-Assembly Member Lorena Gonzalez September 18, 2020

And Colorado State Senator Julie Gonzales stated:

Crisis exacerbates inequality, and in a time of massive hardship and a reckoning with systems that are too often discriminatory, it becomes even more critical for decision-makers to take actions that address structural inequity.

- Colorado Senator Julie Gonzales, June 18, 2020

Besides maintaining that inclusive EITCs can address the hardship associated with the pandemic, state-level policymakers and analysts have crafted other compelling economic and social arguments. For example, the main messages used by advocates in California included that: half of all workers in the state are first- or second-generation immigrants; California's undocumented immigrants contribute \$3.2 billion annually to state and local revenue; among working families, children in immigrant families have a poverty rate (SPM<100%) of 24.3%, compared to 11.4% for children in nonimmigrant families; and tax credit exclusions cause huge inequities in after-tax income (Anderson, 2019).²⁴ As summarized by Governor Newsom, "[e]xpanding the CalEITC will provide a critical boost to undocumented and mixed-status families across the state, stimulate the economy and make us all stronger in the face of economic uncertainty" (Office of Governor, 2020) In New Jersey, a report by New Jersey Policy Perspective argued that by boosting the income of low-wage workers, the state and federal EITC help families afford their basic needs, improve health and educational outcomes and strengthen state and local economies. Therefore, it was necessary to include immigrant families filing taxes with ITINs to allow the credit's benefits to reach more families and communities (Kapahi, 2020).

Importantly, state analyses have also suggested that including families without SSNs in the state EITC could help address racism and anti-immigrant bias, and could improve racial equity in the tax code (Kapahi, 2020). As with the federal EITC, immigrant exclusions in state EITCs are not race neutral; by far, Hispanics are the largest group with ITINs (e.g., 78% in Oregon) (Bauer, 2021).

²⁴ For example, in 2019, before the elimination of the SSN requirements for the state EITC, a single mother with two children with SSNs who worked part time at the state minimum wage with annual earnings of \$12,000 would have an annual, after-tax income of \$20,456 if she filed taxes with an SSN, compared to only \$13,425 for an otherwise similar mother who filed taxes with an ITIN, because the latter would not receive the federal EITC, the state EITC or the state child tax credit. She would only receive the federal Child Tax Credit (Anderson, 2019).

State reforms signal—as we have argued in this report—that protecting children during critical developmental years is a major reason why the EITC should include families without SSNs. Given the substantial cost of including all families with ITINs, California first prioritized families with children under six, and then worked towards full inclusion of all taxpayers with ITINs. In other states, the large number of children affected by the exclusion was an important argument in favor of the change. In New Jersey, of about 225,000 people in families filing taxes with ITINs, 85,560 (38%) are children—and the vast majority of these children are U.S. citizens (Kapahi, 2020). Similarly, in Oregon, of about 273,000 people in families filing taxes with ITINs, 85,000 (31%) are children—of whom 78% are U.S. citizens and 17% are legal immigrants (Bauer, 2021).

In the absence of federal changes to the EITC, changes at the state level will not only help immigrant families, but also serve as a policy laboratory to demonstrate the feasibility and positive effects of this reform. As shown in the policy simulations results in this report, changing eligibility requirements for the federal EITC would have a large effect on poverty reduction. Given the smaller size of state EITCs, poverty reduction will be smaller if only state EITCs include families without SSNs. Yet, changes in state policy will allow us to observe and document poverty reduction effects, benefits to state economies and effective outreach and enrollment methods for immigrant families.

With the inclusion of families with ITINs in state EITCs, we are witnessing a major policy change at the state level—one that signals a movement toward greater inclusion of immigrant families, a desire to improve racial equity and fiscal fairness in the tax code, and acknowledgement of the economic benefits of boosting the income, health and education of children in immigrant families. Across states, the basic policy message is the same: it is both fair and good state economic policy to fully include immigrant families. The changes at the state level should compel federal policymakers, anti-poverty policy researchers and advocates to give serious consideration to the inclusion of families without SSNs in the federal EITC.

RECENT PROGRESS: INCLUDING FAMILIES WITHOUT SOCIAL SECURITY NUMBERS IN STATE EITCS

Key Takeaways

- States are increasingly recognizing the economic and social benefits of extending eligibility for their state EITCs to families without Social Security numbers. Seven states out of 30 with EITCs have extended their program to families who file taxes with ITINs.
- The pandemic has helped fuel this shift, as state policymakers and advocates became aware of the jarring unfairness of excluding essential workers who are immigrants without SSNs and their spouses and children from pandemic relief. Other successful arguments that have led to this change have included the importance of stimulating state economies, providing children in poverty with protective resources and improving racial equity in the tax code.
- In the absence of federal changes to the EITC, changes at the state level will not only help immigrant families, but also serve as a policy laboratory to demonstrate the feasibility and positive effects of this reform, as well as provide a pathway to a more inclusive federal EITC. However, because state EITCs only provide a fraction of the benefits of the federal EITC, their overall effect on poverty reduction is limited.

IX. POLICY RECOMMENDATIONS

In 2021, the U.S. was able to reduce child poverty dramatically by implementing a temporary expansion of the Child Tax Credit (CTC). While, regrettably, the CTC expansion was not renewed for 2022, policy researchers, policymakers and child advocates continue working on making that expansion permanent. In 2021, the CTC expansion not only reduced poverty overall, but also helped reduce racial/ethnic inequities in child poverty through changes in its income eligibility criteria. By including families with no or very low earnings, the expanded CTC covered more Black and Hispanic children, who have very high poverty rates (Acevedo-Garcia, Walters, et al., 2021). As the country considers policy changes to alleviate child poverty, it is essential to address not only the CTC, but also the EITC.

This section discusses four policy recommendations to improve the EITC. Our goal with this report is to highlight that if policymakers address the EITC's inequities in eligibility that hurt children in mixed-status families, those changes will go a long way toward reducing child poverty further; reducing child poverty for some of the most vulnerable children; and strengthening our social contract through a wide range of societal benefits. It is puzzling that an eligibility change that would benefit millions of children, reduce poverty further and improve equity—and that is consistent with eligibility rules of the other major tax credit, the CTC—has not been the focus of recent policy debates and reports. Our analysis of the equity implications of excluding children in mixed-status families correct this serious gap in the policy debate.

GRANT ELIGIBILITY TO FAMILIES WITHOUT SOCIAL SECURITY NUMBERS

Granting EITC eligibility to families without Social Security numbers would be not only beneficial for these families and for society, but also consistent with eligibility for other social programs and with recent policy trends. Eligibility for anti-poverty programs should be based on family income and the health and developmental needs of children, not on whether their families have Social Security numbers. Restricting children's access to the EITC on the basis of the tax identification number their families use is punitive and harms children. The SSN requirements for EITC eligibility also worsen racial/ethnic equities, as they have a disparate negative impact on Hispanic children, and they deny the principle of equal treatment to citizen children in mixed-status families.

