Pathways to Prosperity

EXPLORING THE BARRIERS TO AND POTENTIAL IMPACT OF IMPROVED TAKE-UP OF THE CHILD TAX CREDIT AND THE EARNED INCOME TAX CREDIT AMONG IMMIGRANT FAMILIES

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Introduction

The Child Tax Credit (CTC) and the Earned Income Tax Credit (EITC) are crucial anti-poverty tools that help workers and their families offset the costs of child care, healthy food, medical care, housing, and other critical needs. A large body of research demonstrates the significant, positive effects of the CTC and the EITC on household economic security, health, and education outcomes, among others. Despite being eligible, many individuals—including a disproportionate share of eligible immigrants—do not claim these credits for a variety of reasons, lessening the credits' efficacy in reducing poverty while boosting workforce participation.

This brief builds on BPC's prior research on the CTC and the EITC to explore the effects of increased take-up of both programs among eligible immigrant families in the United States, which is home to approximately 45 million people born in another country.[1,2,3] It examines the existing literature to reveal opportunities for further research on the positive impacts of these programs for immigrant families, and then explores the particular barriers to tax credit take-up affecting this diverse community.[a] The brief presents a simulation of the economic returns on increased CTC and EITC take-up by low-to-moderate-income immigrant households with children and finds that doing so could yield short-run returns to U.S. economic growth and labor force participation.

a This research focuses on immigrants legally in the United States, defined as an individual who is a naturalized citizen, lawful permanent resident, refugee, asylum grantee, or temporarily admitted for a specific purpose, such as extended work or study. For more, see: Congressional Budget Office, "The Foreign-Born Population, the U.S. Economy, and the Federal Budget," April 2023. Available at: https://www.cbo.gov/publication/58939.

The Economic and Social Benefits of the CTC and the EITC

THE CTC AND THE EITC

The CTC gives eligible parents a tax credit currently worth up to $2,000 per child. Eligibility is determined by, and phases in, with one's earnings: Any household earning under $2,500 annually is currently ineligible to claim the credit. Starting at $2,500 in earnings, the credit phases in at a 15% rate, meaning for every $100 earned above $2,500, a taxpayer receives an additional $15 in the CTC.[b] The credit phases out when income exceeds $200,000 for individuals or heads of household filers, and $400,000 for joint filers. If a household's credit exceeds its tax liability, filers receive the difference as a payment up to a maximum refundable credit of $1,600 per child.[c] These levels reflect changes enacted under the Tax Cuts and Jobs Act of 2017 (TCJA) that are set to expire after 2025. The American Rescue Plan Act of 2021 (ARP) also temporarily extended the CTC, but this expansion has since expired.

- The TCJA increased the maximum credit from $1,000 to $2,000 per child through 2025 while limiting the refundable portion to $1,600 per child; reduced the start of the credit's income phase-in from $3,000 of earnings to $2,500; and increased the income at which the credit phases out to a modified adjusted gross income (AGI) of $200,000 for single filers and $400,000 for married couples. Under the TCJA, the maximum credit per child is $2,000 and the average household benefit is $2,310.[4]
- The ARP changes, which were in place for 2021 only, eliminated the CTC's refundability cap as well as its phase-in; this allowed families to receive the full credit even if they had little or no earnings. The ARP also temporarily increased the maximum credit to $3,000, introduced a larger credit of up to $3,600 for children ages 5 or younger, and raised the maximum age of qualifying children from 16 to 17. Under the ARP, the maximum credit for children under 6 years old was $3,600, and for children ages 6–17, the maximum credit was $3,000. Households received an average credit of $4,380.[5]

b For more on the CTC's refundability and earnings requirement, see: Andrew Lautz and Rachel Snyderman, "Breaking Down the Child Tax Credit: Refundability and Earnings Requirements," Bipartisan Policy Center, December 2023. Available at: https://bipartisanpolicy.org/blog/breaking-down-the-child-tax-credit-refundability-and-earnings-requirements/.

c The refundable portion of the CTC is technically known as the Additional Child Tax Credit.

