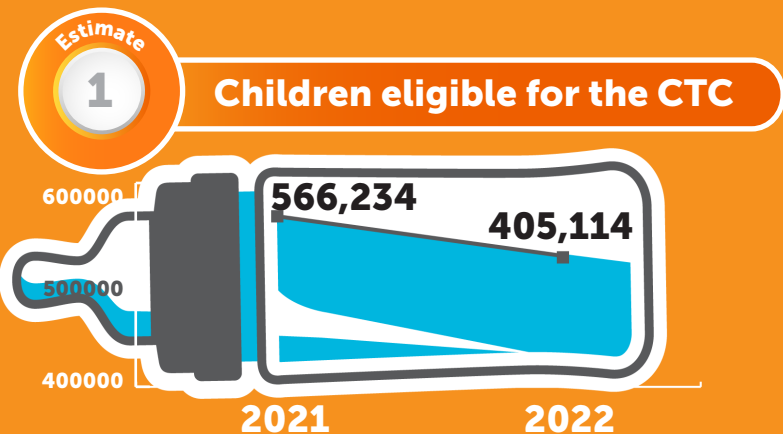


Impact of the 2022 CTC in Puerto Rico

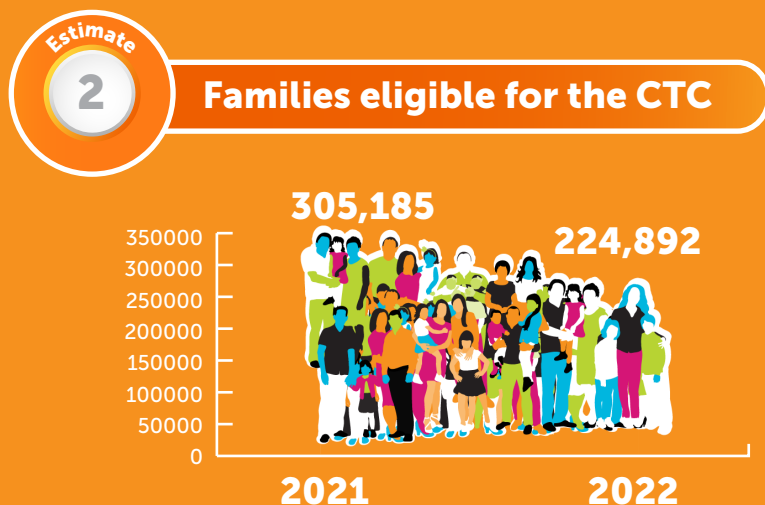
The rules that applied to CTC eligibility in 2021 are different from those that apply in 2022. The credit amounts were reduced to those that applied prior to ARPA with a maximum refund of \$1,400 adjusted for inflation. Claimants must have work income and the children must be age 16 and under. Below are the figures for the estimated impact of the 2022 CTC.

Effects of the 2022 CTC

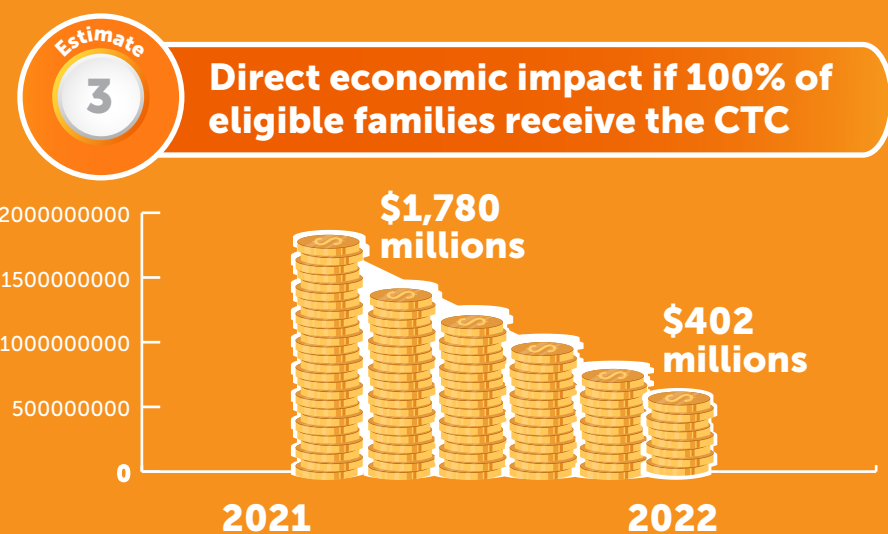
The IDJ estimated the effects of the CTC on child poverty with the new rules applicable in 2022.



