

# CALEITC: ELIGIBILITY FOR WORKING IMMIGRANT TAX FILERS

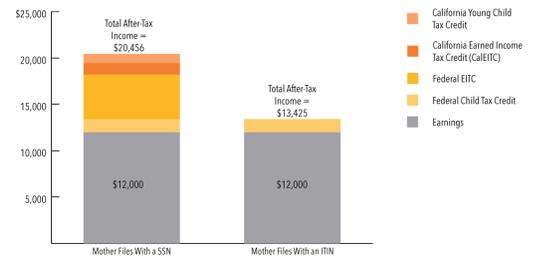
The CalEITC is critical to tackling California's poverty crisis and provides much-needed assistance to working families and individuals who are struggling to make ends meet. While California has made improvements to the credit every year since 2015, one population continues to be excluded: those who file taxes with an Individual Taxpayer Identification Number (ITIN).

Extending the CalEITC and the Young Child Tax Credit (YCTC) to all workers, including ITIN tax filers, is a win for all of us. It involves a minimal investment for maximum impact, helping to fight poverty and income inequality for hundreds of thousands of individuals, children, and families, while sending a powerful message to the rest of the country that California remains the leader in supporting immigrants' rights.

Including all tax filers in the CalEITC is one of the best things the state can do to stimulate local economies and help stave off a potential downturn. Research shows that lower-income households who receive tax credits put that money immediately back into the local and state economy.

Excluding Californians who file taxes with ITINs from the CalEITC is the exception to the norm. ITIN filers are eligible for many other state and federal tax benefits. Further, California's YCTC excludes more immigrant families than the federal Child Tax Credit (CTC). Parents with ITINs can currently claim the federal CTC for any child who has a valid Social Security Number, whereas those same parents are not currently eligible for the YCTC.

Tax Credit Exclusions Cause Huge Disparities in After-Tax Income for Children Whose Parents Have the Same Earnings Two Children Whose Mother Works Part-Time at the State Minimum Wage in 2019



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

Including all tax filers in the CalEITC is the right and fair thing to do for immigrants who contribute so much to our economy. Immigrant tax filers contribute \$3.2 billion in state and local taxes every year, and represent over a third of our workforce. Yet our current economic and tax systems create vast inequities for immigrant workers. Exclusions from both state and federal tax systems mean that immigrant parents who work and earn the same amount as a US-born parent end up with vastly different incomes after taxes (see figure).

Including all tax filers in the CalEITC is critical for combatting harmful federal policies that drive immigrant communities further into poverty. Policies like the proposed expansion of the public charge rule seek to penalize immigrants who have used public benefits to support themselves and their families. The CalEITC can support our communities who have been impacted by these policies by boosting their after-tax income to make ends meet.

Last year, we came remarkably close to passing a budget that included this proposal, and we appreciate your continued dedication and support. This year, with your leadership, California can become the first state in the country to include all workers in our shared economic prosperity. Our CalEITC coalition of over 30 organizations strongly urges you to help us make history by including all Californians in the CalEITC and the YCTC in the 2020-2021 state budget act!

**RECOMMENDATION:** Remove eligibility exclusions for otherwise eligible immigrant Californians by allowing those with a federally assigned Individual Taxpayer Identification Number (ITIN) or Social Security Number (SSN) to claim the CalEITC and the Young Child Tax Credit (YCTC).

**COST-BENEFIT ESTIMATE:** Based on current CalEITC structure, \$79-113 million (with a 50% uptake rate estimated), benefiting 505,000 to 722,000 newly eligible people in those tax units, 171,000 to 244,000 newly eligible children in those tax units, and 48,000 to 69,000 newly eligible children under age 6 in those tax units.

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