

The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010: A Win for Hispanic Families

The agreement announced by the President not only secures vital tax relief and investments in our workers that will create jobs and accelerate economic growth, it contains specific policies that provide targeted support for Hispanic families. Building off the gains made in the Recovery Act, the agreement will extend key provisions including the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC) that benefit Hispanic parents and children. In summary:

- **An estimated 3.7 million Hispanic families – including 8 million Hispanic children – will benefit from the expansion in the EITC and CTC that are extended in this agreement.**
- **Nearly one million Hispanics looking for work will avoid losing their unemployment benefits by the end of next year.**

Illustrative Example: Working Hispanic mother with three children making \$20,000. This family will:

- *Receive a tax cut of more than \$2,100 from extending recent expansions in the EITC and Child Tax Credit as part of this agreement.*
- *Receive a \$400 tax cut from the new payroll tax cut.*
- *Compared to the Republican alternative, this family will receive an additional tax benefit of \$2,500 next year.*

Support for the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act:

- **Janet Murguia, National Council of La Raza:** "We applaud President Obama, Secretary Geithner, and leaders on both sides of the aisle for standing up for working families throughout this difficult debate. They made the right choice to invest in working families, who ultimately fuel business activity and job creation."
- **Los Angeles Mayor Antonio Villaraigosa:** "I would like to commend President Obama for his unwavering commitment to working families and those hardest hit by the recession and his refusal to sign onto any tax cut agreement that didn't extend employment insurance or give additional tax cuts to small businesses."

HIGH IMPACT, JOB CREATING TAX CUTS FOR HISPANIC FAMILIES

Beginning in the Recovery Act, the President has demonstrated his commitment to extend benefits and tax cuts to struggling families as the right thing to do for family security and our economy. According to a study released last year by the Center on Budget and Policy Priorities,

seven policies included in the Recovery Act have kept 1.9 million Latinos above the poverty line.¹ Three of these policies are continued in the current agreement: extended Unemployment Insurance, the EITC and the Child Tax Credit.

Earned Income Tax Credit

The EITC in the Recovery Act:

The Earned Income Tax Credit (EITC) supplements the wages of low income workers, and especially working mothers, lifting more children out of poverty than any other single program or category of programs – including many of the 5.2 million Hispanic children that have benefited from the expanded EITC tax credit.

Under the Recovery Act, the EITC was expanded to reduce the marriage penalty and to create a “third tier” of the EITC for families with three or more children. This means larger families now receive up to \$1,040 more than they would have under the old system.

Child Tax Credit

The Child Tax Credit in the Recovery Act:

The Child Tax Credit helps low-and moderate-income families with children. The credit allows families to reduce their federal income tax by a certain amount for each qualifying child under the age of 17 in a household. In 2001, the Child Tax Credit was expanded to \$1,000 per child, but was unavailable to millions of low income families because the minimum amount of earned income used to calculate the credit was set at about \$12,500 in today’s dollars.

In the Recovery Act, the Administration and Congress secured an important expansion in the Child Tax Credit for lower income families by lowering the minimum amount from about \$12,500 to \$3,000.

Extending the minimum threshold in the CTC will result in thousands of dollars in additional tax benefits that would have otherwise been lost. For example:

- A married couple with three children making \$23,000 will receive \$3,000 in child tax credits compared to about \$1,540 if only the 2001/2003 tax cuts were extended – an increase of about \$1,460.
- A single mother with two children making \$17,000 will receive \$2,000 in child tax credits compared to about \$640 if only the 2001/2003 tax cuts were extended – an increase of about \$1,360.

¹ Sherman, Arloc “Stimulus Keeping 6 Million Americans Out of Poverty in 2009, Estimates Show.” *Center on Budget and Policy Priorities*, September 2009.

Unemployment Insurance

The agreement secures an extension of unemployment insurance for an additional 13 months. Without this extension, over 280,000 Hispanics looking for work would have lost their benefits this month alone, and through the end of next year nearly one million Hispanics – 948,050 in total – would have lost their benefits.

- Extending unemployment benefits provides crucial economic security to American families. A recent report by the Council of Economic Advisers found that while 14 million people received federally supported unemployment insurance benefits through October 2010, an additional 26 million people living in their households benefitted indirectly.
- About 42 percent of these recipients have, or live with, children. As of October, 2010 10.5 million children had benefitted from this provision.

American Opportunity Tax Credit

The American Opportunity Tax Credit in the Recovery Act:

- The Recovery Act expanded the AOTC so that it now provides up to three times more relief than was previously available under the Hope Credit and Lifetime Learning Credit and is refundable for low-income students for the first time.
- The AOTC gives working families and students a \$2,500 per year partially refundable tax credit to help students and their families cover the cost of college tuition.

The American Opportunity Tax Credit in the agreement:

- This deal fully extends AOTC for two years, ensuring that more than 8 million students will continue to receive this tax benefit to help them afford college.