Importantly, eligibility rules for the Child Tax Credit already include parents without SSNs when their children have SSNs. Aligning the EITC with the CTC eligibility would make it a more effective, inclusive and equitable program. Likely, this change will also improve access for mixed-status families, because aligning eligibility rules across tax credits would make them clearer and more understandable.

Additionally, eligibility for the federal EITC should be expanded to reflect an increasing recognition that greater inclusion of immigrant families has a wide range of societal benefits. Recent state policy changes to extend their EITCs to families without SSNs signal the recognition of these societal benefits and point to the reforms that are needed at the federal level.

It is useful to remember that immigrant restrictions are not inherent to U.S. social policy. The U.S. has a long history of including immigrants and their families in social policy (C. Fox, 2012). Until 1996, families without SSNs had access to the federal EITC (Acevedo-Garcia, Joshi, Ruskin, Walters, & Sofer, 2021; Acevedo-Garcia,

Joshi, Ruskin, Walters, Sofer, et al., 2021). Restoring EITC eligibility to pre-1996 eligibility rules would greatly advance our renewed, shared goals of reducing child poverty and advancing equity in federal policy. Compared to taxpayers with Social Security numbers, ITIN taxpayers are more likely to be low-income and to have more children (Suro & Findling, 2021). Therefore, extending the EITC to ITIN holders is an efficient means of getting tax credits to poor children and to improving equity in poverty reduction by including more children in immigrant families and Hispanic children.

INCREASE THE EITC BY 40% IN COMBINATION WITH INCLUSIVE ELIGIBILITY FOR FAMILIES WITHOUT SOCIAL SECURITY NUMBERS

Following one of the policy changes considered in the landmark 2019 NASEM report *A Roadmap to Reducing Child Poverty* (National Academies of Sciences, 2019), this report simulated the poverty reduction effects of a 40% increase in the EITC. This change alone would reduce child poverty by 15%, lifting over 1.34 million children out of poverty (see Appendix D). We note, though, that this increase would have a much larger effect if combined with changes in eligibility to include working families without SSNs; a 40% increase while maintaining restrictive SNN requirements would limit the EITC's overall reduction in child poverty, and severely limit poverty reduction for children in immigrant families and Hispanic children.

The recent temporary expansion of the CTC showed the power of combining an increase in benefits (in the CTC case, from \$2,000 to \$3,000 for children ages 6-17 and up to \$3,600 for children under age 6, per child) with expanded eligibility (in the case of the CTC, expanding income eligibility to families with no or very-low income). As demonstrated with this temporary expansion of the CTC, combining more generous benefits and more inclusive eligibility produces a larger poverty reduction, and it improves equity in poverty rates (Acevedo-Garcia, Walters, et al., 2021).

More inclusive eligibility is rarely race neutral. With the expanded CTC, inclusive income eligibility benefitted all children, with larger positive effects for Black and Hispanic children. With the EITC, more inclusive eligibility would benefit all children, with larger positive effects for children in mixed-status families and Hispanic children.

With tax credits and other anti-poverty programs, we should continue conducting thorough equity analyses of proposed policy changes to identify the most effective and equitable combinations of improved generosity and more inclusive eligibility.

REDUCE ADMINISTRATIVE BURDEN

While expanding the generosity and eligibility of the EITC would have large positive effects on poverty reduction and equity, access and equity can be improved even within the present program by reducing administrative barriers. To receive the EITC, families face several barriers, including being aware of the credit, understanding eligibility and claiming the credit when they file taxes. Several research studies have shown that eligible taxpayer families have limited awareness and knowledge of the EITC (Bhargava & Manoli, 2015; Halpern-Meekin et al., 2015). These administrative barriers are not race neutral. On top of complex eligibility rules for mixed-status families, the literacy demands and English language proficiency demands involved in applying for the EITC disproportionately hurt immigrant families and Hispanic families. The recent temporary expansion of the CTC showed that even if SSN requirements were eliminated from the EITC at the federal level, immigrant families

would still face many access barriers. Analysis by the Taxpayer Advocate highlights that the present deficiencies in the ITIN system compromise principles of fiscal fairness (Taxpayer Advocate, 2016).

To address knowledge barriers that decrease EITC claiming, the IRS provides promotional materials and marketing tools. A literacy audit of these tools—in various languages—should be conducted to assess the literacy demands they pose and to simplify them to make them more accessible.

Immigrant and Hispanic families are more likely to use tax preparers to file taxes and claim the EITC, but tax preparation fees are substantial, especially for low-income families. Working immigrant families often seek tax preparation assistance from nonprofit organizations, but because these organizations have very limited capacity, many families still need to hire tax preparers. Affordable, available tax preparation services are critical to increasing EITC take-up rates for eligible families.

Many policy recommendations emphasize targeted outreach using “nudges”—small changes to mailings and forms that aim to increase take-up of the credit without meaningfully changing the program. The experimental evidence on this approach is mixed. Some evidence finds that IRS notifications to eligible taxpayers increase EITC claiming (Bhargava & Manoli, 2015). While other studies have also found positive results, they find much smaller effects of outreach on tax filing rates (Guyton et al., 2017). Both of these studies worked with people who had previously filed tax returns; those who do not already file may have higher administrative barriers to take-up the EITC. A recent experimental study that used a range of nudges found no meaningful effects on tax filing or EITC claiming (Linos et al., n.d.). While nudges have promising results on increasing take-up among current tax filers, the effects are small, and stronger interventions are needed for those who do not file. Other studies found that availability of tax preparation software increased EITC claiming (Kopczuk & Pop-Eleches, 2007) and availability of neighborhood tax preparation services predicted knowledge about the credit and claiming (Chetty & Saez, 2013). However, these services come at a significant fee and potentially reduce the effectiveness of the EITC.

Increasing awareness via the tax-preparation industry and using behavioral nudges to increase take-up may help reduce the learning-costs associated with the EITC. To address the compliance costs of the EITC, simplifying eligibility rules would make claiming and verifying eligibility easier for families (Davis-Nozemack, 2013). The IRS could also streamline forms to collect necessary eligibility information for the EITC (Treasury Inspector General for Tax Administration, 2018). Instead of sending reminder notices to claim the EITC, the IRS could automatically refund the EITC for taxpayers who did not claim the credit but appear eligible based on their tax return (Treasury Inspector General for Tax Administration, 2018). To protect the net value of the refundable EITC, the federal government could implement more oversight on the tax-preparation industry to ensure that all clients claim their eligible tax benefits and to protect tax filers from expensive fees.

