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March 25, 2022

The Honorable Jacqui Irwin
Assemblymember and Chair, Committee on Revenue and Taxation
Legislative Office Building
1020 N Street, Room 167A
Sacramento, CA 98514

Re: AB 2589 (Santiago) CalEITC Minimum Credit and Child Tax Credit Payment—SUPPORT

Dear Ms. Irwin:

On behalf of UnidosUS,¹ I write in support of AB 2589 (Santiago). This measure would backfill the federal Child Tax Credit (CTC) with a one-time payment from the State of California. Families earning less than \$30,000 in 2021 would receive \$2,000 for each qualifying child. Such an effort would reach two million California children who may be at risk of or are already experiencing poverty.

Moreover, to boost CalEITC, AB 2589 would also create a minimum credit of \$255 for all qualified tax filers. According to the California Budget & Policy Center, about half of workers without children at home receive a paltry CalEITC of less than \$100, and a majority of these workers are excluded from the federal EITC.

The EITC is a powerful tool to combat poverty because it supplements the income of low- and middle-income workers through a refundable tax credit.² Research shows that children in families who receive tax credits like the EITC are more successful in school, are more likely to attend college, and earn more as adults. In families of color receiving the EITC, children improve math achievement, complete high school, and enroll in college at higher rates when compared to families who did not.³ Women who receive the EITC experience a more secure retirement.⁴ Moreover, the EITC can boost local economies by helping lower-income families maintain basic spending and meet their needs.⁵

The expanded CTC for tax year 2021 is an additional essential tool to reduce poverty among children. This is particularly important for Latino children, who comprise roughly 26% of U.S. children but account for 41% of all children living in poverty.⁶

Reducing Latino child poverty is essential to reducing child poverty overall. Researchers estimated in February 2022 that the CTC reduced child poverty among Black children by 26%, and among Latino children by 30% from June to December 2021, thanks to the advance CTC monthly payments.⁷

Throughout the country, advance monthly payments kept as many as 3.7 million children out of poverty, as measured in December 2021.⁸ These investments yield gains that are approximately eight times their annual costs, measured in terms of children's health, education, and future earnings as well as decreased costs for health care, child protection, and criminal justice.⁹

As the pandemic and inflation impact so many families, both the CTC and the EITC are providing millions to meet basic needs.¹⁰ Unfortunately, Congress has not yet enacted legislation to make these credit expansions permanent, meaning that we risk denying these benefits to 7.8 million California children, and returning 1.7 million of them back into poverty.

The tax credit provisions included in AB 2589 are a timely step in the right direction, and UnidosUS urges committee members to support the bill. If you have any questions or would like additional information, please do not hesitate to contact me at elopez@unidosus.org.

Sincerely,



Esmeralda López
California State Director
Policy and Advocacy
UnidosUS

¹ UnidosUS, previously known as NCLR (National Council of La Raza), is the nation's largest Hispanic civil rights and advocacy organization and has built a stronger country by creating opportunities for Latinos for more than 50 years. Through its unique combination of expert research, advocacy, programs, and an Affiliate Network of nearly 300 community-based organizations across the United States and Puerto Rico, UnidosUS simultaneously challenges the social, economic, and political barriers at the national and local levels. UnidosUS, headquartered in Washington, DC, has an office in Los Angeles and staff in Sacramento, and our California-based Affiliates include 63 community-based organizations that invest more than \$1.9 billion and employ more than 15,000 staff to provide direct services to approximately 2.6 million Californians annually. Through partnerships, community investments, and state research and advocacy on housing, health, and education, UnidosUS advances opportunities for the more than 15 million Latinos who call California home.

² UnidosUS, "4 Things You Need to Know about the Earned Income Tax Credit," *UnidosUS Blog*, January 27, 2017, <https://www.unidosus.org/blog/2017/01/27/5-things-need-know-earned-income-tax-credit/>.

³ Center on Budget and Policy Priorities, *Policy Basics: State Earned Income Tax Credits* (Washington, DC: Center on Budget and Policy Priorities, 2017), <https://www.cbpp.org/research/state-budget-and-tax/policy-basics-state-earned-income-tax-credits>.

⁴ Raj Chetty, John N. Friedman, and Emmanuel Saez, *Using Differences in Knowledge across Neighborhoods to Uncover the Impacts of the EITC on Earnings*, National Bureau of Economic Research, Working Paper no. 18232 (Cambridge, MA: NBER, 2012), p. 4. <https://eml.berkeley.edu/~saez/chetty-friedman-saezAER13EITC.pdf>.

⁵ Center on Budget and Policy Priorities, *Policy Basics*.

⁶ UnidosUS, *Hispanic Children and the Child Tax Credit* (Washington, DC: UnidosUS, June 2021), https://www.unidosus.org/wp-content/uploads/2021/08/unidosus_hispanicchildrenandctc.pdf.

⁷ Zachary Parolin, Sophie Collyer, and Megan A. Curran, *Absence of Monthly Child Tax Credit Leads to 3.7 Million More Children in Poverty in January 2022*, Policy Brief 6, no. 2 (New York: Center on Poverty and Social Policy, Columbia University, February 17, 2022), www.povertycenter.columbia.edu/publication/monthly-poverty-january-2022.

⁸ Ibid.

⁹ Irwin Garfinkel et al., *The Costs and Benefits of a Child Allowance*, Policy Brief 5, no. 1 (New York: Center on Poverty and Social Policy, Columbia University, February 23, 2021), <https://www.povertycenter.columbia.edu/publication/2021/child-allowance/cost-benefit-analysis>.

¹⁰ Chuck Marr, “Inflation Report Underscores Urgency to Extend Child Tax Credit Expansion,” *Off the Charts* (blog), Center on Budget and Policy Priorities, February 28, 2022, <https://www.cbpp.org/blog/inflation-report-underscores-urgency-to-extend-child-tax-credit-expansion>.