

CHILD POVERTY SOLUTION: REFUNDABLE TAX CREDITS

What are refundable tax credits?



Refundable tax credits provide flexible support to help families meet immediate needs and deliver long-term benefits. Research shows that **cash and near-cash benefits (such as tax credits) improve children’s health and educational outcomes, increase future earnings, and decrease costs in the realms of health care, child protection, and criminal justice.** One of the most powerful refundable tax credits is the Child Tax Credit, officially named the Empire State Child Credit here in New York.

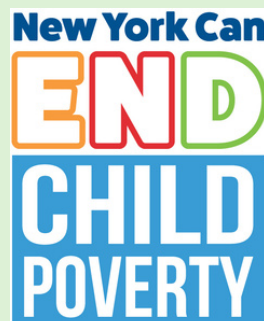
At a moment when, following years of high inflation, families across New York State are faced with record high food costs,ⁱ many are struggling to make ends meet. Refundable tax credits are particularly well-positioned to address affordability here in the Empire State.

We recently witnessed the dramatic ability of refundable child tax credits to reduce poverty rates. When the federal government temporarily expanded the federal child tax credit during the pandemic, child poverty dropped by nearly half nationally and in New York State.ⁱⁱ This additional income, paid through the expanded Child Tax Credit, helped families meet their needs and balance their budgets. In fact, studies show that families used the extra income for things like food, clothing, housing, and to pay down debt. All of which contributed to the overall decreases in child poverty that were apparent during the expansion of the federal Child Tax Credit.ⁱⁱⁱ What is more, recent studies have found that long-term societal benefits of a robust, refundable child tax credit outweigh costs ten to one.^{iv} This same study found that societal benefits of the credit do not fade over time, but rather that benefits continue to be seen for years after the initial investment.

Unfortunately, despite the clear poverty-fighting power of the Child Tax Credit, the expanded credit was allowed to lapse, and poverty rates rebounded to previous levels.

ABOUT NEW YORK CAN END CHILD POVERTY

New York Can End Child Poverty is a coalition of organizations from across New York State working to improve long-term outcomes for children and families from households experiencing economic hardship. We are dedicated to advancing public policies that support children and families while reducing child poverty and inequity across New York State.



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What change is needed to make tax credits work better for children and families?

As New York works to achieve the goal of cutting our child poverty rates in half, and New Yorkers across the state struggle to afford the basic cost of living, we must focus on increasing the power of the Empire State Child Credit. The State recently acted to strengthen the credit by expanding eligibility to include children under the age of four (who were previously excluded).^v However, much more can be done to permanently and broadly bolster the Empire State Child Credit so it can better support all New York children. Here's how:



Increase the credit amount to have a more meaningful impact on families' lives. Currently, NY's child tax credit has a maximum of \$330 per child annually.^{vi} Increasing this to \$1,500 would reduce child poverty by more than 23%



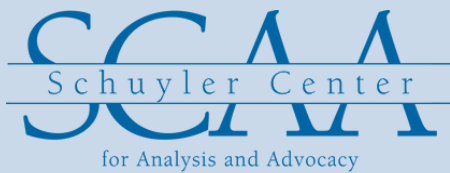
Include the lowest-income families with children. Due to a minimum earning requirement, families with the lowest incomes are prevented from receiving the full credit.



Index the tax credit to inflation. The Empire State Child Credit is not currently indexed to inflation, so the value of the credit has diminished over time, even as expenses have risen.

What will this mean for New York's children?

An expanded Empire State Child Credit, if increased to \$1,500 would, reduce child poverty across New York State by 23%, lifting tens of thousands of children out of poverty, and providing an additional income boost to working and middle-class families statewide.



THE SCHUYLER CENTER

is a non-profit organization advocating for public policies proven to improve health, well-being, and economic security for all New Yorkers, especially children and families experiencing poverty.

www.scaany.org

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