

## New York State's 2023-24 Budget Must Strengthen Refundable Tax Credits for Families: Powerful Tools to Cut Poverty and Inequity

The 2023-24 State budget should include tax relief for New York families who are struggling to make ends meet. Extensive, high-quality research finds that cash and near-cash benefits have short- and long-term impacts, increasing children's health, education, and future earnings, and decreasing costs on health care, child protection, and crime and that the value to society that flows from these impacts is over *seven times* the annual costs.

Flaws in the design of New York State's tax relief for families diminish their power to reduce child poverty, entirely excluding many of the state's children in the most dire need of economic support. New York's Empire State Child Credit is the only state child credit in the nation to exclude young children. The credit's minimum earnings requirement and phase-in exclude children in deepest poverty, disproportionately affecting Black and Hispanic children. New York State's Earned Income Tax Credit excludes immigrant taxpayers who file using an Individual Taxpayer Identification Number, rather than a Social Security Number.

The final budget should:

1. **Include children under age four in the Empire State Child Credit (ESCC)** (\$179 million). The exclusion of young children from New York's child credit runs contrary to overwhelming evidence of the outsized benefits of cash benefits to our youngest children. Both the Senate and Assembly one-house proposals include this eligibility expansion.
2. **Remove the Empire State Child Credit's minimum income requirement and phase-in** (\$50 million if the above proposal to include children under age four is approved). Black and Hispanic children are 1.75 and 1.6 times, respectively, more likely to be excluded from the Empire State Child Credit because of the income requirement than their white counterparts. Neither one-house proposal explicitly includes this, but the amount included in the Assembly one-house proposal to include children under four (\$225 million) is nearly enough to also remove the minimum income requirement and phase-in.
3. **Make New York's Earned Income Tax Credit (EITC) available to immigrant tax filers who file with an Individual Tax Identification Number (ITIN)**, rather than a Social Security Number (SSN). The Assembly includes \$65 million to expand eligibility to ITIN filers in 2025; the Senate one-house proposal would do the same.
4. **Increase the amount of the Empire State Child Credit and ensure that the lowest-income families and those with young children receive the most robust credit.** The Assembly adds \$288 million to extend last year's supplemental ESCC for 2024 and \$182 million to extend the supplemental EITC for 2024. These supplemental amounts should be tailored to reach those most in-need by including children under age four in the ESCC and removing the ESCC's minimum income requirement and phase-in.

The Working Families Tax Credit (S.277/ A.4022) would accomplish all of the above.

## Background about the Empire State Child Credit

Enacted in 2006, New York State's Empire State Child Credit provides eligible families up to \$330 annually per "qualified" child (children ages 4-16). The credit begins to phase in at \$3,000 of income and phases out after the current income limit threshold. Lower-income families receive less from the ESCC because of the phase-in and minimum income requirement; Black and Hispanic children are 1.75 and 1.6 times, respectively, more likely to be excluded from the Empire State Child Credit because of the income requirement than their white counterparts.

Nearly 1.4 million families received the credit for tax year 2019 at an average credit of \$447. The estimated cost of the ESCC, in the form of a reduction of All Funds revenue, was \$612 million in 2019.

New York State residents who file taxes using an Individual Taxpayer Identification Number (ITIN), rather than a Social Security Number (SSN) are eligible to receive Empire State Child Credit, in the amount of \$100 per qualifying child. The federal Child Tax Credit excludes ITIN filers.

## Background about Child poverty in New York State

Child poverty in New York exceeds the national rate, as it has for more than a decade. In 2021, approximately 747,000 children, nearly 20%, experienced poverty, with hundreds of thousands more living in families working hard to make ends meet. Children in Black and Hispanic families experience poverty at much higher rates than their white peers. State and federal income supports have long protected hundreds of thousands of New York children from experiencing the sharpest impacts of poverty – especially during the pandemic, when federal supports were dramatically expanded. However, as confirmed by New York's high child poverty rate, the benefits available to New York families and children are inadequate to meet the costs of basic necessities. With pandemic-enhanced supports ending, the number of children experiencing poverty and economic hardship is again on the rise.

### Empire State Child Credit, 2020



**1,358,226**

Total number of families receiving credit



**\$440**

Average credit per family



**\$0**

Excluded: children under age 4 and those living in extreme poverty

### State Earned Income Tax Credit (EITC), 2020



**1,240,500**

Total number of EITC claims



**\$964**

Average credit for family with 2 children



**\$0**

Excluded: young childless adults 18 through 24, New Yorkers living in extreme poverty, and many otherwise eligible immigrant New Yorkers