



# **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



# Opening Remarks

Representative Danny K. Davis  
Member of Congress (IL- 7th District)



**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



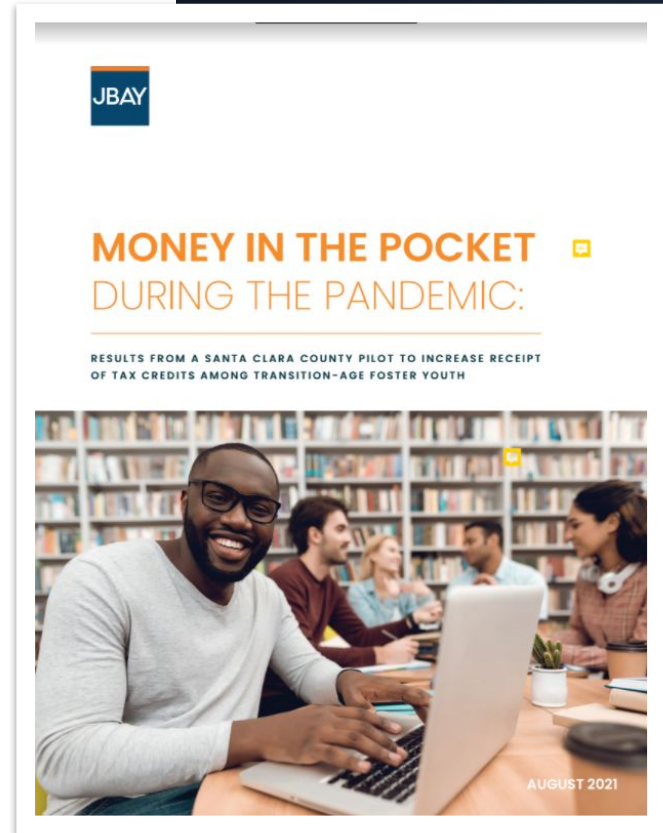
**What do we know about  
how these changes will  
help TAY who have  
experienced foster care?**

## 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/](http://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.

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

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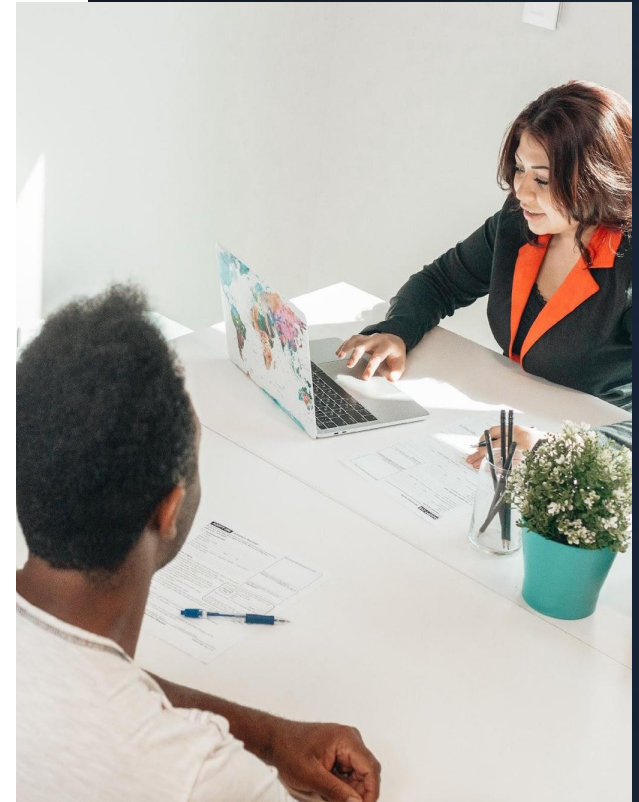
Parenting TAY **received a 42% boost to their income.**

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

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



# Pilot Results

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

# 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.



# Q & A



# 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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