While research suggests several possible ways to include knowledge of and access to the EITC, few studies have examined the effects of these interventions on immigrant families. It is essential to conduct rigorous implementation research specifically on immigrant families, as they tend to face higher literacy, language and navigation barriers than nonimmigrant families. In the meantime, we can identify strategies to improve

administrative systems by summarizing the barriers immigrant advocacy organizations and families confronted when trying to access pandemic relief funds and the expanded CTC.

Finally, several states have expanded state EITC eligibility to families without SSNs, and we should learn from these efforts how to improve outreach and reduce administrative burden. The policy debates behind these changes may reveal successful arguments that highlighted the benefits of including mixed-families in the EITC, and the type of coalitions that were successful in promoting these changes. Additionally, the implementation of these state expansions will show us successful strategies to inform newly eligible families of the benefits of claiming the EITC, the supports they need to obtain ITINs and how to navigate the process of claiming the EITC.

IMPROVE THE ITIN SYSTEM

Eliminating the Social Security number requirement and reducing administrative burden are crucial steps to improving children's access to the EITC; however, to make the EITC as effective as possible, the ITIN system also needs to be improved. The current ITIN system contains several barriers for tax filers to apply and maintain their ITIN. The system is so complicated that there was a large decline in the number tax returns filed with an ITIN, from over 4.5 million in 2015 to 2.5 million in 2019 (Suro & Findling, 2021).

Since 2012, ITIN applicants have been required to mail in original identification documents (e.g., passports and birth certificates), rather than notarized copies. After mailing, applicants may not receive their documents back for 60 days. In addition to this burdensome requirement, ITIN-eligible taxpayers face other challenging rules. In 2015, the Protecting Americans from Tax Hikes (PATH) Act added more barriers to tax compliance for the ITIN-eligible population. The PATH Act created new rules for applying for an ITIN, and it dictated when an ITIN must be issued to receive tax credits and when an ITIN expires. Under the Act, the IRS was required to "purge" ITINs issued before 2013 or that were no longer used, and to establish new procedures for verifying applications and renewals. As a result, while the IRS issued 21 million ITINs between 1996 and 2015, it deactivated 15.2 million in 2016 and 2017 (Suro & Findling, 2021). Furthermore, the IRS attempted to notify by mail only 4% of the over 11 million taxpayers whose ITINs they were deactivating (Taxpayer Advocate, 2016). In 2016, the Taxpayer Advocate Service identified this new process as one of the "Most Serious Problems," having an "unduly burden" on taxpayers (Taxpayer Advocate, 2016). Other advocacy organizations have described the PATH Act as "heavy-handed, incomplete, and incompetent, with the result that the ITIN-eligible population facing additional barriers to compliance with tax laws for uncertain gains" (Suro & Findling, 2021). ITIN filings are also expected to drop sharply in response to the Tax Cut and Jobs Act of 2017, which eliminated CTC eligibility for children with ITINs and eliminated the dependency exemption for ITIN holders (National Taxpayer Advocate, 2019).

We can reduce administrative burden in ITIN application and renewal procedures by allowing ITIN applications to be filed electronically at any time of the year (National Taxpayer Advocate, 2021); expanding the range of acceptable documentation to include notarized documents; broadening the number and types of officials who can review and certify documentation; restoring the permanency of ITINs (prior to 2015 ITINs did not expire); funding the IRS to support a greatly expanded ITIN program; and undertaking a national campaign to encourage ITIN application and use through partnerships with government, immigrants' rights advocates and other civil society organizations (Suro & Findling, 2021; Taxpayer Advocate, 2016).

We have found it difficult to find estimates of the potential number of ITIN holders and the proportion of those who already have ITINs (Sifre, 2021). It is likely that creating incentives for more families to become taxpayers would benefit them and society by expanding the income tax base and promoting social inclusion. Data gaps, though, limit our knowledge of the number of individuals potentially eligible for ITINs, the share of those that actually have ITINs, the share that actually file taxes and the share that claim the EITC. Better data on potential ITIN holders and actual ITIN holders are hard to obtain because of the difficulties in estimating the size and reaching the undocumented population. Yet, a concerted effort to improve our data and knowledge on this population while protecting confidentiality will help us estimate the effects of policy changes that affect their eligibility and participation. Hopefully, in the future those policy changes will involve more inclusive outreach, eligibility, and implementation. We concur with (Sifre 2021, p.2) that “[t]he ability to identify and measure the ITIN population—both currently filing and potential filers—is [...] a critical starting point for creating a more inclusive and just tax code.” Future work should address these data gaps and future research should examine the economic and social benefits of including more families in the ITIN system. These recommendations are consistent with the 2021 Biden administration’s executive order on advancing racial equity in federal policy and the 2022 call to expand evidence-based policymaking (U.S. President, 2021a, 2022).

POLICY RECOMMENDATIONS

Key Takeaways

- Extend EITC eligibility to low-income working families without Social Security numbers. Together with the increased benefit amount, this change will lift 2.09 million children out of poverty. It will make the EITC consistent with the Child Tax Credit; reduce racial/ethnic inequities in child poverty, with particularly large effects for Hispanic children; and grant citizen children in mixed-status families the full rights of citizenship.
- Increase the EITC benefit amount by 40%. This change was recommended in the 2019 NASEM report as a key step in reducing child poverty, and we find that it alone will bring 1.34 million children out of poverty. However, without also removing the SSN requirement, this change will worsen inequities for children in immigrant families and Hispanic children.
- Reduce administrative burden. This will involve examining the accessibility of IRS marketing tools; offering more affordable tax preparation services; implementing behavioral nudges to increase take-up; conducting additional research on the effects of nudges for immigrant families; and learning from state EITC eligibility expansion. This step can increase EITC effects without a formal change in policy eligibility.
- Improve the ITIN system. Key changes include allowing ITIN applications to be filed electronically throughout the year; allowing tax filers to apply with notarized documents; restoring the permanency of ITINs; funding the IRS to support an expanded program; and undertaking a national campaign to support ITIN use. We must also address data gaps in identifying and measuring the potential ITIN population in order to generate stronger estimates of the effects of policy changes related to ITIN eligibility.
- All of these changes will go a long way toward reducing child poverty further; reducing child poverty for some of the nation’s most vulnerable children; and strengthening our social contract through a wide range of societal benefits.

