Transition-Aged Youth (TAY) & Tax Credits
A Virtual Briefing
November 10, 2021
About First Focus

First Focus on Children is a bipartisan advocacy organization dedicated to making children and families the priority in federal policy and budget decisions.
Overview

- Opening Remarks from Representative Danny K. Davis, (IL-7th District)
- Panel Discussion
- Q & A
- Closing

Transition-Aged Youth (TAY) & Tax Credits
Who are Transition-Aged Youth?

Young people between ages 16 and 24 who are making the transition to adulthood. The support and interventions we provide during this important time period can have great impact into the young person's future.

A group that deserves targeted policy responses; Contains several subpopulations that face additional challenges: youth with experience in foster care, the juvenile justice system and youth who are homeless.
How are TAY Youth Doing?
TAY Youth Experience
Homelessness and Poverty
Opportunity Youth

- 5.5 Million youth between ages 16 and 24.
- Unconnected to school or work.
TAY Workers Have Been Hit Hard By the Pandemic

- The overall unemployment rate for young workers ages 16–24 jumped from 8.4% to 24.4% from spring 2019 to spring 2020 (while unemployment for their counterparts ages 25 and older rose from 2.8% to 11.3%).
- Spring 2020 unemployment rates were even higher for young Black, Hispanic, and Asian American/Pacific Islander (AAPI) workers (29.6%, 27.5%, and 29.7%, respectively).
- Young workers were more likely to be in industries and occupations that were negatively impacted during the pandemic.
- Until the American Rescue Plan, young workers were excluded from COVID-19 assistance.
TAY Youth With Foster Care Experience

- There are currently over 700,000 young people between the ages of 18 and 26 who are in or have experience in foster care.
- 85% of youth who leave foster care at age 18 or older are aging out, which means they are leaving without being connected to family.
- Of the youth with experience in foster care surveyed at age 21 as part of the NYTD:
  - 49% were employed full or part time (compared to 60% in the general population)
  - 27% had experienced homelessness in the last year
  - 27% had children in the last two years
  - 32% were receiving public assistance
Economic Stresses Exacerbated by the Pandemic

Of the 24,695 young people with foster care experience (ages 14 to 27) surveyed by Think of Us:

- 41.4% who worked full time before COVID-19 reported having their hours/ income severely cut.
- 52.1% reported losing their gig/informal work.
- 36% who worked part time reported having their hours/income severely cut.
- 73.8% reported high financial insecurity
- 22.1% reported high food insecurity
- 29.2% reported being in a worse housing situation in November 2020 than before COVID-19
- Expectant and parenting young people reported higher levels of financial insecurity than their peers:
- Black or African American, Biracial or Multiracial respondents also experienced higher levels of financial security overall than their peers.
How has Congress tried to use tax credits as a tool to support TAY?
Recent Changes to Federal Tax Credits

Benefit Transition Age Youth

In 2021, Congress modified the federal Earned Income Tax Credit program.

- Expanded eligibility for current and former foster youth and homeless youth ages 18-24, and full-time students ages 19-24 who were not previously eligible; may be eligible for hundreds to thousands of dollars in tax credits.

In 2021, Congress modified the Child Tax Credit.

- Parenting youth can now receive up to $3,600 per child from the federal Advanced Child Tax Credit.
- Advanced Child Tax Credit funds can be received monthly when bills are due up to $300 per child or in full when taxes are filed in 2022.

In 2021, Congress modified the Child and Dependent Care Tax Credit.

- Made the CDCTC refundable
- Increased the credit to $4,000 for one child and $8,000 for two children
Recent Proposed Changes to Workforce Opportunity Tax Credit

- S.1550 - Helping to Encourage Real Opportunities (HERO) for At-Risk Youth Act of 2019
- HR 2964 - Improved Employment Outcomes for Foster Youth Act of 2019
- H.R.2844 - Creating Pathways for Youth Employment Act
What do we know about how these changes will help TAY who have experienced foster care?
New Report

Money in the Pocket During the Pandemic: Results from Santa Clara County Pilot to Increase Receipt of Tax Credits Among Transition-Age Foster Youth

www.jbay.org/resources/money-in-the-pocket/
TAY need formal supports to overcome tax filing barriers.

TAY often lack formal support and are missing documents.

Taxes feel complicated, confusing, scary, or unnecessary.

TAY are unaware of the benefits of tax filing and the credits available.

There are too few available free tax appointment VITA sites and more VITA volunteers are needed.

Adult supporters of TAY need accurate information to conduct outreach and direct youth to free appointments.
Overview of Pilot Activities

- Established a Volunteer Income Tax Assistance (VITA) site at Santa Clara County’s youth center
- Recruited and trained 12 volunteer tax preparers, two county staff, and six community-based providers
- Established policies and protocols for the Santa Clara County Social Services Agency
- Developed youth-friendly outreach materials
Pilot Results:

- 45 youth filed through the site
- Over $135,000 received in state and federal tax refunds
- 100% had a positive increase in their income because they filed through the pilot program
Tax filing can significantly boost TAY annual income.

