



**Child Poverty Reduction  
Advisory Council**

# **Child Poverty Reduction Advisory Council Tax Policy Committee**

Meeting 01 – June 2, 2023

# Reminders – Administrative Items

- Meetings are being recorded and live streamed

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# Welcome

# Welcome

- **Committee Co-Chairs** – Remarks

*Marie Canon*, 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

- **Committee Members** – Introductions

- Name, where you are from, and overview of your organization

- Experience with child poverty, tax policy, what interests you about this Committee

# Goals for Tax Policy Committee Meeting

- Review procedural / organizational matters
- Recap of evidence-based research discussed by CPRAC
- Begin discussion of Child Tax Credit and Earned Income Tax Credit reform options
- Outline next steps, goals

# CPRAC

## Tax Policy Committee

*Procedure and Organization*

# Recap – Child Poverty Reduction Act

- Declares poverty is a problem and a policy priority in NYS
- Creates the Child Poverty Reduction Advisory Council (CPRAC)
  - Sets out broad structure of Council, including statutory appointments
- Charges CPRAC with:
  - studying child poverty in NYS,
  - developing recommendations for reducing child poverty by 50% over 10 years
  - measuring and reporting on progress towards that goal



# Recap – CPRAC

- **17 statutory members**
- Agreed on need for additional expertise, and greater experiential, geographic, and demographic diversity
- Additional members serve as “advisory experts” - not as voting members
- Advisory experts will participate in CPRAC mission via committee structure

# Committees – Procedure and Organization

- **Tax Policy Committee is one of five subject-area committees**
  1. Tax Policy, 2. Public Benefits, 3. Housing, 4. Employment/Wages, 5. Childhood
- Each committee will convene after the statutory members of CPRAC have met for orientation on each subject. Subjects covered so far include:
  - Tax Policy
  - Housing
  - Employment/Wages
- Based on these CPRAC orientations, evidence-based research, and comprehensive data analyses, committees will help develop specific recommendations in each policy area:
- Each committee will determine their form and function as a group, including schedule

# Tax Policy Committee – Organizational Goals

- **Governing policies and procedures:**
  - Open Meetings Law
  - Videoconferencing Policy
  - Committee convene independently of the larger body
- **Organizational questions to resolve:**
  - Recommendations due to larger CPRAC group when?\*
  - In Person/Virtual/Hybrid
  - Cadence of Meetings, Length of Meetings
  - Adding agenda items
- \*CPRAC report incorporating all subject-area recommendations to be released by end of 2023

# Recap

## *Tax Credits*

# Recap – CPRAC work to date

- **In meetings of CPRAC statutory members, we've begun exploring each key policy area**
  - To orient members, we presented research on anti-poverty proposals in each topic area
  - We also heard from Council members with lived experience in each topic area
  - For each topic area, we began discussing reform options to reduce child poverty
- **Through this process, our goal as a group has been to:**
  - Learn from leading scholars in the field
  - Learn from New Yorkers who've interacted with relevant policies
  - Establish shared foundation of facts: context, data, evidence, opportunities
- **CPRAC discussed Tax Policy on January 12 – started with focus on Child Tax Credit:**
  - Committee will build on the facts established in CPRAC's orientation/exploration of CTCs
- **CPRAC discussed Employment/Wages on May 17 – included the Earned Income Tax Credit:**
  - Committee will build on the facts established in CPRAC's orientation/exploration of the EITC

# Recap – Poverty in New York

- CPRAC is using Supplemental Poverty Measure (SPM) as key metric
- As of 2019, 3 million+ New Yorkers (~16% of all New Yorkers) are living in poverty\*
  - **745,000 New Yorkers under age 18 (~19% of all New Yorkers <18) live in poverty**  
*\*At or below the 100% Supplemental Poverty Rate, using the ACS-based SPM*
- Based on available public data and internal analyses, rough snapshot of demographic breakdown of child poverty in New York (<100 percent ACS, <18 years old):
  - >18 percent of children in NY are living in poverty or nearly 1 in 5
  - Percent in poverty increases to 25 percent for black New Yorkers, 23 percent for Hispanic New Yorkers
  - Almost 3x as many white children in poverty outside of NYC as in NYC
  - ~60 percent of children in poverty live with at least one employed parent
  - ~60 percent of children in poverty live with only one parent
- Researchers at Urban Institute are developing updated comprehensive poverty data for NYS

