SEPTEMBER 2022

RAiSiNG NEW YORK

REDUCING CHILD POVERTY IN NEW YORK STATE

New York State has, in the Empire State Child Credit, a Powerful, but Flawed, Tool for Fighting Child Poverty. *In the 2023-24 State Budget, New York must strengthen this credit by ending its exclusion of young children and those experiencing deep poverty and increasing the amount available to families.*

New York State was among the first states in the nation to offer a child tax credit and once led the nation in its generous, fully refundable family tax credits, chief among them, the Empire State Child Credit (ESCC). From its inception, the Empire State Child Credit featured characteristics that set it up to be a strong tool for fighting child poverty, including that it is fully refundable and available to immigrant families who file taxes with Individual Tax Identification Numbers (ITINs). However, it has always, and continues to feature significant, fundamental flaws: it does not provide a credit to young children (under age 4) and its phase-in structure reduces the credit amount for children in families experiencing deep poverty. New York's child tax credit has also fallen behind that of several states in terms of the credit amount.

These shortcomings in New York's child tax credit harm children, disproportionately children of color. In 2020, just prior to the onset of the COVID-19 pandemic, 700,000 (18%) of all New York children lived in poverty, with that percentage a full 10 points higher for Black children, and 7 points higher for Latinx children. Relative to other states, New York has consistently ranked in the bottom third of the nation's rankings because of its high rate of child poverty,[1] while it is consistently ranked in the top five states for its per capita income ($71,000) and its GDP.[2] The National Academy of Sciences, Engineering, and Medicine's (NASEM) Roadmap to Reducing Child Poverty, a 2019 national, data-driven study, identified robust child allowances as among the most effective strategies for reducing child poverty.[3] New York is overdue to expand and strengthen its child tax credit and to make it a transformative tool for tackling the state's persistent child poverty problem.

EMPIRE STATE CHILD CREDIT: OVERVIEW

Enacted in 2006, New York's Empire State Child Credit (ESCC) supplements the federal tax credit with the greater of: 1) 33% of the pre-2017 tax reform federal child tax credit (up to a maximum of $330 per child), or 2) $100 per child (for lower-income families).[4, 5] Nearly 1.4 million (1,369,691) families received the credit for tax year 2019 at an average credit amount of $447.[6] At present, the credit is available to New York State residents who have at least one child aged 4 to 17 and meet certain income limitations.7 The estimated cost of the ESCC, in the form of a reduction of All Funds revenue, is $599 million annually.[8]

The credit is unavailable to residents with young children (under age 4) and contains a phase-in that disallows families living in extreme poverty from receiving the maximum credit.[9] A family does not begin receiving the full $330 credit per qualifying child until their income reaches $9,667. The 2020-21 Executive Budget contained a proposal to begin to fill in the omission of young children by extending the credit to young children (under age four) in families with a state adjusted gross income of $50,000 or less.[10] Just after the Executive Budget was released, the COVID-19 pandemic hit New York State, and this proposal, like many others, was dropped from the final budget for that year.

INVESTING IN CHILDREN AND FAMILIES IMPROVES OUTCOMES FOR A LIFETIME.

Income transfers to families—even modest ones—can improve outcomes for children in all areas of well-being, including improved physical, emotional and behavioral health, higher educational achievement and higher future earnings.[11, 12] Young children—the very children excluded from New York's child tax credit—are more likely to live in poverty and more likely to suffer far-reaching negative consequences as a result of experiencing poverty.

Nearly one in five New York children live in poverty, and that rate approaches one in three among children of color and in some under-resourced communities.[13] New York is home to a number of communities and cities that have the highest rates of child poverty in the nation. In Syracuse and Rochester, 48% of children live in poverty; 42% in Buffalo, 37% in the Bronx, and 33% in Schenectady.[14] For Black children, the chance of living in poverty in these five communities exceeds 50%: 58% in Syracuse, 57% in Rochester, 55% in Buffalo and 52% in Schenectady; in the Bronx, Black child poverty exceeds 38%. So, too, Latinx children in these communities experience poverty at rates far disproportionate to their percentage of the population: 52% in Buffalo, 49% in Rochester, 47% in Syracuse, 47% in Schenectady, and 42% in the Bronx. Notably, the younger the child, the more likely the child is to live in poverty—at exactly the time in their development when they are most vulnerable to the devastating impacts of poverty.[15] Families with young children face poverty at greater rates than other families,[16] and the birth of a child is the leading trigger of "poverty spells" experienced by families.[17] In addition to poverty, stress and hunger can impair brain development, which is most rapid when children are very young, and can lead to lifelong deficits, including decreased earnings and poor health.[18, 19] Strengthening family economic security benefits not only the current generation of children, but the next, because children who live in low-income households are much more likely to experience poverty as adults.[20]

A ONE-TIME EXPANSION WAS MADE TO THE ESCC IN THE 2022-23 FINAL NEW YORK STATE BUDGET.

