



**children's
defense fund
new york**

Joint Legislative Hearing on the 2024 – 2025

New York State Taxes Executive Budget Proposal

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Joint Legislative Hearing Testimony: 2024 – 2025 New York State Taxes Executive Budget Proposal

About the Children’s Defense Fund – New York

Children’s Defense Fund – New York (CDF-NY) thanks the chairs of the Assembly Ways and Means Committee and the Senate Finance Committee for the opportunity to submit testimony on the 2023 – 2024 New York State Taxes Executive Budget Proposal.

Children’s Defense fund builds community so young people grow up with dignity, hope and joy. To learn more about CDF-NY, please visit www.cdfny.org.

Summary of Recommendations

In the 2024 – 2025 New York State Budget, CDF-NY urges New York to strengthen and expand its refundable tax credits to have the greatest impact on reducing child poverty and promoting family wellbeing by:

- **Including a robust State child tax credit for children under age four, a group currently excluded from New York’s Empire State Child Credit (ESCC)**
- **Restructuring the ESCC and New York State’s Earned Income Tax Credit (EITC) so that the full credit value goes to the lowest-income families (including families with no incomes) by ending regressive minimum income requirements and phase-ins**
- **Increasing the credit amount of both the ESCC and EITC to provide families with meaningful support**

Child poverty is a moral, preventable crisis that continues to do tremendous harm to New York’s children, families and communities.

Child poverty is an urgent and preventable moral crisis in New York State. A higher percentage of children live in poverty in New York than in 34 other states. Prior to the start of the COVID-19 pandemic, one in five New York children lived in poverty – that’s nearly 792,000 children. 23 percent of New York children under the age of five live in poverty – at exactly the period in their development when they are most vulnerable to its devastating impacts. New York’s 15th Congressional District, located in the Bronx, carries the highest child poverty rate of any of our nation’s congressional districts. Syracuse carries the highest child poverty rate in the nation among cities with at least 100,000 people (48.4 percent), with Buffalo and Rochester also ranking within the top ten list of large U.S. cities with the highest child poverty rates.

Racial disparities are pervasive in our State's child poverty crisis, with Black and Latinx children more than twice as likely as white children to live in poverty in New York. In three out of every four of our State's counties, both Black and Latinx children are more likely to live in poverty than white children, and Black and Latinx children in Manhattan are 10 to 13 times more likely to live in poverty than white children. Asian Americans have the highest poverty rates in New York City, with Asian children 5 times more likely to live in poverty than white children in Manhattan.¹

Unsurprisingly, the COVID-19 pandemic has only compounded our State's child poverty crisis. By July 2020, an additional 325,000 New York children had been pushed into poverty as a result of the pandemic.² During a time when the price of food, child care and housing are near record highs due to inflation, too many parents across our State are still struggling to pay rent, keep food on the table and meet their children's basic needs. Many New York parents are put in the horrible position of having to make hard choices about what essential, basic items they can afford for their children and which ones their households will have to forego.

We know all too well that poverty harms our children, with income-related gaps in cognitive skills seen as early as 9 months old and impoverished children suffering worse health outcomes in many indicators.³ Children living in poverty are more likely to be hungry, less likely to have health coverage or graduate from high school, and more likely to be unemployed and poor as adults. These children are also more likely to live in substandard housing that puts them at greater risk of childhood lead poisoning – arguably one of the gravest public health threats New York children face. Furthermore, child poverty is expensive to our State and nation. Pre-pandemic, child poverty cost our nation approximately \$1.03 trillion⁴ – and New York upwards of \$60 billion – every year in reduced earnings and increased costs associated with health, homelessness, child welfare and criminal justice.

The enacting of the Child Poverty Reduction Act S. 2755-C (Ramos) / A. 1160-C (Bronson) into law in early 2022 laid a strong foundation towards ending child poverty in New York by making a public commitment to cutting our State's child poverty rate in half within ten years and establishing a Child Poverty Reduction Advisory Council to develop a plan towards achieving this goal. The Children's Defense Fund – New York is proud to have been appointed by Governor Hochul to serve on the Child Poverty Reduction Advisory Council as a statutory member. To take the next step towards realizing its bold child poverty-reducing commitment and begin to make good on its promise to New York children, New York must act with urgency, political courage, and boldness to reform its tax code to reduce child poverty, promote racial equity and move more of our State's families towards true economic security.

¹ U.S. Census Bureau, American Community Survey 5-Year Detailed Estimates.

