



**Child Poverty Reduction
Advisory Council**

Child Poverty Reduction Advisory Council Tax Policy Committee

Meeting 02 – October 3, 2023

Reminders – Administrative Items

- Meetings are being recorded and live streamed

Table of Contents

- I. **Overview** – Goals for Tax Policy Committee meeting
- II. **Recap** – Tax Policy Committee work and discussion to date
- III. **Discussion** – Urban Institute data modeling questions
- IV. **Looking Ahead** – Next steps
- V. **Closing** – Thanks

Overview

Overview

- **Committee Co-Chairs**

Marie Cannon, Erie County Department of Social Services

Kristin Dence, NYS Department of Taxation and Finance

Kate Breslin, Schuyler Center for Advocacy and Analysis

Missy Genadri, Children's Defense Fund

Goals for Tax Policy Committee Meeting

- Review notes from first committee meeting and confirm they capture previous discussion
- Finalize notes from first committee meeting
- Review questions from Urban Institute related to updated Microsimulation Modeling Summary
- Finalize responses to Urban Institute questions

Recap

Tax Policy Committee

Recap – Tax Policy Committee

- **The goals of CPRAC’s Tax Policy Committee are to develop consensus around specific ideas for potential tax policy reform that would help achieve significant reduction in New York’s child poverty rate. This includes:**
 - Discussing specific policy ideas and proposed interventions
 - Obtaining data on the relative child poverty-reduction effects of those ideas, where possible
 - Using that data to help prioritize ideas and policies for recommendation
 - Reporting the committee’s recommendations to the statutory members of CPRAC
- **In our first Tax Policy Committee meeting, we:**
 - Recapped contents of CPRAC’s Tax Policy orientation
 - Reviewed research and literature on evidence-based policies
 - Reviewed related first-hand experience of Council members
 - Began discussing specific ideas for potential tax policy reform

Recap – Tax Policy Committee

- **Our discussion focused on a few key policies, such as the Earned Income Tax Credit and the Child Tax Credit, which data shows have significant poverty-reduction effects**
 - For each of those policies, the committees discussed potential reform in four key areas:
 - value of credits (how much),
 - eligibility for credits (who receives),
 - accessibility of credits (how they are accessed on the client side), and
 - administration of credits (how they are implemented on the government side)
 - The following slides represent notes from the committee’s discussion on each of these areas related to the EITC and the CTC

Earned Income Tax Credit – Ideas

- **Specific suggestions related to EITC value:**
 - Increase percentage applied to the federal EITC for households with dependent children to determine the state EITC (currently 30%), in 10% increments to 100%
 - Increase percentage applied to the federal EITC for households without dependent children to determine the state EITC (currently 30%), in 10% increments to 100%
 - Adjust shape of EITC curve to encourage wage growth at the low end and avoid intersection of minimum wage and phase-out portion (i.e. ensure minimum wage remains within the phase-in or plateau portions of EITC curve)
 - Under the current structure, the value of the EITC for low income families has diminished as minimum wages have increased
 - Assess effects of indexing EITC to inflation

Earned Income Tax Credit – Ideas

- **Specific suggestions related to EITC eligibility:**
 - Expand ages of persons eligible to receive the federal EITC for households without dependent children (reduce minimum age to 21, raise maximum age to 66)
 - Expand state EITC to cover persons filing using an Individual Taxpayer Identification Number (ITIN), in all above scenarios
 - This would require decoupling the NYS EITC from federal credit
 - Ensure credit is targeted to low- and middle-income households, rather than higher-income households
 - If we changed the definition of who qualified for certain credits, thus eliminating the higher-income households, especially households who may not need it or for whom the credit was never intended, this would help achieve our goal of getting credits to the lower-income households who truly need them and offset part of the cost of any change we propose

Earned Income Tax Credit – Ideas

- **Specific suggestions related to EITC accessibility:**
 - Comprehensive outreach to under-enrolled communities
 - Targeted advertising and marketing
 - On-the-ground outreach and assistance
 - Strategic enrollment drives via pop-up sites, mobile vans, qualified partners, and more
 - Simplify enrollment process (documents easier to read, use of technology tools, etc.)
 - Auto-enrollment capabilities? i.e. giving the taxpayer the credit if it appears from their return filing that they qualify (computing the credit for them even if they did not claim on their return) – but this requires filing, so additional strategies would be needed to reach eligible households who may not file
 - Investments in free tax prep services providers/organizations?
 - More taxpayer filing assistance sites to help with tax return filing

Earned Income Tax Credit – Ideas

- **Specific suggestions related to EITC administration:**
 - Consider if alternative payment schedule is possible and/or advisable
 - Careful to avoid creation of taxable additional income
 - Careful to avoid adverse effects on eligibility for other key benefits
 - Less punitive audits
 - Fraud protection

Child Tax Credit – Ideas

- **Specific suggestions related to CTC value:**
 - Decouple Empire State Child Credit from federal credit
 - Minimum credit of \$100 per child
 - Assess effects of max credit of \$500, \$1000, \$1500, \$2000, \$2500, \$3000
 - Assess effects of indexing max credit value to inflation
 - Consider enhanced credit for youngest children
 - Consider adjustments based on family size (i.e. smaller credit for second, third children, etc.)
 - Fully refundable
 - Phase out on the same income schedule as the pre-2017 federal Child Tax Credit