The EITC is designed to raise the after-tax income of workers with low-to-moderate earnings. By supplementing wages, the EITC draws people with low incomes into the labor force and incentivizes them to increase their earnings.[d,6] The credit phases in beginning with a household's first dollar of earnings, plateaus, then phases out at higher incomes. Workers with more children see their credit phase in faster, can receive a larger maximum credit, and remain eligible for the credit at higher income levels. For tax year 2023, the maximum adjusted gross incomes to be eligible to claim the EITC are $17,640 and $24,210 for single and joint filers without children, respectively. For filers with children, it ranges from $46,560–$56,838 for single filers and $53,120–$63,398 for joint filers, depending on the number of claimed dependent children.[e] The EITC can significantly raise a worker's after-tax income: In 2022, the maximum credit was $6,935 for workers with three or more qualifying children, and it paid recipients an average of $2,541.[7,8]

Studies have extensively documented the benefits of the CTC and the EITC, as the programs provide not only immediate financial support but also positive, longer-term returns to economic and social outcomes. Little research exists, however, on immigrant families' precise take-up levels of the CTC and the EITC, or on the potential macroeconomic benefits of helping them claim benefits from the programs.[9,10] This policy brief surveys the existing literature on the programs' beneficial outcomes for claimants and highlights the unique barriers immigrant families face in taking advantage of the programs, given the current structure of the credits. BPC's research builds on the specific interaction of immigrant parents with these credits, as well as the potential benefits that increased claiming could yield for the U.S. economy and labor force.

ECONOMIC AND SOCIAL BENEFITS

The CTC and the EITC provide crucial support for low-and-moderate-income families at tax time. Although these credits can ameliorate immediate cash-flow needs, they also create room in household budgets for parents to invest in their children's well-being.[11,12] A growing body of evidence suggests several potential benefits to parents and their children with increased take-up of these programs, including enhancements to economic, health, and educational well-being.[13,14] These benefits are especially critical to immigrant communities, given the heightened economic and social pressures they face due to rising anti-immigrant sentiment in recent years.[15]

d In 2021, the ARP nearly tripled the maximum benefit for childless workers on a temporary one-year basis.

e For the latest information on the EITC's maximum adjusted gross income, investment income limits, and credit amounts, see: Internal Revenue Service, "Earned Income and Earned Income Tax Credit (EITC) Tables," November 2023. Available at: https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/earned-income-and-earned-income-tax-credit-eitc-tables#EITC%20Tables.

In addition to the short-term relief they provide, the CTC and the EITC can lead to higher long-term earnings for the children of recipients, increasing economic self-sufficiency for both claimants and their dependents over their lifetimes.[16] For example, research indicates that an extra $3,000 in a family's income when a child is under age 5 increases the child's future earnings by 19%.[17] Efforts to improve awareness and take-up of the programs could yield positive economic effects, such as higher employment rates, increased future earnings, and greater consumer spending, benefiting both eligible households and the broader economy.[18,19]

Financial support from the EITC is associated with positive health outcomes for recipients and their families, including increased birth weights of children, lower rates of infant mortality, and improved health for mothers.[20,21] Studies show, for example, that an additional $100, or a 3% increase, in a family's average annual EITC between a child's birth and age 18 is linked to an increased likelihood of reporting very good or excellent health for that child during their adulthood.[22] Additional studies show that receipt of the CTC and the EITC also contributes to better weight control, health insurance coverage, and reduced smoking, thus improving health outcomes for claimants and their dependents in the long run.[23,24] This is significant, given that improved health outcomes are correlated with long-term benefits for the economy, such as increased labor force participation and productivity, and are estimated to account for approximately one-third of the overall GDP-per capita growth of developed economies in the past century.[25,26]

The stakes are higher for immigrants, as lawfully present immigrant adults are more than twice as likely to be uninsured as U.S.-born citizens.[27,28] Furthermore, increased anti-immigrant sentiment in recent years has exacerbated health disparities between immigrant and non-immigrant communities due to heightened discrimination, stress, and policies that limit access to health resources for mixed-status families.[f,29,30]

