

EXTENDING THE CHILD TAX CREDIT TO PUERTO RICO

58%

of children are living under the federal rate of poverty

84%

of children in Puerto Rico live in high poverty areas



THE PROBLEM OF CHILD POVERTY IN PUERTO RICO

The majority of children in Puerto Rico live under or near poverty.

39% are living under extreme poverty. If one also takes into account the number of children leaving near poverty¹, this number increases to

81%.

In addition, **84%** of children in Puerto Rico live in high poverty areas², which implies that even if a child is not living in poverty, there is a high likelihood that he or she will be living in a community of concentrated poverty.

The condition of poverty for children in Puerto Rico is almost double that of the poorest state, Mississippi, where **32%** of children live under poverty³.

WHY IS CHILD POVERTY SO HIGH IN PUERTO RICO?

Child poverty in Puerto Rico is rooted in a number of factors that go beyond the current economic and fiscal crisis. Child poverty rates in Puerto Rico were disproportionately high even before the current economic crisis. For example, in 1999, a time of economic growth for Puerto Rico, the child poverty rate of the island was **58%**⁴.

Some factors driving child poverty rates in Puerto Rico include:

Parental labor
force participation

28%

of low income children live in households where no parent has worked over the last year;

Under
employment

57%

of children live in households where parents did not have secure employment;

Low
wages

38%

of children live in families where at least one parent worked 50 or more weeks during the previous year, but the family income was still less than twice the federal poverty level.⁵

Addressing these issues will require removing barriers to employment—such as increasing programs for child care, and workforce development for parents; promoting subsidized employment; and providing work incentives and supports. Unfortunately, in the area of work incentives and supports, Puerto Rican families have access to limited programs. The commonwealth's government cut the local earned income tax program in 2014.

¹ 200% child poverty rate— www.datacenter.kidscount.org

² Defined as census tract where 30% or more of the population lives under the federal poverty

³ United States Census Bureau, 2015.

⁴ Children in Puerto Rico: Results of the 2000 Census—The Annie E. Casey Foundation, August 2003

⁵ Kids Count Data Center — Low Income Working Families — <http://datacenter.kidscount.org/>

About the Youth Development Institute

The Youth Development Institute of Puerto Rico is a nonprofit organization working to advance policies that improve the lives and outcomes of children and youth in Puerto Rico. Our work includes the dissemination of data; the development of research-driven public policy recommendations; and advocacy work that is driven by both data and people. For more information, please contact Amanda Rivera, Executive Director, at 787-728-3939 or send an e-mail to amanda.rivera@juventudpr.org. You may also visit www.juventudpr.org or [Facebook.com/IDJ.PR](https://www.facebook.com/IDJ.PR).

WHY IS ADDRESSING CHILD POVERTY IN PUERTO RICO IMPORTANT?

To move Puerto Rico into a more prosperous and fiscally sustainable era, decision makers at both the local and federal level need to set policies that ensure that its next generations are poised to be part of the new global economy.

Given that Puerto Rico's child population has dramatically decreased over the last decade **(-32%)** due to migration to the continental United States and to a lower birth rate, it is more urgent than ever that the children that are left in the island be given the opportunity to develop to their full potential.

Poverty not only has a negative impact on a child's future educational attainment, workforce participation, earnings and health care outcomes; but can also translate into higher costs for the government down the line.

Investing to address the island's child poverty crisis now, should boost economic growth, and will also result in less government expenditures – both federally and locally.

Moreover, if families feel that Puerto Rico is a place where they can give their children better life opportunities, they will be less likely to seek those opportunities elsewhere. This would also help slow the migration patterns that are currently aggravating the island's economic troubles, and contributing to a reduced child population.

HOW THE CHILD TAX CREDIT CAN CONTRIBUTE TO REDUCING CHILD POVERTY IN PUERTO RICO

Addressing child poverty in Puerto Rico will necessitate a multi-pronged approach. However, immediately the Child Tax Credit is one feasible, low-cost, first step for Congress that already has bipartisan support. Although most Puerto Rican families do not pay federal income taxes, they do pay federal payroll taxes. Currently, families in Puerto Rico can use these federal payroll taxes to claim the Child Tax Credit if they have 3 children or more.

The Congressional Task Force on Economic Growth for Puerto Rico, a bipartisan work group, recommended that the Child Tax Credit be extended to families with 1 and 2 children in Puerto Rico. The impact would be the following:



- **355,000 numbers of families receiving the CTC**
- **\$273 million going directly to families with children⁶**
- Studies show that the CTC is a powerful weapon against poverty and that boosting working families' incomes can expand opportunities for children⁷. Research has found that modest amounts of cash income in early childhood can be transformative for children living in poverty and that this extra income facilitates infant development and reduces the incidence of low birth weight. In the longer term, it leads to higher test scores in elementary and middle school, and a higher likelihood of graduating from high school and completing one or more years of college⁸.

WHAT YOU CAN DO?

Support the extension of the Child Tax Credit for families of 1 and 2 children in Puerto Rico as part of the individual tax reform package. **It's a sensible solution that has already garnered bipartisan support, will benefit Puerto Rican children directly, and in doing this, the island's economy as a whole.**

⁶ Bipartisan Congressional Task Force on Economic Growth in Puerto Rico Releases Final Report

⁷ Center on Budget and Policies Priorities - Policy Basics: The Child Tax Credit
<https://www.cbpp.org/research/federal-tax/policy-basics-the-child-tax-credit>

⁸ The Century Foundation - Twenty Years After Welfare Reform, It's Time for a New Approach to Cash Assistance
<https://tcf.org/content/commentary/twenty-years-welfare-reform-time-new-approach-cash-assistance/>