The 2022-23 Final Budget made significant one-time investments in children living in families with low-income using the Empire State Child Credit (ESCC) and Earned Income Tax Credit (EITC). Together, these investments are estimated to cost $475 million in Fiscal Year 2023.[21] The Empire State Child Credit portion of that one-time investment is estimated to be approximately $230 million in 2022-2322.

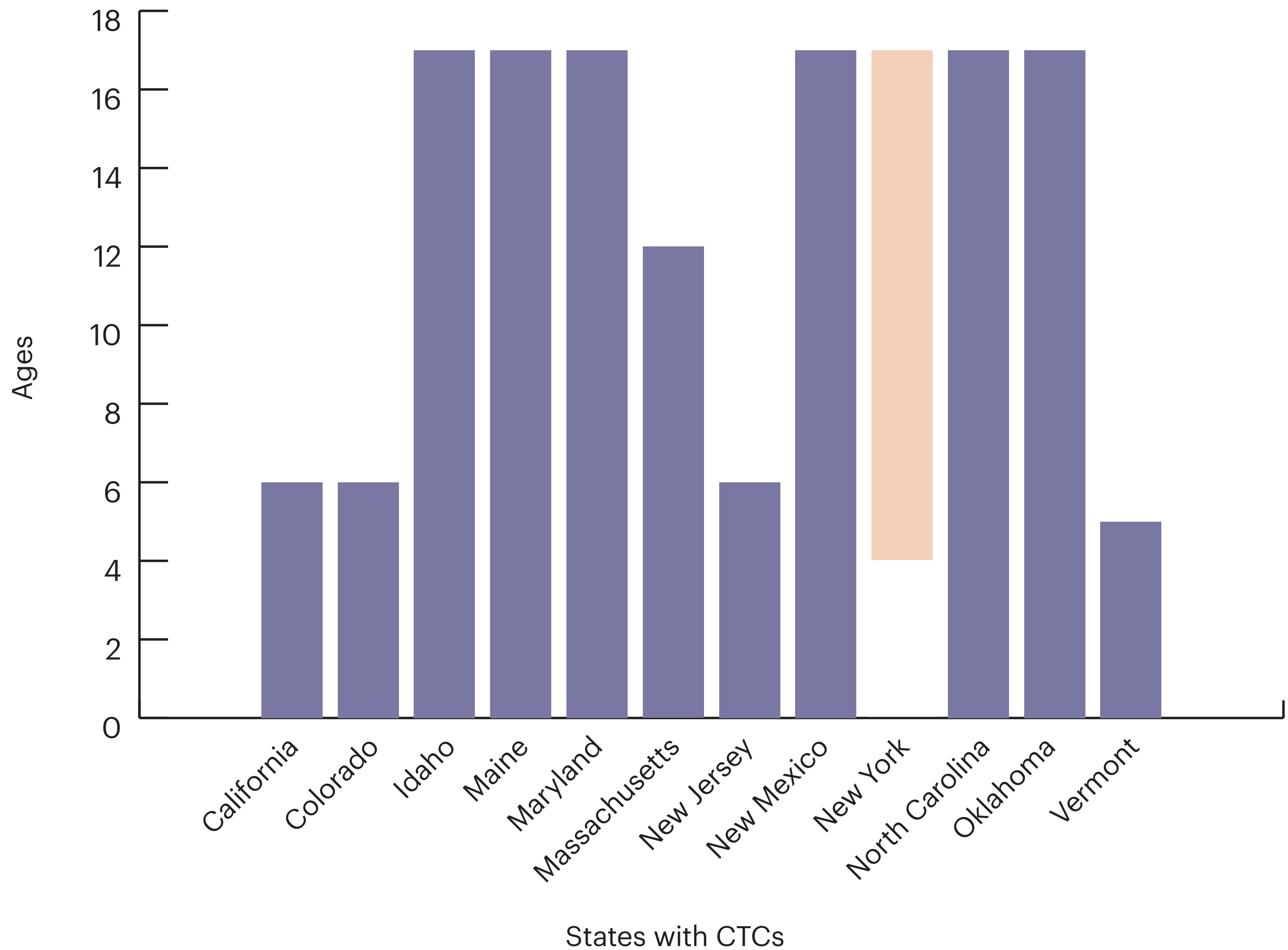
The Final Budget includes a one-time supplemental Empire State Child Credit payment, for those receiving the State child tax credit for the 2021 tax year. The supplemental credit will be an additional credit equal to 100% of the current credit for families with federal adjusted gross income less than $10,000, incrementally scaling down to a supplemental equal to 25% of the current credit for families with federal adjusted gross income equal to or greater than $50,000. Eligible families can receive this supplemental payment only if they file a timely tax return and if the credit is at least $25. This expansion is significant in that it reaches families with little to no income and directs the maximum supplemental credit to the lowest income families.