In addition to economic and health benefits, the CTC and the EITC can help families invest in their children's education. Recent evidence following the ARP's temporary expansions show that immigrant claimants are especially likely to make these investments, particularly to build a college fund for their children.[31] This is impactful for immigrant children, who often face distinct educational challenges, including lower English proficiency, poorer quality of schools, and specific school policies such as grade repetition.[32,33] The CTC and the EITC can help mitigate these challenges by, for instance, providing additional funds for children's school materials, leading to improvements in college attendance and graduation rates.[34,35]

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f A mixed-immigration-status family is a family whose members have various citizenship or immigration statuses. This can affect the family's eligibility for the CTC and the EITC. For example, a family in which the parents are not U.S. citizens, but the children are, might be eligible for the CTC (where filers can use an Individual Taxpayer Identification Number) but not the EITC (where filers must possess a Social Security number).

Barriers to Increased Take-Up

Although most parents eligible to claim the CTC and the EITC navigate hurdles in doing so, immigrant parents face unique barriers that reduce their take-up.[36] Research has shown, for example, that households with eligible immigrant parents were less likely to have received the CTC than those with non-immigrant parents following the ARP's temporary expansion of the program.[37] As such, gaining a deeper understanding of the barriers—particularly within immigrant communities—can help inform solutions to improve access and claiming among eligible families, thus increasing the potential overall economic benefits.

ELIGIBILITY CONFUSION

Eligibility for the CTC and the EITC varies due to citizenship status (of the taxpayer and dependents), tax documentation, income, household structure and size, and other factors. This variability can lead to confusion over which programs immigrant parents qualify for, the corresponding amounts they are entitled to, and the process for claiming each tax credit.

As shown in **Table 1**, immigrant households—which might have mixed-status family members—could still be eligible for the CTC and the EITC, although communicating that information presents a challenge.[38] Similarly, immigrants who work and possess either a Social Security number (SSN) or an Individual Taxpayer Identification Number (ITIN) might qualify for the CTC, provided their claimed dependents have an SSN and they meet all other eligibility criteria.[g,39] On the other hand, for the EITC, everyone claimed on the tax form must have an SSN, which is given only to U.S. citizens, lawful permanent residents, or other noncitizens authorized to work in the United States.[40]

The EITC's requirement that all household members have an SSN restricts access to the credit for nearly 2.4 million immigrant families who are ITIN filers.[i,j,41]

g An ITIN is a tax processing number available to certain foreign national nonresidents who still are required to file tax returns, as well as to resident non-U.S. citizens who cannot obtain an SSN due to their immigration status. This category includes undocumented immigrants; dependents and spouses of U.S. citizens who do not themselves have citizenship but are included on the citizen's tax filing; dependents and spouses of foreign nationals on a temporary visa who do not have work authorization and thus cannot obtain an SSN; and other foreign nationals legally residing in the United States but who do not have an SSN. Individuals eligible for SSNs include U.S. citizens, lawful permanent residents, refugees, and asylees.