To view CDF-NY's county data profiles, please visit <https://cdfny.org/county-profiles/>.

² United Hospital Fund. COVID-19 Ripple Effect: The Impact of COVID-19 on Children in New York State. September 2020. <https://uhfnyc.org/publications/publication/covid-19-ripple-effect-impact-covid-19-children-new-york-state/>.

³ American Academy of Pediatrics, "Poverty & Child Health," 2021, <https://www.aap.org/en-us/advocacy-and-policy/aap-health-initiatives/poverty/Pages/Overview.aspx>.

⁴ McLaughlin, M., & Rank, M. R. (2018). Estimating the economic cost of childhood poverty in the United States. *Social Work Research*, 42(2), 73–83. doi:10.1093/swr/svy007. https://openscholarship.wustl.edu/csd_research/836/.

Investing in our children, youth and families via income supports and tax credits yields a lifetime of benefits.

Extensive research supports the benefits of strengthening family economic security via income supports for child health and wellbeing outcomes. In fact, more generous income assistance has been linked with healthier birth weights, lower maternal stress (as measured by reduced stress hormone levels in the bloodstream), better childhood nutrition, higher school enrollment, higher reading and math test scores, higher high school graduation rates, less use of drugs and alcohol, and higher rates of college entry, among other outcomes.⁵ Furthermore, findings from the *Baby's First Years* randomized control trial show that after a year of receiving monthly cash supports, one-year-olds in low-income families were more likely to exhibit brain activity patterns associated with the development of thinking and learning.⁶

Refundable tax credits are a particularly potent tool for increasing economic stability for individuals and families and easing the toxic stress of poverty. The poverty-reducing success of the American Rescue Plan's temporarily expanded Child Tax Credit (CTC), which could reduce New York's child poverty rate by over 36 percent if made permanent,⁷ proves that when provided with more income – and the freedom to use it in the ways that best suit their families – parents use cash support to meet their children's basic needs and fundamental human rights. Between mid-July and mid-August of 2021, the most common uses of CTC payments among New York families were purchasing food (48 percent of families), managing bills (38 percent of families), paying for clothing and other essentials for children (34 percent of families) and making rent/mortgage payments (33 percent of families). Once monthly CTC payments were distributed, eligible New York families reported much higher rates of overall food security and lower rates of severe food insecurity.⁸ On its own, the fourth CTC payment kept 3.6 million children nationwide out of poverty in October 2021.⁹ The November CTC payment, on its own, kept 3.8 million children out of poverty.¹⁰ The last monthly CTC payment that American families received, in December of 2021, kept 3.7 million children out of poverty nationwide.¹¹

⁵ National Academies of Sciences, Engineering, and Medicine, *A Roadmap to Reducing Child Poverty*, National Academies Press, 2019, <https://www.nap.edu/read/25246>.

⁶ Troller-Renfree, S. V., Costanzo, M. A., Duncan, G. J., Magnuson, K., Gennetian, L. A., Yoshikawa, H., Halpern-Meekin, S., Fox, N. A., & Noble, K. G. (2022). The impact of a poverty reduction intervention on infant brain activity. *Proceedings of the National Academy of Sciences of the United States of America*, 119(5), e2115649119. <https://doi.org/10.1073/pnas.2115649119>.

⁷ Center on Poverty and Social Policy, Columbia University, "A Poverty Reduction Analysis of the American Family Act," January 25, 2021, <https://www.povertycenter.columbia.edu/s/Poverty-Reduction-Analysis-American-Family-Act-CPSP-2020.pdf>.

⁸ Washington University in St. Louis Social Policy Institute, "How are New York families using their Child Tax Credit payments? Evidence from Census data," September 2021, <https://cpb-us-w2.wpmucdn.com/sites.wustl.edu/dist/a/2003/files/2021/09/CTC-One-pager-NY.pdf>.

⁹ Columbia University Center on Poverty & Social Policy, "October Child Tax Credit payment kept 3.6 million children from poverty," November 30, 2021, <https://www.povertycenter.columbia.edu/news-internal/monthly-poverty-october-2021>.

¹⁰ Columbia University Center on Poverty & Social Policy, "November Child Tax Credit payment kept 3.8 million children from poverty," December 15, 2021, <https://www.povertycenter.columbia.edu/news-internal/monthly-poverty-november-2021>.