However, children under age four remain completely excluded from the credit, as well as families who don't file taxes.

NEW YORK IS BEHIND THE CURVE IN PROVIDING A CHILD TAX CREDIT THAT STRENGTHENS FAMILIES.

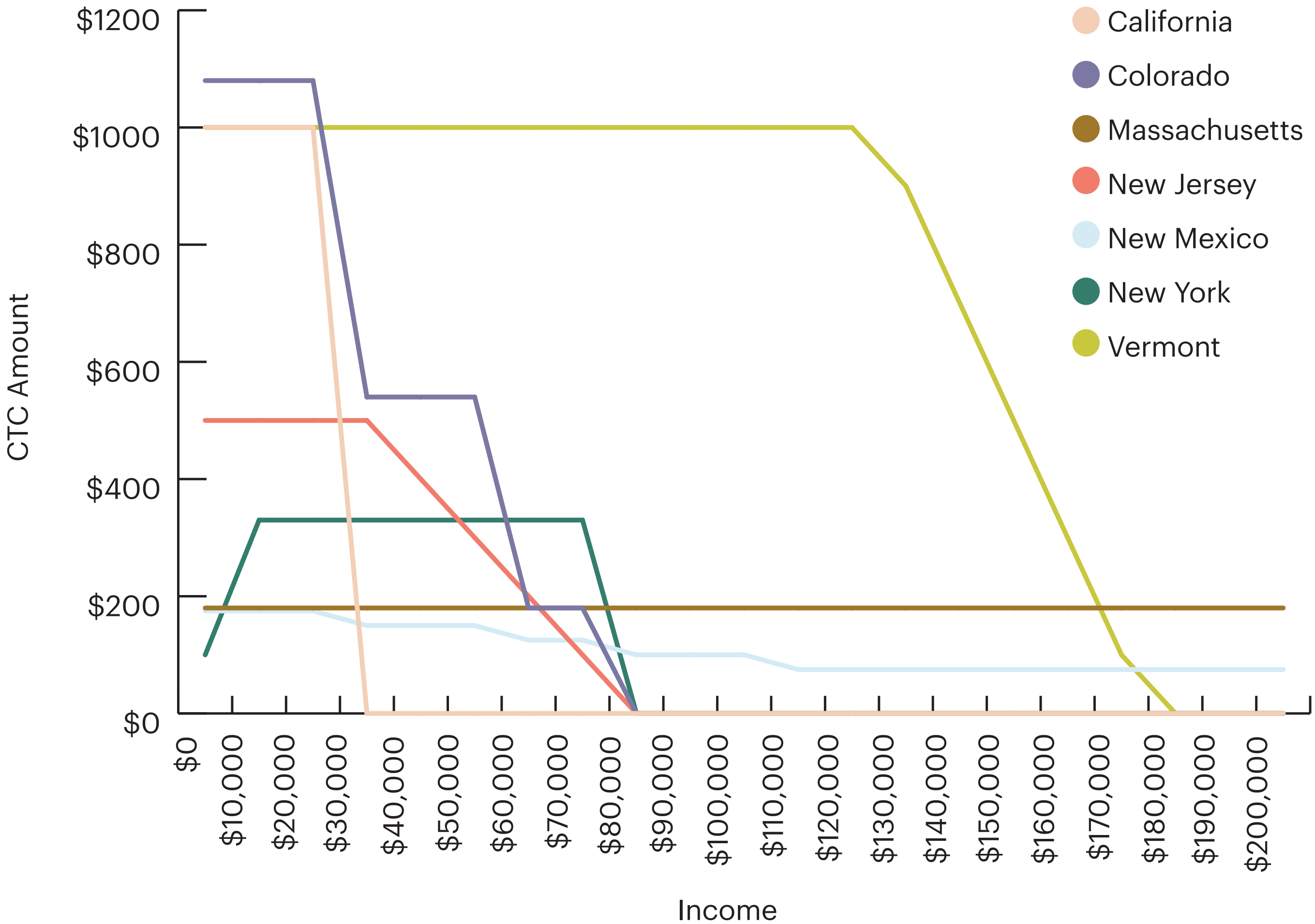
New York State once led the nation in its generous family tax credits. That is no longer the case. While the state was an early leader in offering a child credit, New York has quickly fallen behind as several states have instituted more generous credits in the wake of the COVID-19 pandemic. Vermont, Massachusetts, and New Mexico offer relief to a broader range of families, phasing out their credits at higher income levels than New York. Low-income families in Colorado, California, and Vermont receive tax credits over three times as high as New York families. Perhaps most concerning, New York remains the only state to have an income level phase-in, as well as the only state to exclude young children. These exclusions are harmful to the poorest New Yorkers and families with children under age 4, both groups who stand to benefit the most from credit. With Black and brown New York children experiencing poverty at dramatically higher rates than white children, strengthening the child tax credit is both a racial equity and economic justice issue. It is well past time for New York to reform the ESCC to strengthen all families.

