

In Puerto Rico, Working Families Tax Relief Act Would Boost Incomes, Improve Children's Prospects, Reduce Poverty



The Working Families Tax Relief Act — co-sponsored by 46 of 47 Democrats in the Senate and introduced in the House by Reps. Dan Kildee and Dwight Evans — is one of several bills before Congress to strengthen the Child Tax Credit and the Earned Income Tax Credit (EITC). These credits put money back in workers' pockets, increase employment, and reduce poverty. Research also links income from the credits to gains for children — improvements in infant health, school performance, college enrollment, and earnings in adulthood. But Puerto Rico residents currently receive much smaller credits than families on the mainland. The Working Families Tax Relief Act's Child Tax Credit and EITC expansions could strengthen the economic well-being of 1.5 million people in 533,000 households in Puerto Rico, in addition to 114 million people in 46 million households in the 50 states and Washington, D.C.

Expansions Would Benefit 533,000 Families in Puerto Rico

The Working Families Tax Relief Act would directly expand the Child Tax Credit in Puerto Rico and provide additional funding to expand the Commonwealth's locally funded EITC. The bill's expansion of both credits could boost the incomes of an estimated 1.5 million people in 533,000 households in Puerto Rico, including 174,000 workers not raising children at home. It could benefit 9,000 veteran or active-duty households in Puerto Rico. The bill:

An estimated 1.5 million people in 533,000 households in Puerto Rico would benefit from the Working Families Tax Relief Act, including 174,000 workers not raising children in the home.

- *Makes the \$2,000 Child Tax Credit fully refundable and creates a fully refundable Young Child Tax Credit that adds \$1,000 to a family's Child Tax Credit for children under age 6.* The bill would also let families with fewer than three children claim the Child Tax Credit, making all families in Puerto Rico eligible for the same credit as the rest of the country. (Currently, only families with three or more children can claim the Child Tax Credit in Puerto Rico.) Both tax credits would be adjusted for inflation.
- *Enables Puerto Rico to essentially double its EITC.* Currently, Puerto Rico has only a locally funded EITC. While that's an important step toward helping low-wage workers, it is significantly smaller than the federal EITC, for which Puerto Rico residents generally aren't eligible. This bill would let the federal government supplement Puerto Rico's EITC. For a single parent with two children, this expansion would raise the maximum credit by about \$4,330.

These examples illustrate the bill's impact:

- A mother of a 4-year-old and a 7-year-old works as a home health aide making \$20,000. Now, she does not receive any Child Tax Credit, and receives an EITC of about \$1,000. The bill would raise her Child Tax Credit by \$5,000 and her EITC by about \$1,500, for a combined gain of about \$6,500.
- One partner in a married couple makes \$35,000 as an auto mechanic, while the other takes care of their two young children full time. They do not receive any EITC or Child Tax Credit now. The bill would give them an EITC of about \$1,500, and they'd receive \$6,000 from the fully refundable Child Tax Credit and Young Child Tax Credit, for a combined gain of about \$7,500.

High Poverty & Low Labor Force Participation Underscore Need to Strengthen Tax Credits

The Child Tax Credit and EITC could help Puerto Rico overcome deep poverty and chronically low labor participation. Close to 43 percent of its population lives in poverty, more than double the poverty rate of Mississippi, which at 19.7 percent ranks as the highest among the states. Child poverty is even higher, at nearly 57 percent. In addition, Puerto Rico's labor force participation rate (40 percent in March 2019) is well below the national average (63 percent).

The Commonwealth's newly enacted EITC appears too modest to have the large effect on labor force participation and poverty that Puerto Rico needs. The Working Families Tax Relief Act's expansion of the EITC in Puerto Rico would make the credit more effective at combating poverty and drawing workers from the informal economy into the formal economy, where firms and workers pay taxes. This is an important step for the Commonwealth's economy and its long-term fiscal stability.

Top Occupations in Puerto Rico Benefiting From the Working Families Tax Relief Act

Occupation	Filers or Spouses
Cashiers	92,000
Secretaries and Administrative Assistants	70,000
First-Line Supervisors of Landscaping, Lawn Service, and Groundskeeping Workers	64,000
Retail Salespersons	50,000
Elementary and Middle School Teachers	46,000
Security Guards and Gaming Surveillance Officers	44,000
Registered Nurses	41,000
Cooks	35,000
Customer Service Representatives	31,000
Construction Laborers	30,000
First-Line Supervisors of Retail Sales Workers	30,000
Accountants and Auditors	27,000
Driver/Sales Workers and Truck Drivers	25,000
Automotive Service Technicians and Mechanics	20,000

Source: CBPP estimates based on 2016-2018 American Community Survey data.

Appendix Table

Households in Puerto Rico's Congressional District Benefiting From the Working Families Tax Relief Act

District	Households
Puerto Rico At-Large District	533,000

Source: CBPP estimates based on 2016-2018 American Community Survey data.