X. CONCLUSION

The temporary expansion of the Child Tax Credit in 2021 demonstrated how quickly child poverty can be reduced when federal policy is ambitious, expansive and focused on reaching the highest-need children. For the low-income families who received monthly payments of \$250 or \$300 a month per child, the expanded Child Tax Credit meant housing security, nutritious meals and peace of mind (Karpman et al., 2021). However, debates over work requirements and cost have so far prevented these expansions from becoming permanent (Philbrick, 2022). The Earned Income Tax Credit has the potential to be just as effective, and decades of research have shown that it can have wide-ranging effects on reducing poverty and contributing to positive lifelong outcomes—with wide support across the ideological spectrum. As the Biden administration calls for reductions in child poverty and improved racial equity across federal policy, it is worth examining how to strengthen and expand this tried and tested program.

If we are to take the goal of reducing child poverty seriously, then eliminating restrictive SSN requirements from the EITC are necessary, as efforts to reduce child poverty will be unsuccessful if they do not include children who live with undocumented family members. This report has used new simulation results that build on the landmark consensus NASEM report *A Roadmap to Reducing Child Poverty* to show that expanding EITC benefits by 40% and fully restoring eligibility to families without Social Security numbers can lower child poverty significantly and equitably. These policy changes meet the criteria laid out by the NASEM committee in selecting policy options to reduce child poverty, which included reducing poverty overall, reducing poverty for high-risk groups and promoting work and social inclusion (National Academies of Sciences, 2019).

These expansions to the EITC would reduce poverty by 23%, lifting over 2.09 million children out of poverty. No group of children would be negatively affected, and overall child poverty would decrease more than without extending EITC eligibility to families without SSNs. Children in mixed-status families and Hispanic children, who have very high poverty rates and represent a disproportionate share of children living in poverty, would experience a particularly large reduction in poverty—an effect that would help to correct anti-immigrant and anti-Hispanic animus perpetuated in the social safety net.

This policy change is not unprecedented. Extending EITC eligibility to parents without SSNs would simply match current eligibility rules for the Child Tax Credit and would the return EITC eligibility to pre-welfare reform rules. Extending EITC eligibility to both parents and children without SSNs would match the eligibility rules of the Child Tax Credit prior to the Tax Cuts and Jobs Act of 2017. Restoring inclusive eligibility criteria that is consistent across tax credit programs also decreases confusion and administrative burden for all families and allows the EITC to better achieve its main goal: reducing child poverty.

With these changes, we will not only reduce child poverty substantially, but also improve health, education and socioeconomic outcomes for children and adults. We will also grant the full benefits of citizenship to citizen children in mixed-status families and improve racial/ethnic equity across the nation. We will stimulate the economy; improve fiscal fairness in the tax code and the safety net; and reward the work effort of immigrants—many of whom are essential workers who power our economy.

The United States is one of the wealthiest countries in the world, and yet we have one of the highest child poverty rates compared to countries like Canada, the United Kingdom and Australia (NASEM, 2019). The negative effects of child poverty over the life course are clear, and the costs to society are undeniable. We must make changes that ensure all children in the United States, regardless of where they or their parents were born or the tax identification they use, grow up with the resources they need to thrive.

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APPENDIX A. KEY NATIVITY, CITIZEN/MIXED-STATUS, IMMIGRATION AND TAXPAYER IDENTIFICATION NUMBER TERMS

Key term	Definition
Nativity terms	
Immigrant family	At least one parent (biological, adoptive or step) is born outside of the United States (or one of its territories like Puerto Rico) and was not a U.S. citizen at birth.
Nonimmigrant family	All parents (biological, adoptive or step) are born in the U.S. (or one of its territories like Puerto Rico or Guam) or were a U.S. citizen at birth. Nonimmigrant families do not include foreign nationals temporarily admitted to the U.S. as defined in section 101(a)(15) of the Immigration National Act (INA).
Citizenship/mixed-status terms	
Children in all-citizen families	All family members are U.S. citizens either through birth or naturalization.
Children in mixed-status families	At least one member of the family is not a U.S. citizen.
Citizen children in mixed-status families	Child is a U.S. citizen either through birth or naturalization and at least one family member is not a U.S. citizen. Noncitizens may include legal or undocumented immigrants.
Noncitizen children in mixed-status families	Child is a not a U.S. citizen and family members are not U.S. citizens. Noncitizens may include legal and undocumented immigrants.
U.S. citizen child in mixed-status family with an undocumented member	Child is a U.S. citizen either through birth or naturalization and at least one family member is an undocumented immigrant. Undocumented immigrants are assumed to file taxes with ITINs and are not eligible for the EITC.
Noncitizen child in mixed-status family with an undocumented member	Child is not a U.S. citizen and at least one family member is an undocumented immigrant. Undocumented immigrants are assumed to file taxes with ITINs and are not eligible for the EITC.
Immigration terms	
Lawful permanent resident (LPR)	A noncitizen who is lawfully authorized by the U.S. government to live permanently within the US. LPRs are granted a permanent resident card (e.g., “green card”) as proof of having LPR status. LPRs may accept an offer of employment without special restrictions, own property, and receive financial assistance at public colleges and universities. They also may apply to become U.S. citizens if they meet certain eligibility requirements. LPRs who meet program and immigrant eligibility criteria (e.g., they are no longer under the five-year bar) may receive federal public benefits.
Refugees and asylees	In general, a person who is unable or unwilling to return to their country of nationality, and is unable or unwilling to avail themselves of the protection of that country because of persecution or a well-founded fear of persecution on account of race, religion, nationality, membership in a particular social group, or political opinion. In general, refugee status is sought and obtained while the individual resides outside the U.S., while asylum is typically asserted when the individual

Key term	Definition
	presents for admission into the U.S. or is already present in the U.S. Refugees and asylees are typically eligible to apply for LPR status after one year of being granted such a status. Refugees and asylees who meet program and immigrant eligibility criteria may receive federal public benefits.
Temporary Protected Status (TPS)	Certain noncitizens who are present in the U.S. when the Department of Homeland Security determines it is not safe to return to their country of nationality (e.g., natural disasters, ongoing armed conflict) may qualify for TPS. TPS does not convey legal residence or a pathway to citizenship. Most immigrants with TPS are ineligible for federal benefits, except in extreme cases.
Undocumented immigrant	The Department of Homeland Security considers “all foreign-born noncitizens who are not legal residents” to be undocumented or unauthorized. The undocumented immigrant category includes people who entered the U.S. without inspection (i.e., permission from the U.S. government) at a port of entry and individuals who entered the U.S. with a temporary visa that they overstayed. Under current immigration law, very few undocumented immigrants have independent pathways to legal permanent residence, and nearly all are ineligible for federal public benefits, except in extreme cases. Undocumented immigrants are assumed to file taxes with ITINs and are not eligible for the EITC.
Temporary entry	A noncitizen who seeks temporary entry to the U.S. for a specific purpose. Includes foreign government officials, visitors for business and for pleasure, noncitizens in transit through the U.S., treaty traders and investors, students, international representatives, temporary workers and trainees, representatives of foreign information media, exchange visitors and fiancés of U.S. citizens. Most noncitizens granted temporary entry can be accompanied or joined by spouses and unmarried minor or dependent children.
Taxpayer identification numbers	
Social Security number (SSN)	An identification number issued by the Social Security Administration to track Social Security benefits. The Internal Revenue Service also uses it as a taxpayer identification number. SSNs are available to U.S. citizens and certain noncitizens like lawful permanent residents, asylees, refugees and other noncitizens who are authorized to work in the U.S. The Social Security Administration also issues SSNs to a small share of noncitizens without work authorization who need a Social Security number to receive certain public benefits. It is a nine-digit number in the format (000-00-0000).
Individual Tax Identification Number (ITIN)	A tax processing number issued by the Internal Revenue Service. ITINs are available for certain nonresident and resident noncitizens, their spouses, and dependents who are not eligible for a Social Security number. ITINs are a nine-digit number beginning with the number 9 and formatted like a Social Security number (900-00-0000).