ELIGIBLE AGES

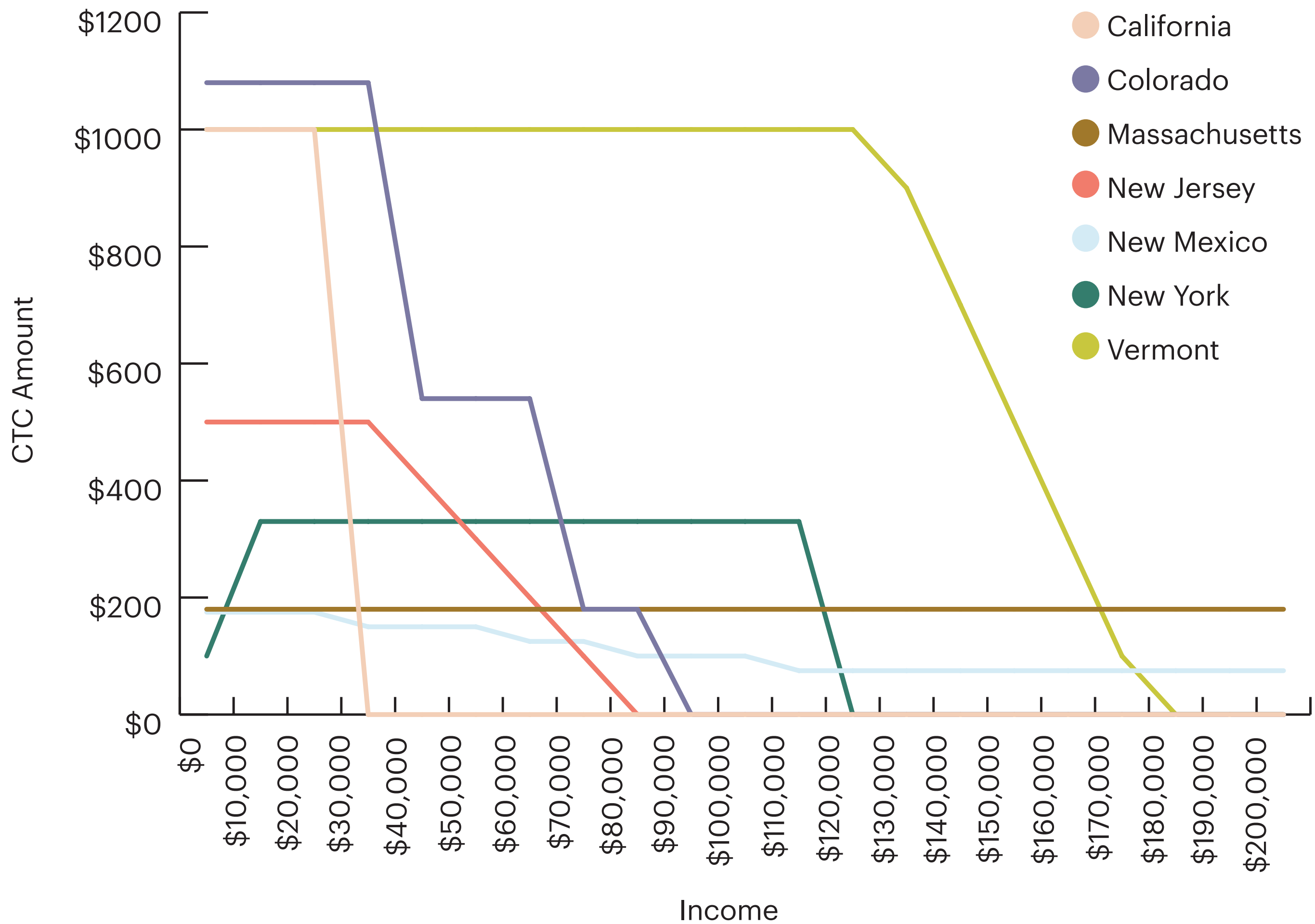


Graphs include refundable CTCs (excluding Maryland) for incomes up to $200,000

INDIVIDUAL WITH ONE CHILD (5 YEARS OLD)



MARRIED WITH ONE CHILD (5 YEARS OLD)



RECOMMENDATIONS

New York must ensure the Empire State Child Credit effectively reaches all eligible families. The COVID-19 public health emergency, and accompanying temporary expansion of financial support for families, provides an excellent opportunity to build upon the ESCC's strengths, particularly its broad inclusion of many immigrant New Yorkers and its full refundability, to make it even stronger and more effective by drawing from the best elements of other state plans.

Include all children from birth to age 4. New York must expand access to currently excluded children under age four. The practice of excluding this population is not only out of line with all other states that offer a credit, but also has long-term consequences for young children. The first years of life are a critical window of developmental opportunity, highly dependent on a child's environment. The rapid brain development experienced during these first years of life leave children especially vulnerable to the long-term impacts of poverty. Children living in low-income households are more likely to experience difficulties in language development and reading proficiency and have higher rates of learning disabilities and developmental delays.[23] Child poverty disproportionately impacts children of color, therefore addressing this issue is an important step towards racial equity. By uplifting families with young children, particularly children of color and those living in poverty, through direct financial support like the ESCC, New York can ensure that future generations have the resources they need for healthy growth and development.

Increase the per-child credit amount. By clinging to the lower pre-2017 federal child tax credit amount when calculating the ESCC, New York has fallen far behind states like California, Colorado, and Vermont in the generosity of their support. Offering a credit of at least $1,000 per child would bolster New York families as the nation continues to struggle through a period of economic upheaval and uncertainty.