¹¹ Parolin, Zachary, Sophie Collyer, and Megan A. Curran. 2022. "Sixth Child Tax Credit Payment Kept 3.7 Million Children Out of Poverty in December." *Poverty and Social Policy Brief*. Vol. 6, No.1. Center on Poverty and Social Policy, Columbia University. <https://www.povertycenter.columbia.edu/publication/monthly-poverty-december-2021>.

In the absence of the passage of the Build Back Better Act, CTC payments to families have lapsed and the fate of this vital federal benefit currently hangs in uncertain limbo. In February 2022, the monthly child poverty rate was 38 percent higher than it was in December 2021 (the last month of monthly payments to families), representing 3.4 million additional children immediately thrust back into poverty nationwide due to the ending of the expanded monthly CTC.¹²

The impacts of the temporary expansion of the CTC confirmed how effective refundable tax credits can be in reducing child poverty and its many negative impacts. In the absence of federal action to permanently expand the CTC, New York must act swiftly to provide urgently needed assistance to many families with children by expanding and strengthening the Empire State Child Credit in our State budget. By doing so, our State's action will enable more New York families to be in a position to provide their children with basic necessities and to better ensure that their children have an opportunity to not only grow but thrive, no matter their race, immigration status or zip code. Our State must also expand and strengthen its Earned Income Tax Credit (EITC). Coupled together, these reforms will enable New York to make significant progress toward its goal of cutting child poverty in half within ten years.

In order to reform New York's tax code to reduce child poverty, promote racial equity and move more families towards economic security, our State must:

I. Expand and strengthen the Empire State Child Credit

The Empire State Child Credit (ESCC) provides eligible families with a credit equal to 33 percent of the pre-2017 federal Child Tax Credit (up to a maximum of \$330) or \$100 per qualifying child, whichever is greater. New York parents are eligible for the credit if they meet certain income limitations and have at least one child between the ages of 4 and 16. Since the ESCC currently excludes children under four years old and is determined by an individual's federal Child Tax Credit amount, many of New York's children are left behind.

The ESCC could improve the lives of hundreds of thousands of children and families in every county statewide; reduce both New York's child poverty and overall poverty rates; and yield high economic gains. In fact, expanding the ESCC to \$1,000 per child for all New York children under the age of 17, with the exception of high-income families, would cost about \$2.7 billion and would generate around \$26.2 billion in societal benefits.¹³

¹² Parolin, Zachary, Sophie Collyer, and Megan A. Curran. 2022. "Monthly Poverty in 2022 Remains Elevated in February" Poverty and Social Policy Brief Vol 6., No. 4. Center on Poverty and Social Policy, Columbia University. povertycenter.columbia.edu/publication/monthly-poverty-february-2022.

¹³ Center on Poverty and Social Policy at Columbia University, "The Costs and Benefits of Expanding the Empire State Child Credit: Poverty & Social Policy Brief," March 8, 2021, <https://static1.squarespace.com/static/610831a16c95260dbd68934a/t/6113e8745527661a46d1c9f8/1628694645601/Child-Allowance-CBA-NY-CPSP-2021.pdf>."

New York must expand and strengthen the Empire State Child Credit by:

- (1) Extending eligibility to include children under four years old.** New York's Child Tax Credit is the only Child Tax Credit in the nation to exclude young children. Approximately 900,000 New York babies and toddlers are automatically excluded from receiving the ESCC because they are under the age of four despite irrefutable evidence of how critical investments during the early developmental years are for children. Our State must treat our children justly by extending the ESCC eligibility to children under four.
- (2) Increasing the value of the Credit to \$1,000 for young children and \$500 for older children.** The current value of the ESCC no longer provides meaningful relief to families, particularly as inflation reaches a 40-year high and everyday costs for families continue to rise. Increasing the credit's value to \$1,000 for children under age four and \$500 for children over four, as outlined in *S. 777 (Cooney) / A. 2464 (Hevesi)*, would bolster the credit's antipoverty impacts.
- (3) Making the full Credit available to New York's lowest-income families (including families with no income) by ending both the exclusion of families with incomes under \$3,000 and the gradual phase-in for the lowest income families.** 1.4 million New York children (including nearly half of our State's Black and Latinx children) are currently receiving only a partial or no ESCC because their families earn too little, with Black children 1.5 times more likely than white children to receive partial or no credit because of low family earnings, which is rooted in systemic racism. Decoupling the credit from earnings is a racial justice and equity issue and is critical to ensuring that it reaches the children and families most in need of its support.