Source: Adapted from Acevedo-Garcia, Joshi, Ruskin, Walters, & Sofer, 2021.

APPENDIX B. SUPPLEMENTAL INFORMATION ON CHILD POVERTY

EXHIBIT B1. Differences in Official (OPM) and Supplemental Poverty (SPM) Measures

Concept	Official poverty measure	Supplemental poverty measure
Measurement unit	Families (individuals related by birth, marriage or adoption) or unrelated individuals	Resource units (official family definition plus any co-resident unrelated children, foster children, and unmarried partners and their relatives) or unrelated individuals (who are not otherwise included in family definition).
Poverty threshold	Three times the cost of a minimum food diet in 1963, as updated by CPI-U	Based on expenditures of food, clothing, shelter and utilities (FCSU).
Threshold adjustments	Vary by family size, composition and age of householder	Vary by family size, composition and housing tenure, with geographic adjustments for differences in housing costs.
Updating thresholds	Consumer Price Index for all Urban Consumers: all items.	Five-year moving average of expenditures on FCSU, lagged one year.
Resource measure	Gross before-tax cash income.	Sum of cash income, plus noncash benefits that families can use to meet their FCSU needs, minus taxes (or plus tax credits), work expenses, medical expenses and child support paid to another household.

Source: Adapted from “The Supplemental Poverty Measure: 2020” (Fox & Burns, 2021).

EXHIBIT B2. Estimates of Poverty, Deep Poverty, and Poverty or Near Poverty Rates by Nativity, Citizenship/Mixed-Status, and Race/Ethnicity, 2017

Demographic group	Poverty	Deep poverty	Poverty or near poverty
All children	12.3%	2.7%	32.0%
Nativity			
Children in nonimmigrant families	9.3%	2.0%	26.8%
Children in immigrant families	20.1%	4.5%	45.7%
Citizenship/mixed-status			
Children in all-citizen families	9.5%	2.2%	27.1%
Children in mixed-status families	24.3%	5.0%	52.7%
Citizen children in mixed-status families	23.2%	4.0%	52.4%
Noncitizen children in mixed-status families	30.6%	10.5%	54.8%
Citizen children in mixed-status families with undocumented member	31.1%	5.9%	58.8%
Noncitizen children in mixed-status families with undocumented member	28.6%	10.3%	52.2%
Race/ethnicity			
White children	7.3%	1.8%	19.9%
Black children	18.0%	3.9%	48.2%
Hispanic children	20.0%	4.2%	47.1%
Asian or Pacific Islander children	11.0%	3.4%	29.8%
Other race children	9.8%	1.6%	32.3%

Note: Hispanic children may be of any race. White, Black, Asian or Pacific Islander, and other race children are non-Hispanic. Poverty is <100% of the Supplemental Poverty measure (SPM), deep poverty is <50% of the SPM and poverty and near poverty is <150% SPM. Source: Estimates from TRIM3, commissioned by authors.

EXHIBIT B3. Number of Children Living in Poverty by Nativity, Citizenship/Mixed-Status and Race/Ethnicity, 2017

Demographic group	Poverty	Deep poverty	Poverty or near poverty
All children	9,118,180	2,021,060	23,639,100
Nativity			
Children in nonimmigrant families	5,040,010	1,062,910	14,478,000
Children in immigrant families	3,991,475	886,215	9,069,939
Citizenship/mixed-status			
Children in all-citizen families	5,693,590	1,320,370	16,208,400
Children in mixed-status families	3,424,591	700,689	7,430,754
Citizen children in mixed-status families	2,789,993	483,055	6,296,466
Noncitizen children in mixed-status families	634,598	217,634	1,134,288
Citizen children in mixed-status families with undocumented member	1,632,810	307,968	3,088,860
Noncitizen children in mixed-status families with undocumented member	256,063	92,166	466,414
Race/ethnicity			
White children	2,729,640	673,136	7,430,330
Black children	1,828,270	426,261	4,774,140
Hispanic children	3,749,130	724,765	9,029,420
Asian or Pacific Islander children	453,796	140,025	1,227,820
Other race children	357,338	56,875	1,177,390

Note: Hispanic children may be of any race. White, Black, Asian or Pacific Islander, and other race children are non-Hispanic. Poverty is <100% of the Supplemental Poverty measure (SPM), deep poverty is <50% of the SPM and poverty and near poverty is <150% SPM. Source: Estimates from TRIM3, commissioned by authors.

EXHIBIT B4. Estimates of Poverty, Deep Poverty, and Poverty or Near Poverty Rates for Hispanic children by Nativity, Citizenship/Mixed-Status, 2017, 2015-2017

Characteristic of Hispanic children	Poverty	Deep poverty	Poverty or near poverty
All Hispanic children	20.0%	4.2%	47.1%
Nativity			
Children in nonimmigrant families	12.8%	2.1%	40.6%
Children in immigrant families	27.0%	4.9%	60.2%
Citizenship/mixed-status			
Children in all-citizen families	13.3%	2.6%	40.0%
Children in mixed-status families	28.8%	5.0%	64.0%
Citizen children in mixed-status families	28.3%	4.5%	63.5%
Noncitizen children in mixed-status families	33.2%	9.4%	67.9%
Citizen children in mixed-status families with undocumented member	34.3%	6.0%	66.7%
Noncitizen children in mixed-status families with undocumented member	37.4%	14.4%	68.1%

Note: Hispanic children may be of any race. White, Black, Asian or Pacific Islander, and other race children are non-Hispanic. Poverty is <100% of the Supplemental Poverty measure (SPM), deep poverty is <50% of the SPM and poverty and near poverty is <150% SPM. Estimates for poverty rates of all Hispanic children use 2017 data while estimates for Hispanic children by nativity and citizenship/mixed-status pool 2015-2017 data.