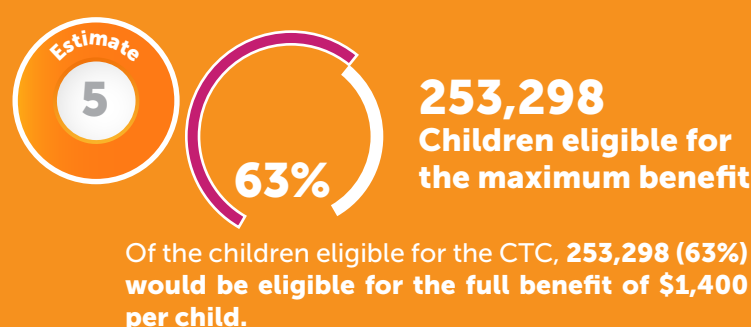
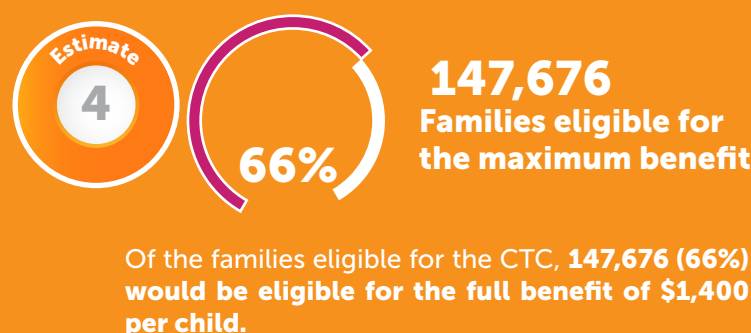
For the 2022 tax year, approximately **405,114 children** are eligible for the CTC. Therefore, compared with the CTC rules applicable under ARPA, there are **161,120 fewer eligible children under 2022 CTC**.



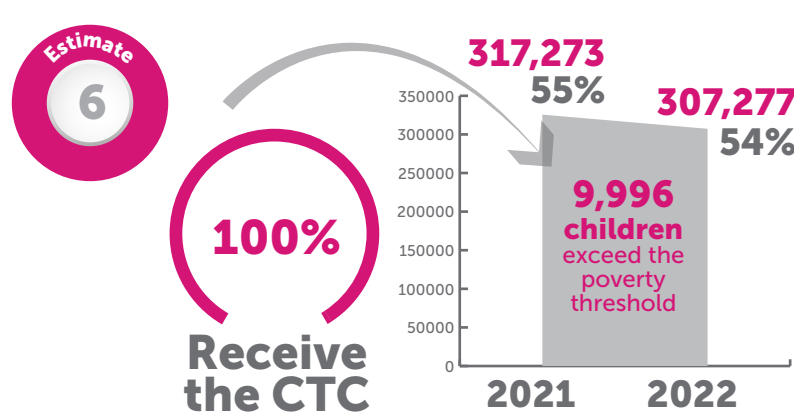
224,892 families are eligible for the CTC benefit. Therefore, there are **80,293 fewer eligible families compared to the 2021 tax year**.



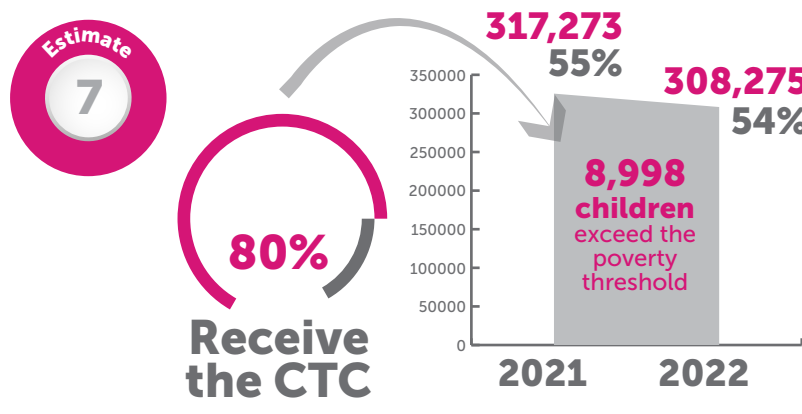
Assuming that **100% of families with eligible children receive the CTC**, the economic impact would be **\$402 million**. Compared to the 2021 CTC, this represents a significant decrease of **\$1,780 million**.