# Recap – Child Tax Credit

- A tax credit is an amount of money taxpayers can subtract from any income taxes they owe
- If a tax credit is refundable and the credit exceeds the amount they owe, the remaining balance will be refunded to the taxpayer
- A child tax credit is a tax credit that can be claimed/received by families based on the number of children they have
- The Federal Child Tax Credit was created in 1997 to help offset the cost of raising children
- The American Rescue Plan Expansion of 2021 increased the Child Tax Credit amount; made credit fully refundable, eliminated the wage phase-in and included the youngest and most disadvantaged children

# Recap – Child Tax Credit

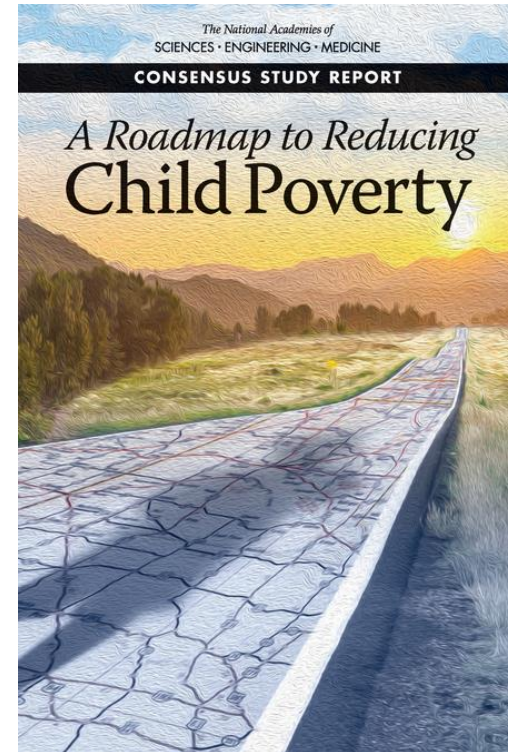
- In CPRAC’s orientation on Child Tax Credits, we explored research findings and real-world implementation data that show Child Tax Credits can significantly reduce poverty:
  - In 2019, NAS “Roadmap to Reduce Child Poverty” projected that one monthly Child Allowance option would reduce child poverty in New York State by at least 40%
  - In 2021, the expansion of the Federal Child Tax Credit under ARP reduced poverty by 40%+ nationally and generated over \$1B of increased economic activity in New York – and poverty increased 40% when expansion ended
  - Research shared by CPSP showed different versions of a CTC have different effects (current ESCC reduces child poverty by 5.5%; increasing to \$1000/child could reduce child poverty by 16%; increasing to \$4200/child could reduce child poverty by 50%, etc.) with different benefits for society (\$2.8B investment results in \$17B in benefits to society)



# Research Recap – National Academy of Sciences’ “Roadmap” on a Child Tax Credit

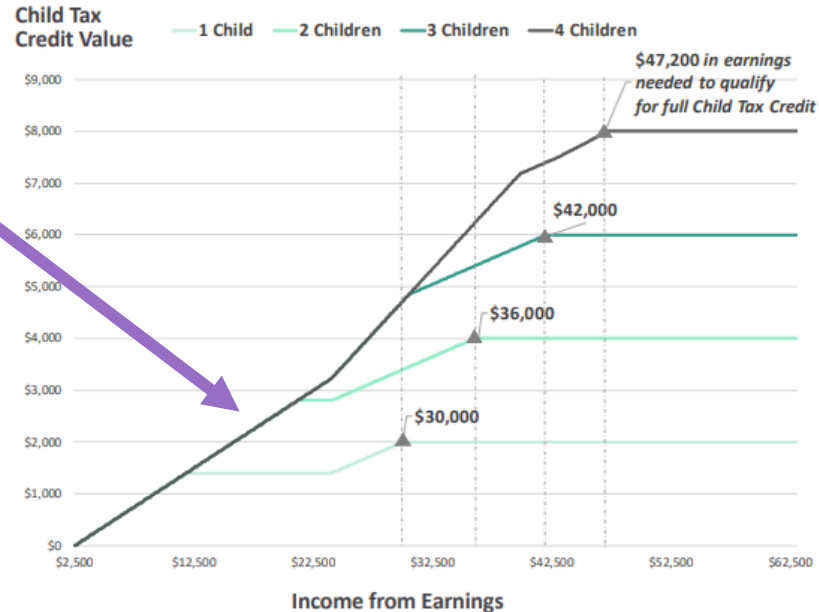
- Proposals to replace federal child tax credits with a monthly “child allowance” also significantly reduced child poverty in NY by at least 24 percent
- Providing families with a \$250 per child monthly benefit (see Option #2 below) reduced child poverty in NY by 40.8 percent
- Of all proposals considered by NAS, this proposal had the greatest impact reducing child poverty in NY and is the only proposal that on its own came closest to achieving the 50 percent poverty reduction goal in NY

