HOW EXPANDING CalEITC to IMMIGRANT WORKERS IS A WIN FOR ALL OF US

INCLUDING IMMIGRANTS IN THE CALIFORNIA EARNED INCOME TAX CREDIT (CalEITC)
What would you do with an extra $100 for you and your family? For many people, especially those who struggle to cover a $400 emergency expense, even a small sum could mean the difference between making ends meet or having to decide between food on the table and going to the doctor. Many programs and policies are designed to financially assist low-income people while boosting the economy, but few are as effective as the Earned Income Tax Credit (EITC) (Figure 1). For working families, the EITC has been shown to lift more people out of poverty than any other program.

Why is the EITC so effective? Because it gives cash back to people who are working but still living in poverty. It helps to close the income gap for people who continue to earn less than a full-time minimum wage salary. With real wages barely budging since the 1970s and income inequality continuing to grow, it is no wonder that the National Academy of Sciences found that the only way to meaningfully reduce child poverty is by expanding and strengthening the EITC. It is also why California created its own state tax credit modeled off of the federal EITC, called the CalEITC.

Currently, immigrant workers who file their taxes with an Individual Tax Identification Number (ITIN) are excluded from the CalEITC, as well as anyone else in their family who may have a Social Security Number (SSN), such as US citizens and legal permanent residents. But with minimal investment, California could be the first state in the country to apply the CalEITC to all low-income workers who file and pay taxes in our state, regardless of their

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immigration status. Doing so will help fight poverty and income inequality for hundreds of thousands of individuals, children, and families, and will send a powerful message to the rest of the country that California remains the leader in supporting immigrants’ rights.4

Including immigrant workers in the CalEITC is vital because immigrant workers and their families continue to be uniquely impacted by income inequality. Federal anti-immigrant policies, like the newly issued expansion of the public charge rule and other proposals from the Department of Housing and Urban Development and the Department of Justice, seek to intimidate and penalize immigrants who have used public benefits to support themselves and their families by creating income tests for citizenship, evicting families from public housing, and by targeting low-income families for deportation.5 These harsh and hateful policies reinforce the Federal Administration’s message that immigrants are not welcome unless they are white, wealthy, and highly educated. California can fight back against this rhetoric by creating a California for all and including everyone in our economic prosperity, regardless of immigration status. Including all tax filers in the CalEITC is a small but crucial step in the fight for immigrant rights and the effort to end poverty in California. It is also the right thing to do for our economy and our state.

INVESTING IN THE EARNED INCOME TAX CREDIT CREATES POSITIVE OUTCOMES FOR ALL

The additional cost of including immigrant workers in the CalEITC is relatively small, a mere fraction of the overall cost of the credit.6 However, the impact would be significant. Including ITIN filers in the CalEITC could reach an additional 600,000 individuals, including over 200,000 children, who will benefit from increased income and spending power.

... EITC gives a larger credit to people the more they work and earn. The EITC therefore helps fight poverty both by providing necessary financial support and by rewarding work and higher earnings. Additionally, the federal EITC, on which the CalEITC is modeled, has proven to be one of the most effective anti-poverty programs available. The EITC fights poverty in two important ways. First, it boosts the income of people who are working but earning very low wages by putting some of their money back in their pockets every tax season. While the amount that people receive is based on a variety of factors, in 2018 a single parent with two children earning could receive up to $2,559 from the CalEITC and $5,716 from the federal EITC.7 Second, the EITC gives a larger credit to people the more they work and earn. The EITC therefore helps fight poverty both by providing necessary financial support and by rewarding work and higher earnings.8