Table 1: CTC and EITC Eligibility Requirements

Eligibility Requirement	CTC	EITC (Workers with Children)	EITC (Childless Workers)
Citizenship Status/ Residency[h]	Claimed dependents must be a U.S. citizen, U.S. national, or lawful U.S. resident. Claimed dependents must have lived with the taxpayer for more than half of the tax year, except for temporary absences due to special circumstances (e.g., school, medical).	Must be a U.S. citizen or noncitizen tax resident for the entire year; if filing jointly and during any part of the year and the claiming individual's spouse was not a tax resident, applicant is only eligible if the filer is a U.S. citizen or is a resident who was in the U.S. at least six months of the year for which they are filing.	Must be a U.S. citizen or noncitizen tax resident for the entire year; if filing jointly and during any part of the year the claiming individual's spouse was a not a tax resident, applicant is only eligible if the filer is a U.S. citizen or is a resident who was in the U.S. at least six months of the year for which they are filing.
Documentation	Children claimed for the credit must have an SSN. Claiming individual can have either an SSN or ITIN.	The taxpayer, their spouse (if applicable), and their qualifying children must have valid SSNs.	The taxpayer and their spouse (if applicable) must have valid SSNs.
Child's Relationship to Tax Filer	Biological child, adopted child, stepchild, foster child, grandchild, sibling, half-sibling, step-sibling, or the child of any of the above.	Biological child, adopted child, stepchild, foster child, grandchild, sibling, half-sibling, step-sibling, or the child of any of the above.	Not applicable.
Age	Claimed dependents must be under 17 at the end of the year.	Claimed dependents must be under 19 at the end of the year or under 24 if they are a full-time student. There is no age limit for children who are permanently disabled.	The tax filer claiming the credit must be between 25 and 65, with exceptions for certain individuals with qualifying disabilities.
Income	Any household earning less than \$2,500 annually is currently ineligible. Starting at \$2,500 in earnings, the credit phases in at a 15% rate. To receive the full credit, the taxpayer's annual income must be under certain thresholds (\$200,000 single filer/\$400,000 joint filer). Households with income above these thresholds are subject to phase-outs.	The taxpayer must have earned income from employment or self-employment (passive income does not qualify). In 2023, the taxpayer's earned income and AGI must fall under: —One child: \$46,560 single/\$53,120 joint; —Two children: \$52,918 single/\$59,478 joint; —Three+ children: \$56,838 single/\$63,398 joint.	The taxpayer must have earned income from employment or self-employment (passive income does not qualify). In 2023, the taxpayer's earned income and AGI must fall under \$17,640 for single/head of household filers and \$24,210 for married, filing jointly filers.
Filing Status	The taxpayer may file as single, head of household, married filing jointly, or qualifying widow(er) with a dependent child. Dependents may not file a joint return with their spouse except for the purpose of claiming a refund of withheld income taxes.	The taxpayer must file as single, head of household, married filing jointly, or qualifying widow(er) with a dependent child.	The taxpayer must file as single, head of household, married filing jointly, or qualifying widow(er).

Note: This table lists CTC requirements under the TCJA and EITC requirements under permanent law.

Source: Internal Revenue Service

h Residency for tax purposes is not the same as residency for immigration purposes. The IRS uses a two-part test to determine whether someone who is not a U.S. citizen is a U.S. resident for tax purposes. Lawful permanent residents are considered a tax resident. Others may be considered a tax resident if they meet a "substantial presence test" regardless of their immigration status. Requirements for an SSN, however, will limit access to credits based on immigration/citizenship status, because only noncitizens in certain legal categories can access an SSN. For more, see: Internal Revenue Service, "Determining an Individual's Tax Residency Status," May 24, 2023. Available at: https://www.irs.gov/individuals/international-taxpayers/determining-an-individuals-tax-residency-status.

Evolving CTC eligibility requirements in recent years exacerbate the confusion immigrant families face. Beginning in 2017, the TCJA temporarily changed CTC eligibility to require an SSN for each claimed dependent child, rendering approximately one million children ineligible.[42] When that provision expires in 2025, eligibility requirements will revert to permanent law, under which families can claim the CTC even if an adult and/or the dependent child uses an ITIN.

Additionally, laws meant to deter noncitizens from reliance on government assistance do not restrict or consider receipt of the CTC or the EITC, but changes in those standards can still chill claiming by immigrants. The Department of Homeland Security's current Inadmissibility on Public Charge Grounds regulation (the "public charge rule"), for example, allows the government to identify whether individuals are admissible to the United States based on whether they are likely able to care for themselves without becoming public charges.[43] Typically, the public charge rule applies to applicants for adjustment of status to a permanent resident, including family-based applicants, employment-based applicants, and diversity visa applicants. Although income supports administered through the tax code, including the CTC and the EITC, are exempt from this rule, communicating the scope of the programs covered by the rule remains challenging. When the Trump administration introduced stricter criteria for public charge determinations in 2018, more than 50% of immigrant families with children had misconceptions about the programs under the rule's purview, and 20% of adults in immigrant families with children refrained from accessing public benefits to which they were still legally entitled due to fears of jeopardizing their future green card status.[44] The variability of the rule in recent years—the Trump-era rule was the subject of litigation, and in 2022, the Biden administration reversed the change—further compounds an already confusing claiming process for immigrants.[45,46,47]