Eliminate the income phase-in. New York is the only state with an income phase-in, meaning families earning below $9,667 are ineligible to receive the full ESCC amount. The devastating impacts of poverty on health are well documented, and the exclusion of the most vulnerable families from the full credit amount is unacceptable. This must be corrected to ensure New York families living in the deepest poverty have access to this critical financial support.

Increase access to the Empire State Child Credit. Analysis from the Tax Policy Center indicates that families of nearly 200,000 children[24] in New York State may miss out on the ESCC because they do not regularly file their income taxes. The Department of Tax and Finance should attempt to increase uptake of this credit by partnering with other state agencies like the Office of Temporary and Disability Assistance (OTDA) to identify families who appear eligible based on their income and family composition, but do not regularly file their taxes. Families identified by OTDA and Tax and Finance should then be connected to tax preparers in their community, especially the Volunteer Income Tax Assistance (VITA) programs located throughout the state.

New York State is a leader in allowing filers with ITINs to qualify for the ESCC. This practice could be further strengthened by ensuring filers with ITINs know that they can benefit from this credit.

New York State can also improve family access to the ESCC by:

- Proactively verifying eligibility and paying the credit to families automatically, without families needing to file a tax return, as prescribed in a proposal in the 2020-21 Executive Budget.[25]

- Improving public education on the availability of the credit.

- Expanding free tax filing assistance programs, such as VITA.

- Partnering with family-serving programs, such as home visiting, WIC, and pediatric medical practices, to support outreach and enrollment in the ESCC for those who are eligible.

- Partnering with organizations who work directly with marginalized communities, such as the New York Immigration Coalition, Office of New Americans, Family Enrichment Center, food pantries and others to ensure that families with an ITIN are receiving the ESCC.