4 California Budget and Policy Center estimates
5 For more information on public charge and other proposed federal attacks, please visit https://caimmigrant.org/what-we-do/health-and-public-benefits/public-charge-and-protecting-families/. Notably, the Earned Income Tax Credit is not listed for consideration under the public charge rule.
6 In 2019, Governor Newsom invested over $600 million to expand the CalEITC and create a new Young Child Tax Credit available to CalEITC-eligible families with young children. The expansion included some meaningful changes, such as increasing the amount of money that people can receive under the credit and extending eligibility to people earning up to $30,000 a year—equivalent to the earnings of someone working full time at $15 per hour. Unfortunately, the state continued to exclude immigrant workers who file their taxes with an ITIN.
7 To find out how much you could be eligible to receive from the CalEITC, visit www.caleitc4me.org.
Rosalba is originally from Mexico but has been living in San Diego for nearly 17 years. She is undocumented and does not have a Social Security Number (SSN), but she works and has been filing taxes using an Individual Taxpayer Identification Number (ITIN). If she could receive the credit, Rosalba says she would invest the money in her children... “I can think of needs that they have—their education, clothes for school, things that relate to their everyday quality of life,” she says. “This is about equality and recognizing everyone’s contribution... After so many years of working in this state and country, this would be a huge change, [and] would mean so much to people who are being excluded... I hope that people will recognize the importance of the struggle that comes from real people to push for these changes, not just for some workers, but for everyone.”
Aside from increasing people’s earnings and income, the federal EITC has also been shown to improve child and maternal health, increase school performance and college enrollment, and increase a child’s future work and earnings in adulthood (Figure 2).

Including all income-eligible workers in the CalEITC will also create benefits for the state by encouraging more people to work and file their taxes. The tax credit does this by design, because currently only people who are working and filing taxes are eligible for the credit. That is partly why, when the federal EITC was expanded in 1993, employment among single mothers rose over 6 percent.9 Similarly, allowing immigrants to receive the CalEITC could help to boost employment in immigrant communities.

Moreover, each dollar given through the federal EITC generates double the amount in local economic benefits.10 This happens in a couple of ways. First, local economies get a boost from participants spending their tax credit dollars on goods and services. A survey from the National Poverty Center found that individuals and families who receive the EITC are most likely to spend it on paying off bills and debts, buying basic necessities (such as food and household items), or use it toward a major purchase, such as a car, school tuition, or a payment for a home or apartment. In other words, money from the EITC gets invested in the local economy.

Second, the overall increase in economic mobility for individuals and children mentioned above means that people are better able to support themselves now and in future generations, decreasing reliance on other benefits and supporting the economy long-term.

9 Ibid.
INCLUDING IMMIGRANTS IN THE CALEITC IS CRITICAL FOR THE FIGHT AGAINST POVERTY AND INCOME INEQUALITY

Immigrants are vital to the fabric of our society. Extending the CalEITC to all workers helps fight poverty in the entire state, as immigrants represent almost a third of California’s population and undocumented immigrants alone represent 1 in 10 of the state’s workers.11 Moreover, half of California’s children have at least one immigrant parent in their household.12 Improving the health, education, work, and earnings of our immigrant communities means improvements for all Californians.

Additionally, if California wants to be serious about fighting poverty in our state, the right place to start is by supporting people who are the most vulnerable to provide for themselves and their families. Immigrants make vast contributions to California’s economy, which include paying $3.2 billion in state and local taxes.13 Yet children of immigrant families who are working are twice as likely to live in poverty as children of working US citizen

CHILDCARE WORKERS IN CALIFORNIA

Despite strong worker protections in California, 1 in 4 early childcare workers in the state continue to live in poverty, and over half of workers, who are mostly women of color, rely on some sort of public assistance to make ends meet. But many early childcare workers who are immigrants do not qualify for most public assistance programs, driving them deeper into poverty. Some earn so little that they are not technically required to pay money in taxes, yet they still contribute immensely to our state by providing critical care for our young children. Unfortunately, however, many educators are leaving their positions because they can’t afford to live on a preschool teacher’s salary. Our early childcare teachers and caregivers should not have to choose between paying for rent, food, and showing up to work. By boosting their income, the CalEITC can help to support all childcare workers, including immigrants, to care for themselves and to provide quality care to children.

Part of the reason for this is that immigrant workers tend to be overrepresented in low-paying and unstable jobs, such as farm work, house cleaning, food service, construction, and maintenance work. Immigrant workers are also more likely to be subjected to wage theft due to their status, which can drive them further into poverty. Many immigrant families are barred from basic social programs that could provide support, such as SNAP, Medicaid, and cash assistance, while federal policies that penalize immigrants for using public benefits continue to push people away from the few critical programs that may still be available. Finally, current tax policies at the state and federal level create significant disparities in after-tax income for people with the same earnings (Figure 3). All of these factors combine to create vast income inequalities between immigrant and US born workers, and make immigrant communities extremely vulnerable to the forces of poverty.

