

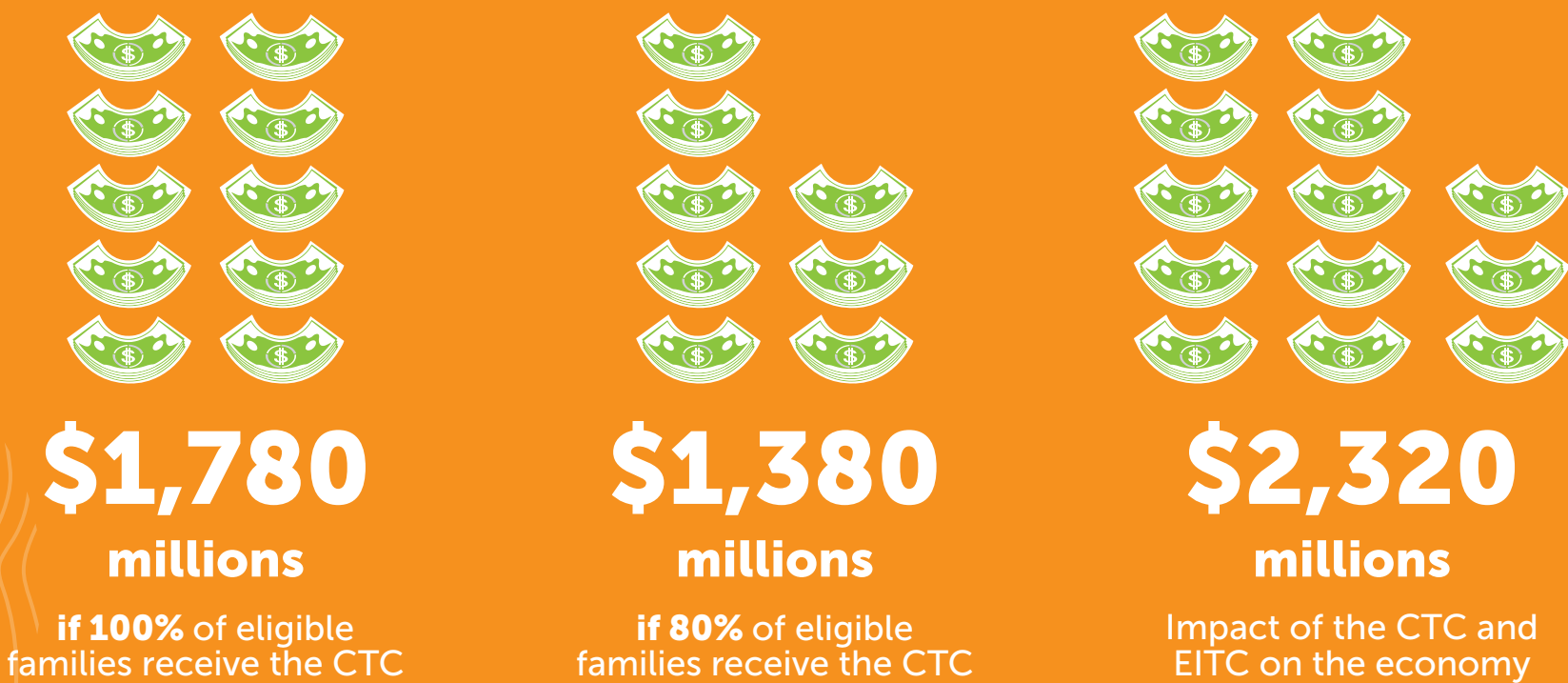
Impact of the 2021 CTC in Puerto Rico

In 2021, hundreds of thousands of families in Puerto Rico became eligible for the CTC as a result of ARPA. **With this credit, a reduction of 16 percentage points in the poverty rate is projected, an impact never seen before in Puerto Rico.** This means that 95,264 children and youth and 47,649 families potentially escaped poverty thanks to this credit. Furthermore, 30,398 families improved their living conditions raising their income above extreme poverty.