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i As of 2021, families with children who do not possess SSNs are still eligible to claim the EITC for childless workers. For more, see: Internal Revenue Service, "Topic No. 601, Earned Income Credit," October 24, 2023. Available at: https://www.irs.gov/taxtopics/tc601.

j Although childless workers are not the primary focus of this issue brief, it is noteworthy that these workers are eligible to receive a much smaller maximum EITC benefit. According to the IRS, in tax year 2023, the maximum credit for childless workers was $600, compared to $3,995 for workers with one child, and $7,430 for workers with three or more children. As a result, many childless workers (or workers who themselves have an SSN but whose children do not) were eligible for the EITC, yet find that the expenses associated with preparing tax returns—including the investment of time, effort, and money—often outweigh the actual benefit received, a reality that is particularly acute for immigrant households. For more, see: Internal Revenue Service, "Earned Income and Earned Income Tax Credit (EITC) Tables," November 13, 2023. Available at: https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/earned-income-and-earned-income-tax-credit-eitc-tables. Also see: Center for Budget and Policy Priorities, "Policy Basics: The Earned Income Tax Credit," April 28, 2023. Available at: https://www.cbpp.org/research/federal-tax/the-earned-income-tax-credit.

DOCUMENTATION CHALLENGES

Proving eligibility for just one of these credits presents a complex hurdle for immigrant families, and the varying documentation requirements between the CTC and the EITC complicate the process further. Specifically, because the SSN and ITIN requirements differ between the two programs and between filers and dependents, determining eligibility must be unique to each family and their specific immigration status.

Table 2: Documentation Eligibility by Immigration Status

Immigration Status	Eligible Documentation[48,49]
U.S. Citizen	SSN
Lawful Permanent Residents (such as green card holders)	SSN
Refugees	SSN
Asylees	SSN
Deferred Action for Childhood Arrivals (DACA) Recipients	SSN
Foreign National Legally Residing in the U.S. with Work Authorization[k]	SSN
Non-U.S. Citizen Dependents and Spouses of U.S. Citizens	ITIN
Non-U.S. Citizen Dependents and Spouses of Foreign Nationals on a Temporary Visa	ITIN
Foreign Nationals Legally Residing in the U.S. without Work Authorization	ITIN
Undocumented Immigrants	ITIN

Many immigrant families do not have SSNs when they first arrive in the United States. Even if they are eligible, obtaining an SSN can often be complicated and time-consuming, risking applicants' ability to claim credits for which they are eligible.[50] Furthermore, immigrants may be reluctant to share all necessary documents with public agencies, due to widespread mistrust of the government within mixed-status families and communities, or unable to do so for an extended period of time, given the disproportionate trouble immigrant families face in providing required documentation.[51,52,53]

ITIN-holders face similar, yet often exacerbated, administrative inefficiencies that discourage potential claimants.[54] Its lengthy application process, with backlogs and delays as long as 11 weeks, leaves millions waiting for essential documentation, causing them to miss out on critical tax benefits.[55,56] Tax preparation centers and services are also often unaware of the proper procedure for filing using an ITIN, creating an additional barrier for families seeking to claim the CTC.[57]

k Foreign nationals legally residing in the United States on a temporary visa with work authorization can obtain a restricted SSN that can only be used for work under the conditions of their immigration status. For more, see: Congressional Research Service, "Noncitizen Eligibility for Employment Authorization and Work-Authorized Social Security Numbers (SSNs)," March 22, 2023. Available at: https://crsreports.congress.gov/product/pdf/R/R47483.