Child Tax Credit – Ideas

- **Specific suggestions related to CTC eligibility:**
 - Close existing gaps in credit by including all households with a child under age 17
 - Governor Hochul closed this gap in the 2023/2024 Enacted Budget
 - Assess each of the above outcomes with and without a minimum income requirement/eliminating wage phase-in (i.e., as a tax credit to income tax filers or as a universal credit to all households with children regardless of whether the household had income or was required to file a tax return)
 - Ensure credit is targeted to low- and middle-income households, rather than higher-income households (i.e. earning over \$100,000 or claiming no income due to asset loss)
 - Changing the definition of who qualifies for certain credits (i.e. reducing credit for higher-income households) could help achieve our goal of targeting those credits to the lower-income households who truly need them and offset part of the cost of any change we propose

Child Tax Credit – Ideas

- **Specific suggestions related to CTC accessibility:**
 - Comprehensive outreach to under-enrolled communities
 - Targeted advertising and marketing
 - On-the-ground outreach and assistance
 - Strategic enrollment drives via pop-up sites, mobile vans, qualified partners, and more
 - Simplify enrollment process (documents shorter easier to read, use of technology tools, etc.)
 - QR code link to eligibility assessment page, with basic questions and instructions?
 - Could we consider anything close to auto-enrollment? i.e. for households that file, giving the taxpayer the credit if it appears from their return filing that they qualify (computing the credit for them even if they did not claim on their return)
 - Additional strategies needed to reach eligible households who may not file
 - Investments in free tax prep services providers/organizations?
 - More taxpayer filing assistance sites

Child Tax Credit – Ideas

- **Specific suggestions related to CTC administration:**
 - Consider if alternative payment schedule is possible and/or advisable
 - Careful to avoid creation of taxable additional income
 - Careful to avoid adverse effects on eligibility for other key benefits
 - Fraud protection

Discussion

*Urban Institute data modeling
questions*

Data Modeling – Overview and Status

- As we have discussed, nationally-recognized researchers at Urban Institute who helped develop NAS “Roadmap” are conducting comprehensive analysis of poverty in NYS, including microsimulation modeling
 - Analyzing baseline (“before”), where NYS is now (as of the Enacted 2023/24 Budget), and the projected impacts of several different policies (individually and in combination)
 - Completed baseline analysis (using 2019 data as baseline) – posted on our website
 - Preliminary analysis of recently enacted policies – posted on our website
 - Full analysis of recently enacted policies – underway
 - Estimates of effects of proposed policies – preparing to begin

Data Modeling – Tax Policy Ideas

- We shared the list of ideas from our first committee meeting with Urban Institute so they could update the policy proposals they will be modeling where possible
 - UI reviewed the list of ideas
 - UI responded with questions about certain ideas, seeking additional clarity and specificity
 - Answers will inform the proposals that they will model and how they approach those proposals
 - The following slides include UI's questions about specific ideas raised by the committee

Data Modeling – EITC question

- “Indexing the maximum EITC value to inflation”:
 - The federal level EITC is generally indexed for inflation using the chained CPI-U. Since the state EITC is a percentage of the federal, the state EITC would also be inflated, in effect, every time the federal EITC is inflated. Is the intent of this policy idea to change the method of indexation in some way?

Data Modeling – EITC question

- “Adjust shape of EITC curve to ensure that household with one New Yorker working full-time for a full year at minimum wage level (up to \$17) remains within the phase-in or plateau/flat portions of EITC curve, rather than intersecting with the phase-out as it currently does”
 - Do you want to apply this change to tax units with children and for workers without qualifying children? Note that a much larger modification would be needed to apply this to workers without qualifying children.

Data Modeling – CTC question

- “Decoupling the NYS credit from the federal credit”
 - Do you envision retaining SSN for eligibility, and AGI points for phase-out beginning and end points?

Data Modeling – CTC question

- **“Assess effects of a max credit in \$500 increments, from \$500 up to \$3000 per child”**
 - This request going to produce several workbooks of results that are unwieldy and may not provide many significant differences in terms of what the data offers us. Modeling each value will have costs (time, funds). If we had to pick two or three increments to model, which would you pick?

Data Modeling – CTC question

- **“Consider an enhanced credit for younger children, or adjustments based on family size”:**
 - Do you have specific parameters in mind or should Urban recommend some?
 - Given the number of policy simulations requested overall, should we consider setting aside these suggestions for now and focusing on modeling the overall credit increase, etc.?
 - Alternatively, should we consider increasing the credit to \$1000 (or some other increment we choose) only for the youngest children, and leaving the existing credit as-is for the older children?

Looking Ahead

Next Steps

Next Steps – 2023

- **CPRAC statutory members will issue progress report**
 - Recapping Council's work to date
 - Overview of research presented and evidence-based solutions discussed
 - Status update on the work of each committee and the direction CPRAC is moving overall

Next Steps – Big Picture

- **Committees will continue to meet to discuss and develop consensus in each policy area**
 - Providing answers/clarity to UI will enable them to begin modeling proposed tax policies
 - Once they get us data, committee will reconvene to review data and develop priorities/rank, with a focus on child poverty reduction
 - Committee will report consensus priorities back to CPRAC statutory members for consideration
- **Statutory members will review all committees' recommendations and develop policy packages, modeling the combined effects/interactions of proposals grouped together**
 - Big picture goal: determine which combination of policies could reduce child poverty by 50%

Closing

Closing

Questions? Comments? Feedback?

Thank you!