II. Expand and strengthen the Earned Income Tax Credit

New York must also act to expand and strengthen its Earned Income Tax Credit (EITC), an effective poverty-fighting tool for low-to-moderate-income, full-or part-time workers and families that increases workforce participation and financial security; leads to improved educational outcomes for children; and improves child and parent well-being. Although young childless adults ages 18 through 24 experience poverty at high rates, they are currently excluded from our State's EITC.

New York must expand and strengthen the Earned Income Tax Credit by:

- (1) Permanently increasing the percentage of the federal Credit paid to families from 30 percent to 45 percent.** Doing so would provide meaningful support to New York households receiving the credit.
- (2) Expanding the Credit for young adults without children (ages 18 through 24) who are currently ineligible for either the federal or State Credit in the manner set forth in A. 477 (Bronson).** Young and childless adults ages 18 through 24 currently do

not qualify for either the federal or New York State EITC despite the fact that they experience poverty at disproportionate rates. These young adults include our State's foster youth who have aged out of foster care – a population that experiences food insecurity, homelessness, and unemployment at higher rates than their peers and is, therefore, particularly in need of this critical income support.

(3) Adjusting filing requirements to mimic those of the ESCC so that more immigrant New Yorkers can file for the state EITC. New York's immigrant population contributes billions in local, state and federal taxes. Yet, over 100,000 New York children do not qualify for EITC financial support solely because one parent files taxes using an Individual Tax Identification Number (ITIN).

III. Combine the Empire State Child Credit and Earned Income Tax Credit to create a strong, streamlined Working Families Tax Credit

The Working Families Tax Credit, S. 277 (Gounardes), proposes combining and strengthening New York's Empire State Child Credit and Earned Income Tax Credit to create a more inclusive and generous Working Families Tax Credit (WFTC). For individual New Yorkers and families currently eligible for the ESCC, EITC, or both, the combined credit they would receive through the WFTC would either be greater or equal to the sum of the two individual credits. For the lowest income New Yorkers and many immigrant New Yorkers, their credit amount would be significantly greater under the WFTC.

The WFTC builds upon the strengths of New York's ESCC and EITC and corrects their shortcomings. Eligible families with children would receive a WFTC equal to or greater than the current EITC plus the ESCC for all children in the household including young children under the age of four. The WFTC would also allow New York families with the lowest incomes to receive the highest credit amount by eliminating the phase-ins currently in place for both credits. It would also be available to immigrant tax-filers with ITINs in the same manner as filers with Social Security Numbers (SSNs), which is currently the case with the ESCC but not with the EITC. Finally, the WFTC would be paid out in four increments throughout the year.

It is estimated that the WFTC would result in a 13.4 percent reduction in children under the age of 18 living in poverty, with a 19.6 percent reduction for those under 18 living in deep poverty.¹⁴

¹⁴ Analysis conducted by the Columbia University Center on Poverty & Social Policy

IV. New York must establish an independent office to produce racial and ethnic impact statements for *all* proposed rules and *all* legislation leaving committee.

New York's pervasive racial and ethnic disparities harm our State and must be urgently addressed through meaningful systemic change. The COVID-19 pandemic has provided irrefutable evidence of the long-standing, deeply-rooted racial inequities that have caused increasingly disparate outcomes in New York State and throughout the nation for far too long. These wide-ranging and long-standing inequities, encompassing such areas as healthcare access, involvement in the child welfare and youth justice systems, economic security, educational opportunity, access to safe and healthy housing, and workforce disparities, continue to harm New York's children, youth, families, and communities. In fact, in a national comparison of state structural inequities, New York was recently classified as having among the highest structural racism and income inequality indexes in the United States.¹⁵

The clear urgency of taking decisive action to end New York's entrenched racial inequalities is particularly evident with regards to the racial and ethnic disparities in New York's alarmingly high poverty and child poverty rates. As noted in a report released by New York State Comptroller DiNapoli last December, almost 2.7 million New Yorkers, or 13.9 percent of our State's population, lived in poverty in 2021, compared to 12.8 percent of all Americans. Poverty rates are more than double for Hispanic New Yorkers compared to white, non-Hispanics, with one-fifth of New York's Hispanic population living below the poverty level in 2021. Black, Native Hawaiian and other Pacific Islander and American Indian New Yorkers experienced poverty at twice the rate of white New Yorkers in 2021.¹⁶ Racial and ethnic disparities are particularly pervasive in New York's immoral child poverty crisis, with Black and Latinx children more than twice as likely as white children to live in poverty statewide and 10 to 13 times more likely than white children to live in poverty in Manhattan.¹⁷ Asian Americans have the highest poverty rates in New York City, with Asian children 5 times more likely to live in poverty than white children in Manhattan.¹⁸ Syracuse carries the highest child poverty rate in the nation among cities with at least 100,000 people (48.4 percent), with Buffalo and Rochester also ranking within the top ten list of large U.S. cities with the highest child poverty rates. These are but a few of the pervasive, wide-ranging and long-standing disparities and inequities that assault people and communities of color in our State and around the nation due to the racist impact of our policies and regulations.