Documentation challenges are further heightened for immigrants navigating both federal and state tax systems. As of 2023, 14 states have enacted their own version of the CTC, and 31 states plus the District of Columbia have passed a version of the EITC.[58,59] In some cases, the state versions closely mirror the federal credit, but many states are adopting credit designs and eligibility requirements tailored to their residents. For example, ten states—California, Colorado, Illinois, Maryland, Maine, Minnesota, New Mexico, Oregon, Vermont, and Washington—and the District of Columbia allow ITIN filers to claim the state version of the EITC.[60] However, additional administrative hurdles sometimes accompany the expanded eligibility, as filers may be required to fill out additional forms.[61,62,63]

EDUCATION AND OUTREACH

Although the IRS is not an immigration enforcement agency, there is apprehension over the potential that it could be, and cultural shame around claiming government assistance. These realities compound confusion and further depress immigrant take up of the programs, necessitating widespread public education and outreach.[64,65]

One catalyst for such outreach are Volunteer Income Tax Assistance (VITA) sites—IRS-administered, community-tailored, tax-filing support offices. Typically located in local institutions like schools or libraries, they are staffed by trained community volunteers, fostering trust between new tax filers and the IRS.[66] Positive interactions with VITA sites and government agencies are critical in combating psychological barriers that some immigrants face when they engage with the tax system and thus could help improve the take-up of tax credits.[I] Each year, VITA sites serve more than 3.5 million tax filers, but limited funding and volunteer shortages are persistent challenges for many sites; these issues can inadvertently restrict the immigrant-specific services they are able to offer, given language barriers and the complexity of eligibility and documentation challenges.[67,68,69]

Cross-government collaboration can help address these shortages and distribute information about different government tax services and benefits available to immigrant families. Refugees, for example, can look to government-funded and contracted resettlement institutions and services, as well as dedicated social workers, for guidance.[70] These support networks play an important role in facilitating cross-government outreach efforts aimed at helping refugee communities overcome obstacles, such as a lack of awareness about available benefits, complex application processes, and fear of potential immigration consequences.

I In a private roundtable discussion with immigration and tax preparation practitioners, one stakeholder noted efforts to improve tax credit take-up through targeted messaging for immigrant communities, such as framing education around the CTC and the EITC as "accessing earned benefits through tax contributions."

Cultural and language barriers also pose challenges for some immigrant families. Some individuals within immigrant communities may perceive the claiming of public benefits as receiving unearned income, which could extend to programs such as the CTC and the EITC that are administered through the tax code.[71] To counter this misunderstanding, experts recommend that education and outreach efforts emphasize that the CTC and the EITC are tax credits earned through income.[72] Utilizing the lessons learned from ARP's temporary expansions of the CTC and the EITC in 2021, the federal government has an opportunity to incorporate additional key strategies to induce improved tax credit take-up, including by immigrants, by providing information in languages other than English and encouraging employers to inform employees about available tax credits.[73]

In conversations with experts and tax practitioners, BPC's research underscores how targeted outreach efforts on college campuses can help children of immigrants (especially those able to assume the responsibility of filing taxes for their families) better inform their parents of their eligibility for benefits administered through the tax code or other government programs.[74] Experts have also explored whether the IRS can provide a public phone line to contact the agency's ITIN Unit directly—rather than relying solely on general customer service lines—to ensure more efficient and specialized assistance for ITIN-related matters.[75,76] The IRS's 2023 Strategic Operating Plan aims to address some of these challenges by digitizing interactions, expediting processes, and increasing outreach and engagement within immigrant populations, potentially improving take-up of these tax credits by immigrant parents over time.[77]

Although significant barriers to tax credit take-up exist across the U.S. immigrant population, efforts are underway across the nation to improve outreach and education services, especially for harder-to-reach communities. Nine states and the city of Philadelphia have laws in place that require employers to notify employees of EITC programs.[78] Meanwhile, Boston has relied on trusted messengers to convene coalitions of government officials and research, law, and advocacy organizations to host webinars and in-person information sessions to educate immigrant communities on how to access the state CTC.[79] States such as California have also leveraged the positive experiences of immigrants who have successfully claimed the CTC and the EITC by actively disseminating these stories to broader audiences and offering help through an outreach hotline.[80] In Texas, the city of Houston successfully built a legal aid and social service network that pooled resources and cultural and linguistic knowledge to coordinate strategies across public agencies, community-based organizations, and other entities working to help immigrants claim tax credits.[81]