STATE	REFUNDABLE	CREDIT AMOUNT	ELIGIBLE AGES	INCOME INFORMATION	OTHER ELIGIBILITY REQUIREMENTS
California	Yes	**Up to $1000 per family**	Under 6	Full credit up to $25,000; reduced credit between $25,000 and $30,000	Open to children with ITIN; Must qualify for CalEITC; Must live in CA for more than half the year
Colorado	Yes	**5-30% of federal CTC per qualifying child**	Under 6	Full credit up to $25,000 (individual) and $35,000 (married); reduced credit up to $75,000 (individual) and $85,000 (married)	**Children who would qualify for the federal CTC if they had a SSN qualify for the state CTC**
Idaho	No	$205 per qualifying child	Under 17		Part-year residents receive a prorated credit; Only one taxpayer can claim each child
Maine	No	$300 per qualifying child and dependent	**Under 17 (qualifying child) or under 19/under 24 if full time student/ permanently disabled (qualifying dependent)**	Full credit up to $200,000 (individual) and $400,000 (married); **reduced by $7.50 per $1,000 over these levels**	Must claim federal CTC; Prorated for non-resident and part-year resident taxpayers
Maryland	Yes	$500 per qualifying child	Under 17	Federal adjusted gross income must be below $6,000	Child under 17 must have a disability
Massachusetts	Yes	$180 for one qualifying dependent, $360 for two or more	Under 12/over 65/ permanently disabled		Won't qualify if you are married filing separately

New Jersey	Yes	Up to $500 per qualifying child	Under 6	Full credit up to $30,000; reduced by $10 per $1,000 up to $80,000	Set to begin in TY23, but there are efforts to implement the credit for TY22; Open to children with ITIN
New Mexico	Yes	Up to $175 per qualifying child	Under 17	Full credit up to $25,000; reduced credit up to $350,000	NM residents
New York	Yes	Greater of: 33% of the pre-2017 federal CTC or $100 per qualifying child	Between 4 and 17	Income phase-in until full credit at $9,000; Full credit up to $55,000 (married filing separately), $75,000 (individual), and $110,000 (married filing jointly)	**Open to children with ITIN**; Must qualify for federal CTC; Full-year NYS resident or married to a full-year NYS resident
North Carolina	No	Up to $125 per qualifying child	Under 17	Full credit up to $40,000 (married), $32,000 (HOH), or $20,000 (individual or married filing separately); reduced credit up to $100,000 (married), $80,000 (HOH), or $50,000 (individual or married filing separately)	Must qualify for federal CTC; prorated amount for part-year or nonresident
Oklahoma	No	5% of federal CTC per qualifying child	Under 17	Full credit up to $100,000 (married filing jointly)	
Vermont	Yes	**$1000 per qualifying child**	Under 5	**Full credit up to $125,000; reduced by $20 for each $1,000 over this level**	Prorated for part-year resident

ENDNOTES

[1] National KIDS COUNT. (September 2020.Children in poverty (100 percent poverty) in the United States. https://datacenter.kidscount.org/data/tables/43-children-in-poverty-100-percent-poverty?loc=1&loct=2#ranking/2/any/true/1729/any/322

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[4] New York State Department of Taxation and Finance. November 22, 2021. Empire State child credit. https://www.tax.ny.gov/pit/credits/empire_state_child_credit.htm

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[16] Bruner, C., & Johnson, K. (March 2018) Federal Spending Prenatal to Three: Developing a Public Response to Improving Developmental Trajectories and Preventing Inequities Center for the Study of Social Policy. https://cssp.org/wp-content/uploads/2018/08/Federal-Spending-Prenatal-to-Three.pdf, p. 12.

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[22] Calculated by The Children's Agenda using 2019 EITC expenditures and the Assembly's combined estimate.

[23] ZERO TO THREE. (September 15,2017). Poverty Declines, but Still Affects Trillions of Early Brain Connections. https://www.zerotothree.org/resources/2044-poverty-declines-but-still-affects-trillions-of-early-brain-connections.

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[25] New York State Division of the Budget, New York State FY 2021 Executive Budget, p. 19.

The Raising New York coalition, coordinated by The Education Trust—New York, is a statewide coalition of early childhood, business, and health organizations dedicated to improving equitable outcomes for children in the first three years of life, their families, and the professionals who care for them.

Learn more at RaisingNY.org

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