

The CTC: A Transformative Credit

In 2021, hundreds of thousands of families in Puerto Rico became eligible for the Child Tax Credit (CTC) as a result of the American Rescue Plan Act (ARPA). The Instituto del Desarrollo de la Juventud (IDJ) surveyed heads of households with dependent children to learn about the impact of this credit on their lives.

The survey revealed that:



Families used
CTC funds in a
balance way



38%
used it for
miscellaneous
purposes



35%
paid debts



26%
saved it



54%
prefer an annual
payment rather
than advanced
monthly
payments



29%
of low-income
individuals found it
difficult or somewhat
difficult to apply
for the CTC

Individuals without college degrees were more likely to receive identity verification letters.



63%
of individuals without
college degrees
received identity
verification letters



42%
of individuals with
college degrees
received identity
verification letters

75%

applied for the CTC
during this tax year

55%

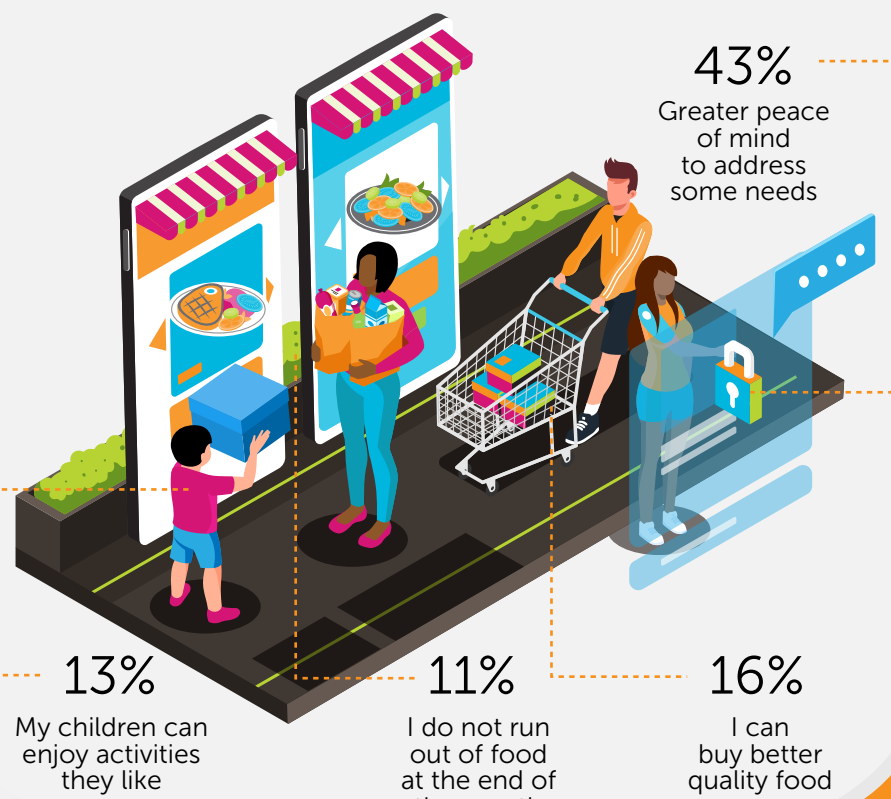
of applicants received
their refund by mid-May

51%

received an identity verification
letter from the Internal
Revenue Service (IRS)

How has the CTC impacted the lives of participants?

The most frequently mentioned responses were:



Participants who claimed the Earned Income Tax Credit (EITC)

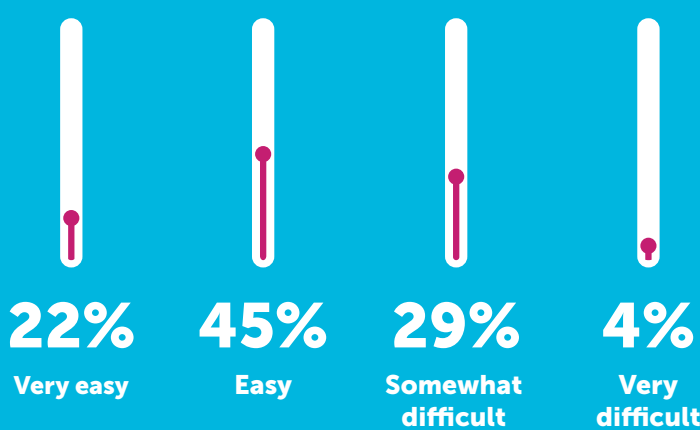


Yes, I applied
for it
No, I did not file
the state income
tax return
I filed the state income
tax return but did not
qualify for the EITC