Pilot participants who filed as single received a 14% boost to their income.

Parenting TAY received a 42% boost to their income.

Pilot participants recovered $38,700 of missing stimulus payments from 2020.

Pilot participants recovered an average of $420 in state withholdings.
## Pilot Results

<table>
<thead>
<tr>
<th>Tax Credit or Rebate</th>
<th>Percentage of Youth Who Received It</th>
<th>Total Amount Refunded</th>
<th>Average Tax Credit or Rebate Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Child Care Credit</td>
<td>4%</td>
<td>$493</td>
<td>$247</td>
</tr>
<tr>
<td>Federal Child Tax Credit</td>
<td>13%</td>
<td>$3,978</td>
<td>$663</td>
</tr>
<tr>
<td>California Young Child Tax Credit</td>
<td>13%</td>
<td>$6,000</td>
<td>$1,000</td>
</tr>
<tr>
<td>Federal EITC</td>
<td>13%</td>
<td>$10,749</td>
<td>$1,792</td>
</tr>
<tr>
<td>Previous Year Tax Returns Filed (2018 &amp; 2019)</td>
<td>18%</td>
<td>$8,349</td>
<td>$1,044</td>
</tr>
<tr>
<td>Education Credits</td>
<td>27%</td>
<td>$8,071</td>
<td>$673</td>
</tr>
<tr>
<td>Recovery Rebate Credit</td>
<td>60%</td>
<td>$38,700</td>
<td>$1,433</td>
</tr>
<tr>
<td>CalEITC</td>
<td>71%</td>
<td>$6,541</td>
<td>$204</td>
</tr>
<tr>
<td>State Withholdings Returned</td>
<td>96%</td>
<td>$18,051</td>
<td>$420</td>
</tr>
<tr>
<td>Golden State Stimulus</td>
<td>100%</td>
<td>$30,000</td>
<td>$667</td>
</tr>
<tr>
<td>Paper-File Returns</td>
<td>7%</td>
<td>$6,184</td>
<td>$2,061</td>
</tr>
<tr>
<td><strong>TOTAL 2020</strong></td>
<td><strong>45 youth filed at the Hub</strong></td>
<td><strong>$135,532</strong></td>
<td><strong>$2,822</strong></td>
</tr>
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How Workforce Opportunity Tax Credit Reforms Will Assist TAY Who Have Experienced Foster Care

- Preparing workplaces to support TAY workers who have foster care experience is a necessary first step
What needs to be done to maximize the positive potential of these tax credit reforms?
**RECOMMENDATION**

Permanently expand the Earned Income Tax Credit (EITC) for young adults ages 18 to 24 and the Child Tax Credit (CTC) changes from The American Rescue Plan Act (ARPA).

- ARP expanded the EITC for the 2021 tax year:
  - Ages 18 to 24 for current and former foster youth
  - Ages 19 to 24 for all other young adults

- Pandemic unemployment hit 18- to 24-year-olds the hardest, at a rate of 24%.

- The average income of pilot participants was just $16,880.
  - This loss of income will continue to impact young adults.
  - Permanently expanding the EITC eligibility can help them recover sooner.
RECOMMENDATION

Urge congress to include the CDCTC extension

- Extension is needed until phase-in of child care and early learning entitlement program
- Tailored outreach and support are needed for TAY regarding the CDCTC expanded eligibility to low- and moderate-income households and the documentation needed for access to the temporarily improved tax credit.
RECOMMENDATION

Create the Tax Counseling for Transition-Age Youth program within the IRS VITA program and fund new VITA sites.

- The IRS should create a program and materials for young adults who are under-utilizing several tax credits intended to benefit them.
  - This follows the approach for their Elderly program which offers free tax assistance for those 60+ years of age, specializing in questions about pensions and retirement-related issues unique to seniors.
  - Local VITA sites and partners will then be able to disseminate youth-friendly tax outreach and lessons for young workers and transition-age youth in foster care.

- Grant funding should be provided to each state to establish at least one VITA site with expertise on transition-age foster youth.
RECOMMENDATION

Provide additional funding through the John H. Chafee Foster Care Program for Successful Transition to Adulthood designated for tax outreach, preparation, technical assistance, and tax fraud support services.

• With additional federal funds, ILPs could:
  ▪ Set up tax sites
  ▪ Conduct outreach activities on financial services
  ▪ Connect with legal partners to address identity theft
  ▪ Boost young adults’ income of current and former foster youth

• Case managers should designate an individual or entity responsible for providing tax filing assistance in youth’s case plan and be required to confirm that taxes have been filed.

Transition-Aged Youth (TAY) & Tax Credits
Actions that viewers can take:

- Become a VITA Volunteer
- Urge your congressional representatives to make the tax credits permanent.
Thank You!

Any questions?
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