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Strengthening the Empire State Child Credit to Reduce Poverty Among the Youngest New Yorkers

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New York is a national leader in offering a refundable child tax credit. However, the state credit contains a significant flaw: it excludes children under age four—the very group that is most severely impacted by poverty, and would most benefit from receiving a credit. **New York should correct this gap in the law, and double the credit for its youngest children. This would provide low- and moderate-income working families with very young children with a credit of up to $660 in income per year per young child,** which could yield substantial benefits for thousands of the state's youngest residents, particularly those living in poverty or near poverty.

Investing in families with young children improves outcomes for a lifetime.

Modest income transfers to low-income families can yield tremendous benefits for children and their families, including improved physical, emotional and behavioral health, higher educational attainment and increased future earnings.[1,2] The benefits are particularly significant – and most acutely needed – in families with young children. This is the case because families with young children face poverty at greater rates than other families.[3] In fact, the birth of a child is the leading trigger of "poverty spells" experienced by families.[4] In addition, stress and hunger can impair brain development, which is most rapid when children are very young, and can lead to lifelong deficits.[5] Strengthening family economic security improves the lives not only for the current generation of children, but the next, because poor children are much more likely to grow up to be poor adults.[6]

The Empire State Child Credit encourages work and family self-sufficiency.

Nearly one quarter of all New York children live in poverty, and that percentage is significantly higher among children of color and is concentrated in some communities. The majority of New York children in poor families – 65% – have at least one parent who is employed at least part-time.[7] Working family tax credits, like the Empire State Child Credit, encourage parents to work because they phase in as family income increases.

The interplay between the Empire State Child Credit and the federal child tax credit.

Since it was enacted in 2006, the Empire State Child Credit has been tied to the federal Child Tax Credit. Specifically, it provides eligible taxpayers a credit equal to 33% of the federal child tax credit, or $100 per qualifying child, whichever is greater. In the 2017 federal tax overhaul, the federal child tax credit was doubled for most families – up to $2,000 per child ($1400 of which is fully refundable), and expanded to include more higher-income families. However, the amended federal credit will exclude many non-citizen immigrant children – including DREAMERS (immigrant children brought to the United States by their parents without immigration authorization) – from the federal tax credit.[8,9] It is estimated that about one million immigrant children across the nation will lose the federal child tax credit.[10] As a result, many working immigrant families will likely see their federal tax liability increase under the new law.

New York responded to the federal changes in the 2018-2019 State Budget by decoupling the Empire State Child Credit from the 2017 Tax Cuts and Jobs Act, tying it instead to the federal law as it existed prior to the 2017 tax overhaul. This means that the amount of the Empire State Credit will not increase and expand in step with the federal credit, and will remain targeted to low and lower-middle income families. Specifically, the state credit begins to phase in when family annual income exceeds $3,000; the credit begins to phase out when family income exceeds $75,000 (or $110,000 for married filers filing jointly).[11] It also means that New York's immigrant families will remain eligible for the state credit – even though many of these families will lose eligibility for the federal credit under the new federal law.

By decoupling the Empire State Child Credit from the federal child tax credit, the Executive expects to avoid a $503 million annual revenue loss.[12] It is estimated that expanding the Empire State Credit to cover children under four would cost approximately $200 million; $400 million to double the credit for families with young children

The Empire State Child Credit should be expanded to cover the youngest New Yorkers, and provide them with a more robust credit.

The exclusion of New York's youngest children from a credit that exists to offset the high costs of raising children defies logic and should be fixed. Expanding the Empire State Child Credit to cover children 0 to 4, and bolstering the credit for the state's youngest, would bring this law in line with the growing body of research establishing how critical are the early years, and how investments in young children pay dividends for a lifetime.[13,14] It would also complement and build upon the steps the State has already made to target investment in our youngest New Yorkers by implementing its path-breaking First 1,000 Days on Medicaid initiative. Further, because the Empire State Child Credit is one of a very few supports available to many hard-working immigrant families – particularly now that they are ineligible for the federal child tax credit – it is critical for these families that their youngest children are covered.

New York should use the savings derived from the decoupling of the Empire State Child Credit from the federal child tax credit to expand the Empire State Child Credit to cover young children (under age four), and double the credit for these young children.

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