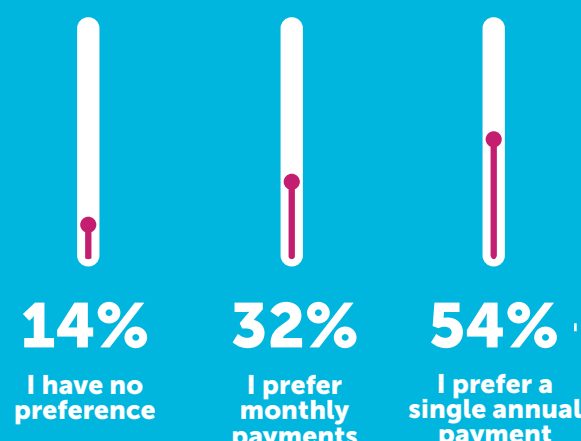
I prefer it yearly because you almost always say, OK, I'm going to buy this particular item. For example, a bedroom set, how much does that cost? Let's say . . . \$3,000. I'd have to save \$300. Are you aware of all the expenses that come up on a daily basis? If your car breaks down, you have to replace the part. You're not going to wait to get paid to fix the car. You're going to use that \$300, and you're no longer saving for the bedroom set.— mother from Ponce

[Trad. of "Yo los prefiero anual, porque casi siempre uno dice, okay, voy a comprar tal cosa. Un ejemplo, un juego de cuarto; cuánto me sale? 3 mil dólares... ponle, \$300 tengo que guardar, ¿tú sabes todos los gastos que le suceden a uno diario? Que, si se dañó el carro, que hay que cambiarle tal pieza... tú no vas a esperar a cobrar para arreglar el carro, vas a usar esos \$300 y ya no estás ahorrando para el juego de cuarto."]— mamá en Ponce

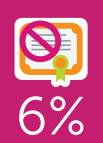
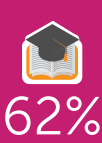
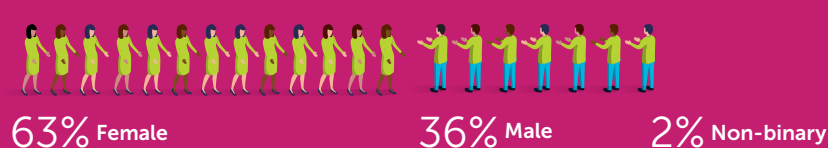
Perception of the complexity of the CTC application process:



Preference for monthly or annual payments:



Participant data:



CTC Survey Methodology | 1. Based on an online panel from two online survey companies | 2. The sampling framework comes from the 2010 Census. | 3. The online panel represents a probability (random) sample. | 4. Four hundred people with children were surveyed. | 5. Sampling error of 5% | 6. Sampling framework: parents and guardians with children up to age 17.

Recommendations:

- Expand the availability of free income tax return preparation and identity verification services, especially in rural areas and the island municipalities (Vieques and Culebra), where many vulnerable families live. Collaboration between the federal, local, and municipal governments in coordination with community-based organizations is essential to expand the support network for people with low incomes.
- Increase the number of Spanish-speaking IRS customer service technicians.

There's no way for us here . . . considering that we speak Spanish . . . there's no way that [we] can do this alone without [the help of] an English speaker. [. . .]— mother from Ponce

[Trad. of "No hay una manera para nosotros aquí, que saben que nuestro idioma es español. No hay una manera de que ellas pudieran hacerlo solas sin alguien que supiera inglés..."]— mamá en Ponce

- Provide Puerto Rico with the same CTC access tools that are available in the United States.
- Moderate the exorbitant costs of income tax return preparation services for low-income families.

They charged me \$200 for each child, and I have two. When the funds arrived, they collected it.— mother from Bayamón
[Trad. of "A mí me cobraron \$200 por cada niño y son dos. Cuando llegó la cantidad, ahí ellos lo cobraron."]— mamá en Bayamón

- Develop an anti-fraud campaign to inform individuals about the income tax return preparation service, their rights, and best practices.
- Provide the CTC to people without earned income. The survey revealed that 44% of the beneficiaries did not earn income from employment in 2021. The CTC benefit helped reduce the extreme poverty and instability faced by these families.
- Allow families to choose to receive funds as monthly payments or as a lump sum. Although residents of the United States could choose the form of disbursement, this option was not available.