Simulating Increased CTC and EITC Take-Up Among Immigrant Parents

Although research has demonstrated the significant economic and social benefits of the CTC and the EITC, less attention has been paid to quantifying take-up and the associated macroeconomic effects of doing so among immigrant communities—especially before the ARP's temporary expansion. To understand the economic returns of improved take-up among immigrant parents, and particularly those with low to moderate incomes, BPC simulated three potential short-term outcomes to the U.S. economy to estimate changes in federal tax revenues, gross domestic product (GDP), and labor market participation.[m]

Due to limitations in the type of data collected by the IRS, precise estimates of the share of eligible immigrant households that claim the CTC and the EITC remain uncertain. Despite this uncertainty, several datapoints inform the choice to simulate three scenarios that increase a combined take-up rate to 85%. Before the COVID-19 pandemic and recession, 89% of all families with children received the CTC; data collected following the 2021 ARP expansion of the CTC, however, revealed a disparity in monthly payment receipts between U.S.-born parents (74%) and immigrant parents (67%).[82,83] Take-up rates of the EITC remained just below 80% for all taxpayers through tax year 2020, the most recent available data.[84]

Moreover, historical data indicates that Hispanic individuals, who constitute a significant portion of the non-native population, have lower take-up rates for the EITC compared to non-Hispanic taxpayers.[85] Although BPC advises caution in extrapolating from ARP data or from data on Hispanics and Latinos that does not separate by immigrant status, there are indications that immigrant families likely lag behind non-immigrant families in tax credit uptake by several percentage points.

BPC used a combination of survey data and the Policy Simulation Library's Tax-Calculator model to simulate the revenue and macroeconomic effects of an increase in CTC and EITC take-up among immigrant families.[86] The results should be interpreted as simulations of how increases in take-up ranging from 5 to 15 percentage points—with each scenario reaching a combined take-up rate of 85% of the eligible immigrant population for the CTC and the EITC—could

m Given the limitations of available data, our analysis excludes eligible childless immigrant workers, instead focusing on households with children that would likely be eligible for both credits.

affect federal revenues and the U.S. economy broadly, rather than a prediction or projection of how certain CTC or EITC policy changes would affect federal revenues and the U.S. economic outlook.

METHODOLOGY

We used several publicly available datasets to estimate these effects, including data from the IRS and the U.S. Census Bureau. IRS data was used in conjunction with the Tax-Calculator to estimate the value of the CTC, EITC, and marginal tax rates by household type and income level. Census data was then used to split households between immigrant and non-immigrant status. Immigrant households were then split again to determine eligibility for the CTC and the EITC before we applied changes in take-up rates to estimated changes in revenue and marginal tax rates. Additionally, BPC used Congressional Budget Office (CBO) central estimates for labor supply elasticities to simulate labor supply responses to the change in CTC and EITC uptake.[87]

During the research, BPC identified significant gaps in data availability and quality as they pertain to the U.S. immigrant population and the tax system. For example, the Census Bureau collects limited information from respondents on their immigration/citizenship status, and—for purposes of tax analysis—the IRS collects no information on immigration status. Additionally, many families are of mixed immigration/citizenship status and may not neatly fit a definition. Although this does make it harder to understand tax administration metrics among immigrant communities, disaggregating data based on immigration status poses potential disadvantages, such as concerns with privacy, discrimination, and a risk of misinterpreting the data.

Due to these limitations, BPC relied on data from the 2019 American Community Survey (ACS) to identify the share of households with naturalized citizens.[n,o] We intentionally chose not to use 2020 and 2021 ACS data, as the COVID-19 pandemic likely distorted several variables in the survey, including household income. Data from those years is also distorted due to the temporary expansions (and subsequent expirations) of both the CTC and the EITC.

