

Tax Policy Committee – Draft Notes and Ideas from 6/2 Committee Meeting

Earned Income Tax Credit

Value

1. Increase percentage applied to the federal EITC for households with dependent children to determine the state EITC (currently 30%), in 10% increments to 100%
2. Increase percentage applied to the federal EITC for households without dependent children to determine the state EITC (currently 30%), in 10% increments to 100%
3. 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
4. Assess effects of indexing EITC to inflation

Eligibility

1. 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)
2. 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
3. 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

Accessibility

1. 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
2. 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
3. Investments in free tax prep services providers/organizations?
 - More taxpayer filing assistance sites to help with tax return filing

DRAFT – NOTES

September 2023

Administration

1. Consider alternative payment schedule
 - Monthly or quarterly payments, post-filing? Or stick to annual lump sum tax return?
 - Irv Garfinkel says: **not worth a State pioneering alternative payment model** ahead of Feds, which can be practically very challenging especially for States that face greater data challenges than Feds – instead keep payment plan as-is and focus on reaching people who don't currently file
 - Kristin Dence says: if we considered a CTC increase via a supplement, similar to how we supplemented in 22/23 Budget, could potentially pay out that supplement in parts – separate from lump sum annual tax rebate
2. Careful to avoid creation of taxable additional income, which would undermine original goal
3. Careful to avoid adverse effects on eligibility for other key benefits
4. Less punitive audits
5. Fraud protection

September 2023

Child Tax Credit

Value

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

Eligibility

- ~~1. Close existing gaps in credit by including all households with a child under age 17~~
2. 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)
3. 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)
 - a. 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

Accessibility

1. Comprehensive outreach to under-enrolled communities
 - o Targeted advertising and marketing
 - o On-the-ground outreach and assistance
 - o Strategic enrollment drives via pop-up sites, mobile vans, qualified partners, and more
2. Simplify enrollment process (documents shorter easier to read, use of technology tools, etc)
 - o QR code link to eligibility assessment page, with basic questions and instructions?
 - o Could we consider anything close to auto-enrollment? 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 is a strategy that would reach households who file, so additional strategies would be needed to reach eligible households who may not file
3. Investments in free tax prep services providers/organizations?
 - o More taxpayer filing assistance sites to help with tax return filing

September 2023

Administration

1. Consider alternative payment schedule (note: advance payments pre-filing are **not possible**)
 - Monthly or quarterly payments, post-filing? Or stick to annual lump sum tax return?
 - Irv Garfinkel says: **not worth a State pioneering alternative payment model** ahead of Feds, which can be practically very challenging especially for States that face greater data challenges than Feds – instead keep payment plan as-is and focus on reaching people who don't currently file
 - Kristin Dence says: if we considered a CTC increase via a supplement, similar to how we supplemented in 22/23 Budget, could potentially pay out that supplement in parts – separate from lump sum annual tax rebate
2. Careful to avoid creation of taxable additional income, which would undermine original goal
3. Careful to avoid adverse effects on eligibility for other key benefits, such as loss of SNAP
4. Fraud protection

Additional Notes

- Chris Wimer – referenced paper assessing effects of monthly payments of Child Tax Credit, will circulate
- Kate Breslin – requested additional data on existing credits, including recent changes to credit and who is effected/how many in poverty, which we are working with Tax on
- Kristin Dence – noted that in addition to eligibility/accessibility, we should be mindful of other receipt-related challenges preventing credits from getting to eligible families (even after they have successfully applied and filed)
 - Currently, when a taxpayer files a return, NYS sends their refund to the address on the return (check) or to the bank account number provided (direct deposit). If the refund is issued in close proximity to the filing, the likelihood of the taxpayer getting the refund (or for low-income families, getting the credits due to them) is pretty high. The further away payments are issued from the filing date, the lower the success rate, as taxpayers may move and bank accounts change.
 - See May 5 2023 report from NYS Department of Financial Services (DFS): ACCESS TO FINANCIAL SERVICES IN NEW YORK: A REPORT ON UNBANKED AND UNDERBANKED COMMUNITIES AND HOUSEHOLDS IN NEW YORK, PURSUANT TO CHAPTER 183 OF THE LAWS OF 2022
 - Another challenge is where and how refunds are deposited (such as in tax preparer/other-owned bank account vs a taxpayer-owned bank account). For example, with the supplemental payments related to the EITC and CTC: While taxpayers could request their original CTC and/or EITC refund last year via direct deposit or paper check, the supplemental checks were all issued via paper check, regardless of whether the taxpayer's requested direct deposit on their original return filing. This was done in part due to the inability to differentiate between a taxpayer-owned bank account vs a preparer/other-owned bank account. Approx. 2.5% of those checks were sent back as "nixie" which means it was undeliverable as addressed.