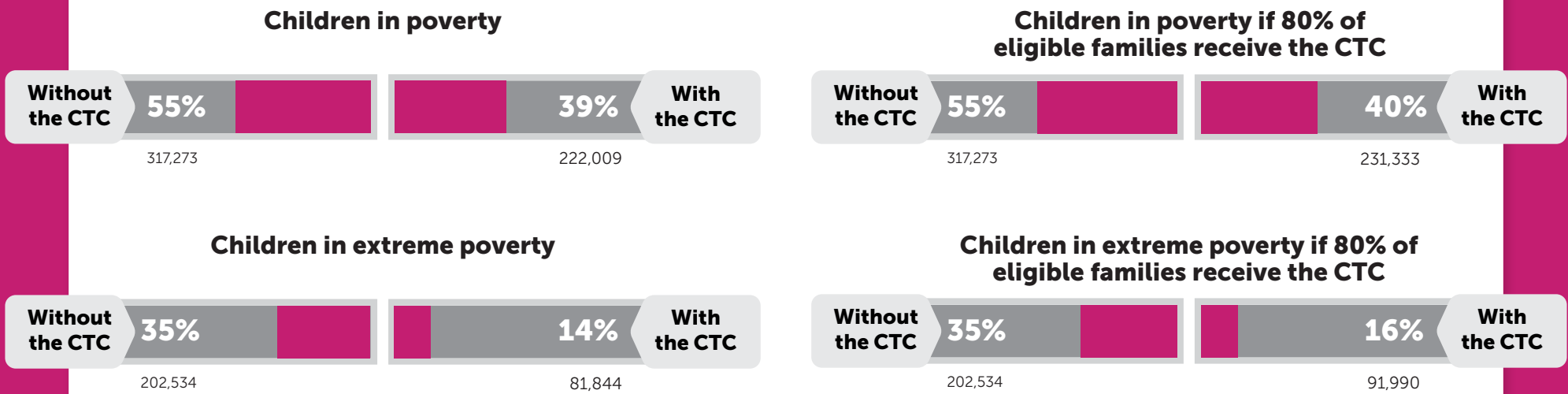
The application of the CTC for the 2021 tax year comes as the federal government made available up to \$600 million to the Puerto Rican government to expand the EITC. With the EITC, families with earned income can receive up to \$6,500 in returns. These credits pave the way for the inclusion and economic mobility of families with children and youth. Below are the estimated impacts of the CTC.

Direct Impact on the Economy

Projection of funds injected into the economy



Estimated impact of the CTC on child poverty rates



The children benefited because when they saw that [the funds] had arrived, there were things they needed that were purchased for them. At least, my son received a bedroom set, because he still had a crib that turned into a bed, and he was already 8 years old, and it was too small for him. Things like that. Things they needed were purchased for them. And a TV for my daughter because she's older and she didn't want to share with her brother, so a TV was purchased for her. Making the effort . . . because if [the funds] were intended for them, if [the funds] were provided for them, it's fair to satisfy them.—Mother from Bayamón

[Trad. of "Los niños salieron beneficiados porque al ellos ver que llegaron, hubo cosas que le hacían falta, que se le compraron. Por lo menos a mi niño se le compró un juego de cuarto, porque ya el que tenía era la cuna que se convirtió en camita y ya el cumplió 8 años y se le quedaba chiquita. Cosas así. Se les compraron cosas que necesitaban. Y un televisor a la niña, porque ya tiene más edad y no quería compartir con el hermano, así que se le compró el televisor. Uno tratando, porque si se los dieron para ellos, era justo que, si llegaron por ellos, uno los complaciera."]— Madre de Bayamón

Impact of the EITC on child poverty rates



Combined impact of the CTC and EITC on child poverty rates



Methodology on the Effects of Poverty on the CTC and EITC

The data used to calculate the effects of the CTC and EITC on poverty are from the 2019 Puerto Rico Community Survey, conducted by the U.S. Census. To calculate the impacts of the CTC and EITC on poverty, the amounts are added to the household income. If the total household income is less than or equal to the poverty threshold, the family is considered to be living in poverty. For example, based on the poverty levels determined by the 2019 Census, a family of three with two dependents and an income equal to or less than \$20,598 is considered to be living below the poverty threshold. The new household income is then compared with the poverty levels, and the number of families above the poverty threshold is

calculated. The impact on poverty was calculated by way of a random selection of eligible families, assuming that 80% of them received the CTC.

The initial poverty rates are from 2019 with the CTC/EITC rules in effect as of 2019.

The figures presented are estimates, considering that data on the families that received the CTC and the amount for which they were eligible are not available.