The ACS's household-income variable helped simulate the revenue effects of increased CTC and EITC take-up among immigrant families—with household income loosely approximating tax unit income. Its individual-level-wage and

n The 2019 ACS had four different options under citizenship status: U.S. citizen born in the United States; U.S. citizen born abroad to American parents; naturalized U.S. citizen; and not a U.S. citizen. BPC only included households with naturalized citizens in this simulation, although it is likely there are immigrant families eligible for the CTC who are not included in this category of the ACS. Unfortunately, survey data limits BPC's ability to assess income and number of children in diverse types of immigrant households.

o BPC used the Integrated Public Use Microdata Series (IPUMS) USA Online Data Analysis System (ADS) to analyze the 2019 ACS data. ACS has several variables measuring income at the individual level and only one variable measuring income at the household level—total household income.

business-income variables assisted with simulating the labor supply response to increased CTC and EITC take-up and the corresponding macroeconomic response.[p] Using these variables, BPC estimated that 11.1 million households had naturalized citizens in 2019 (with a total of 10.4 million children) and had nearly $1.2 billion in household income.

BPC used the Tax-Calculator to estimate the average CTC and EITC benefit and marginal tax rate by household type. We simulated the revenue and macroeconomic effects of increasing CTC and EITC uptake to 85% among eligible low-to-moderate-income immigrant families. The three simulations analyze increases of 5, 10, and 15 percentage points from modeled take-up baselines of 70%, 75%, and 80%, respectively, to account for the data constraints described above.

RESULTS

The resulting outputs (**Table 3**) from BPC's simulation included:

- a revenue estimate for simulated (increased) CTC and EITC take-up among immigrant parents;
- an estimate of the change in workforce participation (full-time equivalent [FTE] jobs) under the simulated take-up scenario;[q] and
- an estimate of the change in GDP under the simulated take-up scenario.

BPC's simulation demonstrates that reducing barriers and improving claiming of the CTC and the EITC among immigrant families could, depending on the take-up rate modeled, increase labor force participation by 4,000 to 12,000 FTE jobs and grow GDP by $1 billion to $3 billion.

p Households in ACS and tax units in the Internal Revenue Service Statistics of Income (IRS SOI) are defined differently; as a result, there are fewer households than tax units. Excluding missing data, our database includes 122.8 million households, whereas IRS SOI data from the same year (2019) includes 157.8 million tax units.

q Full-Time Equivalent (FTE) is a metric used to measure the total hours worked by an employee on a full-time basis.

Table 3: Simulating the Effects of Immigrant Parents' Take-Up of the CTC and the EITC on Employment and GDP

Increase in Take-Up Rate to 85%	5 percentage points	10 percentage points	15 percentage points
Change in Tax Revenue	−$1.6 billion	−$2.6 billion	−$4.2 billion
Change in Full-Time Employment	4,000	8,000	12,000
Change in GDP	$1.0 billion	$1.9 billion	$2.9 billion

Note: The three simulations demonstrate an improved take-up rate of 85% from the three simulated baseline take-up rates of 70%, 75%, and 80%.

Source: BPC analysis

These results supplement the existing body of evidence that emphasizes the importance of the CTC and EITC to improving family well-being. This paper contributes fresh analysis by exploring not only the potential positive effects to U.S. immigrant families fully engaging with the U.S. tax system and the vital supports delivered through it, but also the returns to the U.S. economy from their doing so.

Although these modeled effects are modest, the simulation shows that the macroeconomic benefits to improving take-up could offset some of the costs to administering the program. The projections also have implications for the programs' expansions as Congress continues to deliberate their futures.

Conclusion

BPC's analysis highlights the meaningful implications of improving access to and take-up of the CTC and the EITC among eligible immigrant parents. Building upon broader research on the macroeconomic effects of these tax credits, this study focuses on immigrant parents to demonstrate how targeted policy interventions can yield material economic benefits. Policymakers, guided by a growing emphasis on the potential labor supply effects of the CTC and the EITC, could use these insights to craft interventions that reduce barriers and help increase take-up of these tax credits among eligible families to generate more workers and increase economic activity. Doing so would pave the way for a more equitable and thriving society for all.

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