Package or Policy	Description	Percent change from 2015 Baseline
		100% SPM
Child Allowance Policy <i>Option #1</i>	Pay a monthly benefit of \$166 per child (up to \$2,000 per year) to the families of all citizen children under age 17 (same phaseout schedule as Child Tax Credit)	-24.0%
Child Allowance Policy <i>Option #2</i>	Pay a monthly benefit of \$250 per child (up to \$3,000 per year) to the families of all citizen children under age 18 (phased out between 300 and 400% of poverty)	-40.8%



# Research Recap – Columbia University's Center on Poverty and Social Policy

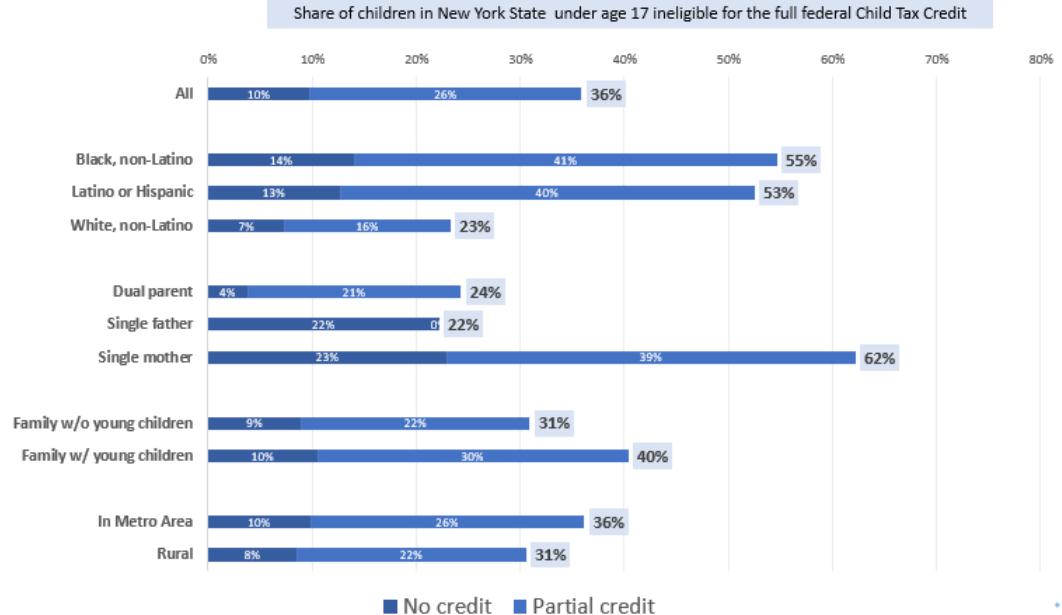
CPSP explained how the federal CTC phases in with earnings, so families don't receive the full credit until their earnings hit a certain level (varies by family size)