Source: Authors' calculations using estimates from TRIM3, commissioned by authors.

EXHIBIT B5. Composition of Child Population and Children in Poverty by Nativity, Citizenship/Mixed-Status and Race/Ethnicity, 2017

Demographic group	All children	Children in poverty	All Hispanic children	Hispanic children in poverty
Nativity				
Nonimmigrant family	73%	55%	43%	26%
Immigrant family	27%	44%	57%	74%
Citizenship/mixed-status				
All-citizen family	81%	62%	51%	32%
Mixed-status family	19%	38%	49%	68%
Citizen child in mixed-status family	16%	31%	44%	60%
Noncitizen child in mixed-status family	3%	7%	5%	8%
Citizen child in mixed-status family with undocumented member	7%	18%	23%	38%
Noncitizen child in mixed-status family with undocumented member	1%	3%	2%	4%
Race/ethnicity				
White children	50%	30%		
Black children	14%	20%		
Hispanic children	25%	41%	100%	100%
Asian or Pacific Islander children	6%	5%		
Other race children	5%	4%		

Note: Hispanic children may be of any race. White, Black, Asian or Pacific Islander, and other race children are non-Hispanic.
 Source: Authors' calculations using estimates from TRIM3, commissioned by authors.

APPENDIX C. THE NUTS AND BOLTS OF THE EITC

A family's EITC amount is calculated based on working parents' filing status (single or married), earnings, and number of qualifying children. The credit amount initially increases with earnings (phase-in), until reaching a plateau, and then begins to decrease as earnings grow (phase-out). In the phase-in period of the EITC, the credit amount increases for low-income families as they earn more income. During this period, the EITC is calculated as a set percentage ("phase-in rate") of earnings, and is dependent on the number of qualifying children in a family. For example, a family with one child has a phase in rate of 34% while a family with three or more children has a phase in rate of 45% (Exhibit C1). For each dollar these families earn (up to a certain level), the EITC increases by 34 cents and 45 cents, respectively. The phase-in period ends when a family's earnings reach a threshold and the EITC reaches the maximum amount. The EITC then stays at the constant maximum for families with earnings that fall between the phase-in end point and a second threshold. For families with earnings above this second threshold, the EITC amount decreases by a set percentage of earnings (the "phase-out rate") until the tax credit amount is equal to \$0.

EXHIBIT C1. Earned Income Tax Credit Parameters by Filing Status, 2021

Number of qualifying Children	Phase-in rate	Phase-in ends	Maximum credit	Phase-out rate	Phase-out range	
					Beginning income	Ending income
Single filers						
0	15.30%	\$9,820	\$1,502	15.30%	\$11,610	\$21,430
1	34.00%	\$10,640	\$3,618	15.98%	\$19,520	\$42,158
2	40.00%	\$14,950	\$5,980	21.06%	\$19,520	\$47,915
3+	45.00%	\$14,950	\$6,728	21.06%	\$19,520	\$51,464
Married filing jointly						
0	15.30%	\$9,820	\$1,502	15.30%	\$17,560	\$27,380
1	34.00%	\$10,640	\$3,618	15.98%	\$25,470	\$48,108
2	40.00%	\$14,950	\$5,980	21.06%	\$25,470	\$53,865
3+	45.00%	\$14,950	\$6,728	21.06%	\$25,470	\$57,414

Note: Single filers include taxpayers who file as single, head of household, widowed, or married filing separately. Generally, those who file Married Filing Separately are ineligible for the credit, but in 2021, these taxpayers were eligible for the credit if they met the eligibility requirements under the special rule in the American Rescue Plan Act of 2021.

Source: IRS EITC tables (IRS, 2021a).

APPENDIX D: SUPPLEMENTARY SIMULATION RESULTS

EXHIBIT D1. SPM Poverty Rate by Nativity, Citizenship/Mixed-Status, and Race/Ethnicity, and Simulated Increase in EITC and Changes in SSN Eligibility Requirements, 2017

Demographic group	Baseline SPM poverty rate	EITC with all SSN requirements	EITC with no SSN requirements for parents	EITC with no SSN requirements for parents or children
All children	12.3%	10.5%	9.6%	9.5%
Nativity				
Children in nonimmigrant families	9.3%	7.5%	7.5%	7.5%
Children in immigrant families	20.1%	18.4%	14.9%	14.6%
Citizenship/mixed-status				
Children in all-citizen families	9.5%	7.7%	7.8%	7.8%
Children in mixed-status families	24.3%	22.4%	17.4%	16.9%
Citizen children in mixed-status families	23.2%	21.3%	15.6%	15.4%
Noncitizen children in mixed-status families	30.6%	28.8%	28.0%	25.8%
Citizen children in mixed-status families with undocumented member	31.1%	30.9%	18.0%	17.5%
Noncitizen children in mixed-status families with undocumented member	28.6%	28.6%	26.8%	22.0%
Race/ethnicity				
White children	7.3%	6.0%	5.9%	5.9%
Black children	18.0%	14.6%	14.4%	14.3%
Hispanic children	20.0%	17.9%	14.6%	14.4%
Asian or Pacific Islander children	11.0%	10.1%	9.7%	9.6%
Other race children	9.8%	8.0%	8.3%	8.3%

Note: Hispanic children may be of any race. White, Black, Asian or Pacific Islander, and other race children are non-Hispanic.
Source: Estimates from TRIM3, commissioned by authors.

EXHIBIT D2. Percent Reduction in SPM Poverty Rate by Nativity, Citizenship/Mixed-Status, and Race/Ethnicity, and Simulated Increase in EITC and Changes in SSN Eligibility Requirements, 2017

Demographic group	Baseline SPM poverty rate	EITC with all SSN requirements	EITC with no SSN requirements for parents	EITC with no SSN requirements for parents or children
All children	12.3%	-15%	-22%	-23%
Nativity				
Children in nonimmigrant families	9.3%	-20%	-20%	-20%
Children in immigrant families	20.1%	-9%	-26%	-27%
Citizenship/mixed-status				
Children in all-citizen families	9.5%	-19%	-18%	-18%
Children in mixed-status families	24.3%	-8%	-28%	-30%
Citizen children in mixed-status families	23.2%	-8%	-33%	-34%
Noncitizen children in mixed-status families	30.6%	-6%	-9%	-16%
Citizen children in mixed-status families with undocumented member	31.1%	-1%	-42%	-44%
Noncitizen children in mixed-status families with undocumented member	28.6%	0%	-7%	-23%
Race/ethnicity				
White children	7.3%	-18%	-19%	-20%
Black children	18.0%	-19%	-20%	-21%
Hispanic children	20.0%	-11%	-27%	-28%
Asian or Pacific Islander children	11.0%	-9%	-12%	-13%
Other race children	9.8%	-19%	-15%	-15%

Note: Hispanic children may be of any race. White, Black, Asian or Pacific Islander, and other race children are non-Hispanic.
Source: Authors' calculations using estimates from TRIM3, commissioned by authors.