Immigrants in California are also deeply rooted in our communities. In fact, 71 percent of people who are undocumented have lived in the United States for 10 years or more, and over 2.2 million people are eligible to naturalize. Economic supports like the CalEITC can be used to help pay for citizenship and legal services that are often unavailable to individuals due to the extensive time and costs required. By including everyone in the CalEITC and supporting economic mobility for all, California can send a strong message to immigrant communities that their contributions are recognized and that their lives are supported and valued.

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**Because of state and federal tax policies, families with the same earnings end up with vast disparities in after-tax income**

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

<table>
<thead>
<tr>
<th>Two Children Whose Mother Works Part-Time at the State Minimum Wage in 2019</th>
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Note: SSN-Social Security Number valid for work. ITIN-Individual Taxpayer Identification Number. Analysis assumes both children have SSNs. Young children do not owe federal income tax. Source: Budget Center analysis of Center on Budget and Policy Priorities and California Revenue and Taxation Code and instructions to IRS form 1040, Schedule 2, and Form 7202

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Alice Lee, 24 years old, is an organizer and undocumented student who juggles school, part time work, and organizing with the Korean Resource Center. She works and files her taxes with an ITIN to make ends meet, since she does not qualify for many other financial aid and support programs. But she is most concerned about parents in her community. “The CalEITC is a relief for our immigrant parents to receive even a little bit of financial help when they are working really hard to put food on the table,” she says. “Our immigrant parents deserve this, given how much they contribute to the state of California, to society, and to their families.”
INCLUDING IMMIGRANT WORKERS IN THE CALEITC IS A WIN FOR OUR ECONOMY, OUR STATE, AND OUR COMMUNITIES

California has led the nation against the Trump Administration’s racist and xenophobic anti-immigrant agenda, through investing in health coverage for children and young adults, helping to disentangle our local law enforcement from the U.S. Immigration and Customs Enforcement (ICE), funding critical legal services, and issuing some of the strongest workplace protections against immigrant retaliation in the country. But as harmful federal policies continue to threaten members of our community who are working and living in poverty, it is critical that we advance inclusive state policies that allow everyone to share in our state’s economic prosperity. With the CalEITC, California has a real opportunity to have a monumental impact on immigrant communities with minimal investment. Ensuring that everyone, including immigrants, is able to benefit from the CalEITC is not only the right thing to do, but a practical, win-win tool for all. It will improve the health, education, work, and earnings of immigrant communities, boost our state and local economies, and reduce economic hardship for hundreds of thousands of people. The CalEITC presents an important opportunity to show that California values all workers, including immigrants, by including them in the fight against poverty and making sure that when we talk about building a future for all Californians, we back it up with sound policies that achieve real, lasting change.

See California Senate Bill No. 104 (2019), which extends eligibility for full-scope Medi-Cal benefits to income-eligible individuals 19 to 25 years of age, regardless of immigration status. See also California Senate Bill No. 54 (2017); Assembly Bill No. 2792 (2016); “One California” CDSS Immigration Services Funding, and Assembly Bill No. 450 (2017).
ABOUT CIPC

The California Immigrant Policy Center (CIPC) is a constituent-based statewide immigrant rights organization with offices in Los Angeles, Sacramento, San Diego and Oakland. It is the premiere immigrant rights institution in the state that promotes and protects safety, health and public benefits and integration programs for immigrants, and one of the few organizations that effectively combines legislative and policy advocacy, strategic communications, organizing and capacity building to pursue its mission. It is powered by a staff of policy experts and advocates; a Steering Committee composed of 14 statewide organizations; 85 member organizations; and nine regional coalition partners spanning Southern and Northern California, the Central Coast and the Central Valley. For the past 20 years, CIPC has played a central and essential role in advancing a progressive statewide immigrant justice agenda. For the past 5 years, it helped pass 30 pro-immigrant laws in the state, including: the California Values Act, the TRUST Act, the Safe and Responsible Driver Act, the One California initiative, the E-Verify Bill, Health for All Young Adults and Health for All Kids among others – signature legislative accomplishments propelled by the organization’s ability to coordinate, convene and mobilize a broad and diverse array of advocates towards a common goal.

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