Impact of the CTC on child poverty rates



If 100% of eligible families receive the CTC, a child poverty rate of 54% is projected (307,277 children remaining in poverty). This means that 9,996 children would exceed the poverty threshold.



If 80% of eligible families receive the CTC, a child poverty rate of 54% is projected (308,275 children remaining in poverty). This means that 8,998 children would exceed the poverty threshold.

Estimate 8 Impact of the CTC and EITC on child poverty rates

Children and youth in poverty



This represents a **reduction of 6 percentage points in the child poverty rate** and **37,805 fewer children in poverty**.

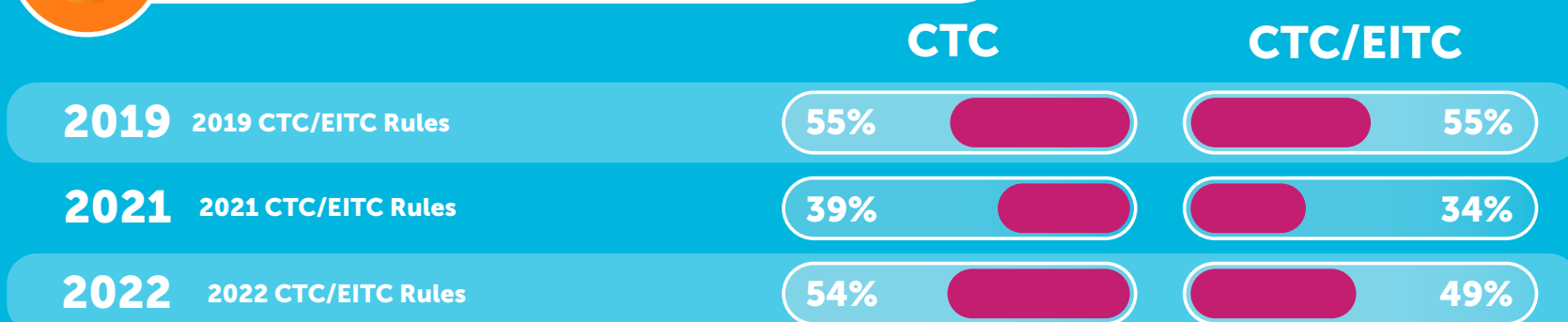
Children and youth in extreme poverty



This represents a **reduction of 4 percentage points in the extreme child poverty rate** and an improvement in the economic conditions of **21,433 children**.

\$863 million
Direct monetary injection
into the local economy
from the CTC and EITC

Estimate 9 Child poverty rate according to rules and year



Estimate 10 Comparison of the 2021 and 2022 CTC refunds

	2021	2022
You can receive the CTC if you do not have income from employment.	Yes	No
You can receive the CTC if you have fewer than three dependent children.	Yes	Yes
Children's ages	Ages 17 and under	Ages 16 and under
How much can you receive?	\$3,600 for each child age 5 and under \$3,000 for each child age 6 to 17	A maximum of \$1,400 per child, adjusted for inflation
Income needed to receive maximum benefit for at least one child	\$0	at least \$18,300
Income limits	First phaseout: Single filer \$75,000 Head of Household \$112,500 Married joint filers \$150,000 Benefit will reduce by \$50 for every \$1,000 in income over these limits, but will not be lower than \$2,000 per child until second phaseout: Married joint filers \$400,000 All other filing statuses \$200,000 Benefit will continue to reduce by \$50 for every \$1,000 in income over these limits until it reaches \$0	Single phaseout: Married joint filers \$400,000 All other filing statuses \$200,000 Benefit will reduce by \$50 for every \$1,000 in income over these limits until it reaches \$0

In March 2021, as a result of ARPA, the CTC became available to families in Puerto Rico who had at least one dependent child, regardless of whether or not they received income from employment. The amounts were \$3,600 for each child age 5 and under and \$3,000 for each child age 6 to 17.

For tax year 2022, families with at least one child are still eligible, but they must have income from employment, and the maximum credit amount is \$1,400 per child in Puerto Rico adjusted for inflation.

Methodology on the Effects of the CTC and EITC on Poverty

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 received 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 law regulating the 2022 CTC allows for an adjustment for inflation that could increase the credit to \$1,500. This adjustment has not yet been applied. A figure of \$1,400 is used in the simulations.

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.