EXHIBIT D3. Reduction in the Number of Children in Poverty by Nativity, Citizenship/Mixed-status, and Race/Ethnicity, and Simulated Increase in EITC and Changes in SSN Eligibility Requirements, 2017

Demographic group	Baseline SPM poverty count	EITC with all SSN requirements	EITC with no SSN requirements for parents	EITC with no SSN requirements for parents or children
All children	9,118,180	-1,338,830	-2,022,300	-2,089,940
Nativity				
Children in nonimmigrant families	5,040,010	-983,850	-987,850	-987,850
Children in immigrant families	3,991,475	-345,685	-1,025,151	-1,092,790
Citizenship/mixed-status				
Children in all-citizen families	5,693,590	-1,066,410	-1,051,530	-1,051,530
Children in mixed-status families	3,424,591	-272,419	-970,770	-1,038,411
Citizen children in mixed-status families	2,789,993	-234,189	-915,749	-938,050
Noncitizen children in mixed-status families	634,598	-38,230	-55,021	-100,361
Citizen children in mixed-status families with undocumented member	1,632,810	-12,480	-688,980	-711,281
Noncitizen children in mixed-status families with undocumented member	256,063	-125	-16,916	-59,128
Race/ethnicity				
White children	2,729,640	-483,080	-531,700	-538,720
Black children	1,828,270	-353,370	-369,670	-380,870
Hispanic children	3,749,130	-396,390	-1,012,350	-1,056,140
Asian or Pacific Islander children	453,796	-38,880	-53,748	-59,385
Other race children	357,338	-67,103	-54,820	-54,820

Note: Hispanic children may be of any race. White, Black, Asian or Pacific Islander, and other race children are non-Hispanic.
Source: Authors' calculations using estimates from TRIM3, commissioned by authors.

EXHIBIT D4. Percentage-Point Gap in Child Poverty by Characteristics and Simulated Increase of EITC and Changes in SSN Eligibility Requirements, 2017

Demographic group	Baseline SPM percentage-point poverty gap	EITC with all SSN requirements	EITC with no SSN requirements for parents	EITC with no SSN requirements for parents or children
All children	-	-	-	-
Nativity				
Children in nonimmigrant families	-	-	-	-
Children in immigrant families	10.8	10.8	7.4	7.1
Citizenship/mixed-status				
Children in all-citizen families	-	-	-	-
Children in mixed-status families	14.8	14.6	9.7	9.2
Citizen children in mixed-status families	13.7	13.5	7.8	7.6
Noncitizen children in mixed-status families	21.1	21.1	20.2	18.0
Citizen children in mixed-status families with undocumented member	21.6	23.1	10.2	9.8
Noncitizen children in mixed-status families with undocumented member	19.1	20.9	19.0	14.3
Race/ethnicity				
White children	-	-	-	-
Black children	10.7	8.5	8.5	8.4
Hispanic children	12.7	11.9	8.7	8.5
Asian or Pacific Islander children	3.7	4.1	3.8	3.7
Other race children	2.5	2.0	2.4	2.4

Note: Percentage-point gap is in reference to first listed category of each reference group (e.g., children in all-citizen families is the reference group by citizenship/mixed-status). Hispanic children may be of any race. White, Black, Asian or Pacific Islander, and other race children are non-Hispanic.

Source: Authors' calculations using estimates from TRIM3, commissioned by authors.

EXHIBIT D5. Ratio of SPM Poverty Rate by Nativity, Citizenship/Mixed-status, and Race/Ethnicity, and Simulated Increase in EITC and Changes in SSN Eligibility Requirements, 2017

Demographic group	Baseline ratio of SPM poverty rate	EITC with all SSN requirements	EITC with no SSN requirements for parents	EITC with no SSN requirements for parents or children
All children	-	-	-	-
Nativity				
Children in nonimmigrant families	-	-	-	-
Children in immigrant families	2.2	2.4	2.0	1.9
Citizenship/mixed-status				
Children in all-citizen families	-	-	-	-
Children in mixed-status families	2.6	2.9	2.2	2.2
Citizen children in mixed-status families	2.4	2.7	2.0	2.0
Noncitizen children in mixed-status families	3.2	3.7	3.6	3.3
Citizen children in mixed-status families with undocumented member	3.3	4.0	2.3	2.3
Noncitizen children in mixed-status families with undocumented member	3.0	3.7	3.5	2.8
Race/ethnicity				
White children	-	-	-	-
Black children	2.5	2.4	2.4	2.4
Hispanic children	2.7	3.0	2.5	2.4
Asian or Pacific Islander children	1.5	1.7	1.6	1.6
Other race children	1.3	1.3	1.4	1.4

Note: Ratio is in reference to first listed category of each reference group (e.g., children in all-citizen families is the reference group by citizenship/mixed-status). Hispanic children may be of any race. White, Black, Asian or Pacific Islander, and other race children are non-Hispanic.

Source: Authors' calculations using estimates from TRIM3, commissioned by authors.

Poverty Gap

While this report focuses on children brought above 100% of the SPM poverty line, the proposed expansion of the EITC would also narrow the “poverty gap.” The poverty gap is the difference between the aggregate income of poor families and their income if they were all at 100% of the poverty line. The expanded EITC narrows the poverty gap by raising a family’s income even when the increase is not enough to lift them above the poverty line. Similar to the findings of children lifted out of poverty, expanding the EITC with inclusive eligibility rules for parents would lower the poverty gap by over 20%—meaning that poor families are closer to having incomes above the poverty line.

EXHIBIT D6. Change to SPM Poverty Gap by Simulated Increase in EITC and Changes in SSN Eligibility Requirements, 2017 (in millions)

SPM poverty gap	Baseline	EITC with all SSN requirements	EITC with no SSN requirements for parents	EITC with no SSN requirements for parents or children
SPM poverty gap (millions)	\$37,777	\$32,751	\$29,718	\$29,301
Total change in SPM poverty gap		-\$5,026	-\$8,059	-\$8,476
Percentage change		-13.3%	-21.3%	-22.4%

Source: Estimates from TRIM3, commissioned by authors.

