

ITEP Testimony to 2022 Joint Legislative Budget Hearing

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Hello and thank you for this opportunity to submit testimony on behalf of the Institute on Taxation and Economic Policy (ITEP), a non-profit, non-partisan research organization with a mission to promote fair, adequate, and sustainable tax systems. We at ITEP strongly support targeted refundable tax credits like the Empire State Child Credit (ESCC) and federal and state Child Tax Credits (CTCs) for their ability to improve tax justice, advance racial equity, and reduce poverty and its associated harms.

Nonetheless, the New York ESCC and the federal CTC it is based on leave many children behind. Nationally, for families among the bottom fifth of earners, virtually no child receives the full CTC; more than one-third of white children, more than 45 percent of Hispanic children, and nearly half of Black children are in families with earnings too low to qualify for the full credit. And in New York, the ESCC's exclusion of children under 4 years old disqualifies 23 percent of children who may have qualified otherwise.

A robust body of research demonstrates that these young and very-low-income children are crucial to reach with income supports like the CTC and ESCC. Child poverty is associated with negative health outcomes, developmental delays, poor academic performance, and lower lifetime earnings. And many of these outcomes are particularly impactful for those in deep poverty and for the youngest children.

The ESCC is a strong foundation on which to build an improved credit that can help remedy inequities created by the current structure of the federal CTC while also reducing child poverty and deep poverty. To do so, the state should consider increasing the credit amount, making it available to children of all ages, making it larger for younger children rather than smaller, and removing the earnings requirement.

Other states are focused on state-level investments in their residents through similar credits. For example: Vermont House lawmakers this year have passed a credit targeted solely to young children; Massachusetts is considering a fully refundable credit for all children under 12; California is considering increasing its Earned Income Tax Credit (EITC)-style credit for families with young children; Michigan and New Mexico policymakers are discussing creating state CTCs this year; Colorado fully funded its CTC last year; and a state CTC remains a priority of many lawmakers in Connecticut after a proposal advanced considerably without passing last session.

Thank you again for the opportunity to submit these comments. ITEP staff are happy to provide additional information on this topic upon request.