Our State can lead the nation in embarking on the path to achieving equity in all policies by establishing an independent office to ensure that we no longer pass legislation or adopt rules without first examining whether these policies have the potential to create, eliminate, or perpetuate racial and ethnic disparities. Enacting new legislation and rules without first evaluating their potential to disproportionately impact our communities of color only perpetuates these disparities. In the absence of racial and ethnic impact assessment,

¹⁵ Patricia Honan, Tyson H. Brown, and Brittany King. August 6, 2021." Structural Intersectionality as a New Direction for Health Disparities Research." *Journal of Health and Social Behavior*, 62(3), <https://doi.org/10.1177/00221465211032947>.

¹⁶ New York State Comptroller Thomas P. DiNapoli, "New Yorkers in Need: A Look at Poverty Trends in New York State for the Last Decade," December 2022, <https://www.osc.state.ny.us/files/reports/pdf/new-yorkers-in-need-poverty-trends.pdf>.

¹⁷ U.S. Census Bureau, American Community Survey 5-Year Detailed Estimates. To view CDF-NY's county data profiles, please visit <https://cdfny.org/county-profiles/>.

¹⁸ U.S. Census Bureau, American Community Survey 5-Year Detailed Estimates. To view CDF-NY's county data profiles, please visit <https://cdfny.org/county-profiles/>.

legislation that “appears” race-neutral at face value can, in practice, adversely and disparately affect New York’s children and families of color. Just as our State legislators consider the fiscal and environmental impacts of new laws, so too must they examine the potential racial and ethnic impact of *all* legislation and rule-making activity through the preparation of racial impact statements. By doing so, New York would join the growing rank of states who have acted to center racial equity in legislating by passing racial impact statement legislation¹⁹ and would build on progress made in advancing racial equity in New York City through such efforts as EquityNYC and the racial justice ballot proposals spearheaded by the New York City Racial Justice Commission.

In order to implement this approach, our State will need to invest more resources in its legislative and rule-making processes. Furthermore, the evaluation of racial and ethnic impact needs to be insulated from politics and ensure that the office producing the impact statements should be independent from both the Legislature and the Governor. Maintaining this independence will ensure that meaningful, unbiased impact statements are faithfully and consistently produced at an optimal level.

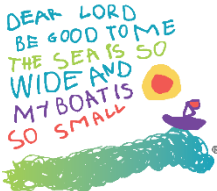
Undoing generations of racial and ethnic disparities and institutionalized harm demands an approach that actively examines the role of legislative and regulatory action in perpetuating inequality in New York. In order to ensure that our laws truly advance racial and ethnic equity and in order to begin to dismantle systemic racism, New York should adopt:

- (1)** The establishment of an independent office or entity tasked with producing racial and ethnic impact statements.
- (2)** A requirement that all bills advancing out of committee in the legislature and amendments to bills must be accompanied by a racial and ethnic impact statement.
- (3)** A requirement that all proposed rules must be accompanied by a racial and ethnic impact statement upon introduction.
- (4)** A requirement that racial and ethnic impact statements must include an estimate of the impact of the proposed bill, proposed amendment or proposed rule on racial and ethnic minorities, and the basis for the estimate, including any specific data or other information relied upon.
- (5)** A prohibition against enacting legislation or proposing rules that are found to increase racial or ethnic disparities.

Conclusion

Thank you for your time and consideration. The Children’s Defense Fund – New York looks forward to working with you on a State budget that improves the health and well-being of children, youth and families in New York.

¹⁹ Children’s Defense Fund – New York, “Leveraging Racial & Ethnic Impact Statements to Achieve Equity in All Policies: National Context,” July 22, 2022, <https://cdfny.org/wp-content/uploads/sites/3/2022/07/Racial-Ethnic-Impact-Statement-Legislation-National-Context-Updated-July-2022-1.pdf>.



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