Employment and Earning Effects and Cost of EITC Policy Changes

A goal of the EITC is to encourage people to enter the labor force (Committee on Finance, 1975). Similar to *A Roadmap to Reducing Poverty*, these simulations assume that an expanded EITC would increase the employment rate for unmarried mothers and reduce the employment rate and hours of work for married mothers. Exhibit D7 shows that over 700,000 people are estimated to begin working if the EITC is increased by 40% without extending eligibility to families without SSNs (Scenario 1). If the EITC is increase by 40% and eligibility is extended to families without SSNs, nearly 800,000 people would enter the labor force (Scenarios 2 and 3). This increase in employment more than offsets the married mothers who are estimated to stop working.

Net earnings are the simulated earnings of new workers minus any reduction in earnings from married mothers. When the EITC is increased with restrictive Social Security number requirements, the total increase of these earnings is about \$8.7 billion. When the SSN requirement for parents is eliminated, net earnings increase to \$9.1 billion. The poverty reducing effects of increased employment for unmarried women more than offset the potential poverty-increasing impacts of married women’s reduction in employment and hours.

Net government spending on benefit programs like Temporary Assistance for Needy Families, Supplemental Security Income and unemployment insurance, are estimated to decrease due to employment and earning effects. For example, if the EITC is increased while maintaining the Social Security number restriction there is an aggregate reduction of \$2.9 billion in other government benefits. If the EITC is increased and Social Security number restrictions are eliminated, the aggregate reduction in benefits increases to over \$3 billion.

EXHIBIT D7. Employment and Earnings Effects and Cost of EITC Policy Changes by Simulated Increase of EITC and Changes in SSN Eligibility Requirements, 2017 (in thousands)

Effect	EITC with all SSN requirements	EITC with no SSN requirements for parents	EITC with no SSN requirements for parents or children
Employment			
People who start working	727,756	791,764	794,074
People with decreased earnings	1,267,440	1,514,740	1,554,720
People who stop working	203,693	235,492	238,008
Net change in total earnings	\$8,689	\$9,128	\$9,034
Government spending			
Change in cost of benefit programs	-\$2,943,729	-\$3,047,849	-\$3,047,652
Total change in government spending	\$18,342,305	\$26,961,557	\$28,229,221

Note: All estimates account for employment effects. At baseline, estimations assume 166,296,000 employed persons (including self-employed) and \$8,790,487,024 aggregate earnings (in thousands). Total change in government spending excludes administrative costs. Source: Estimates from TRIM3, commissioned by authors.

APPENDIX E. STATE EITC EXPANSIONS

EXHIBIT E1. States that Have Extended Their State EITC to ITIN Filers

State	Date of Enactment	Potential number of EITC eligible ITIN returns	Other key provisions and/or relevant information	State's % of federal EITC (2021)	State's EITC based on \$5,980 Federal EITC
California	2020	723,935	The legislature approved an expansion in June 2020 of the state EITC to ITIN filers with children under age 6 and in September 2020 to all ITIN filers. California's EITC has the highest refundable credit, set at 85% of the federal credit.	Uses unique income thresholds ^a	Max for family with 2 children: ~\$2,691
Colorado	July 2020	47,190	In 2022, the state EITC will increase from 10% to 15% of the federal credit.	10%	\$589
Maine	July 2021	65	The bill also provides funding towards tax assistance, outreach about tax credits, and financial education to low-income individuals and families. It passed without the governor's signature.	12% ^d	\$717
Maryland	March 2021	57,310	Governor Hogan opposed this measure when it was included in his Covid Relief Act, but a separate bill later passed with enough votes to overturn a veto, and it became law without the Governor's signature. This Act is set to expire in 2023. Advocates are working to make these changes permanent.	45% ^b	\$2,691
New Mexico	April 2021	16,440	In 2021, the amount of the credit will increase from 17% of the federal credit to 20%, and is scheduled to be raised again in 2023 to 25% of the federal credit.	20%	\$1,196
Oregon	July 2021	30,945	The original bill would have also compensated ITIN filers for the amount of credit they are denied on the federal level, but this element did not pass.	9% ^e	\$538
Washington	May 2021	69,170	Washington's version of the EITC, the Working Families Tax Credit, was passed by the state legislature in 2008 but had never actually been funded. Starting in 2023, this bill funds the Working Families Tax Credit for the first time and includes ITIN filers.	0% ^c	\$0

Note: ^a California uses a system like the federal program but with different income levels and phase-in and phase-out thresholds. For a family with 3 children, the amount of CalEITC phases in until ~\$8,000, and phases out completely at \$30,000. ^b Maryland also offers a 50% non-refundable EITC, but eligible workers can only apply to one program. These percentages reflect temporary increases that were implemented for tax years after December 31, 2019. However, these percentages will be reduced back to 28% starting in January 1, 2023. ^c When Washington passed the tax credit in 2009, it was set at 5% and was expected to increase to 10% in 2010. However, the tax credit never actually went into effect because it was never funded. In 2021, policymakers funded the taxed credit at 10% starting in 2023. ^d Maine offers 12% for workers with dependents and 25% for workers without dependents, who receive a much smaller federal credit. ^e Oregon offers 12% for families with children under the age of 3.

Source: Adapted from Suro and Findling (2021). Williams et al. 2020; National Conference of State Legislatures, 2021; Urban Institute, 2021.

EXHIBIT E2. States that Have Pending Legislation to Extend Their State EITC to ITIN Filers

State	Status as of April 20, 2022	Potential number of EITC eligible ITIN returns	Other key provisions and/or relevant information	State's % of federal EITC (2021)	State's EITC based on \$5,980 Federal EITC
Illinois	Pending in the Rules Committee	156,330	This bill expands the state EITC to filers ages 18–24 and to those over age 65 with no child dependents, as well as to home caregivers providing unpaid care.	18%	\$1,076
Massachusetts	Pending in the Joint Committee on Revenue	18,515	This bill builds on the state EITC to establish a Guaranteed Minimum Income. This bill includes those who have no income. The bill would also raise the state EITC from 30% to 50% of the federal credit, and households with more than three children would be eligible for even higher percentages of the credit.	30% 50%	\$1,794 \$2,990
New Jersey	Pending in the Budget and Appropriations Committees	77,560	This bill is a standalone extension of the state EITC to ITIN filers.	40%	\$2,392
New York	Pending in the Budget and Revenue Committee	100,905	This bill would raise the state credit amount from 25% of the federal credit to 30% in 2021 and 40% in 2022. The bill would allow advance payment of the credit, and adjusts the income phase-out amount.	25% 30% 40%	\$1,495 \$1,794 \$2,392

Source: Adapted from Suro and Findling (2021). Williams et al. 2020; National Conference State Legislatures, 2021; Urban, 2021.