# Research Recap – Columbia University’s Center on Poverty and Social Policy

Same patterns hold when looking the federal credit in New York State

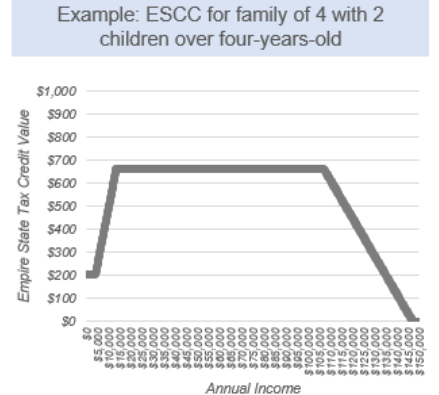
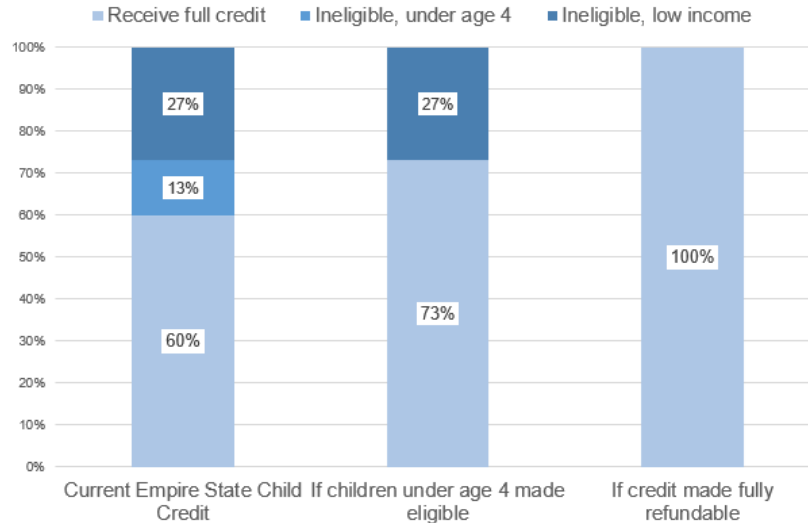
CPSP presented data on how structure of the Federal Child Tax “leaves behind” or exclude 1 of 3 children in the U.S.



# Research Recap – Columbia University's Center on Poverty and Social Policy

CPSP shared their research on New York's Empire State Child Credit (ESCC) and potential areas for reform to reach more families in need

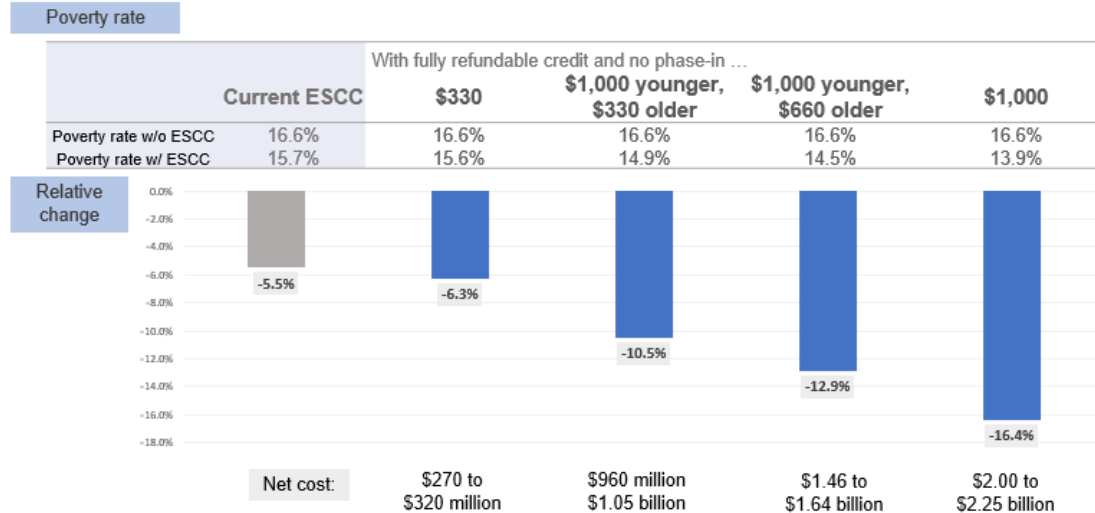
**40% of children** in families with incomes below \$110k/\$75k receive **only partial credit** (ineligible for full credit) because their household is in the phase-in OR **no credit at all** because their earnings are too low or their children are too young



# Research Recap – Columbia University’s Center on Poverty and Social Policy

CPSP also shared their models of the projected poverty-reduction impacts of different ESCC reforms

## Potential anti-poverty effects of expansions to the Empire State Child Tax Credit, All children

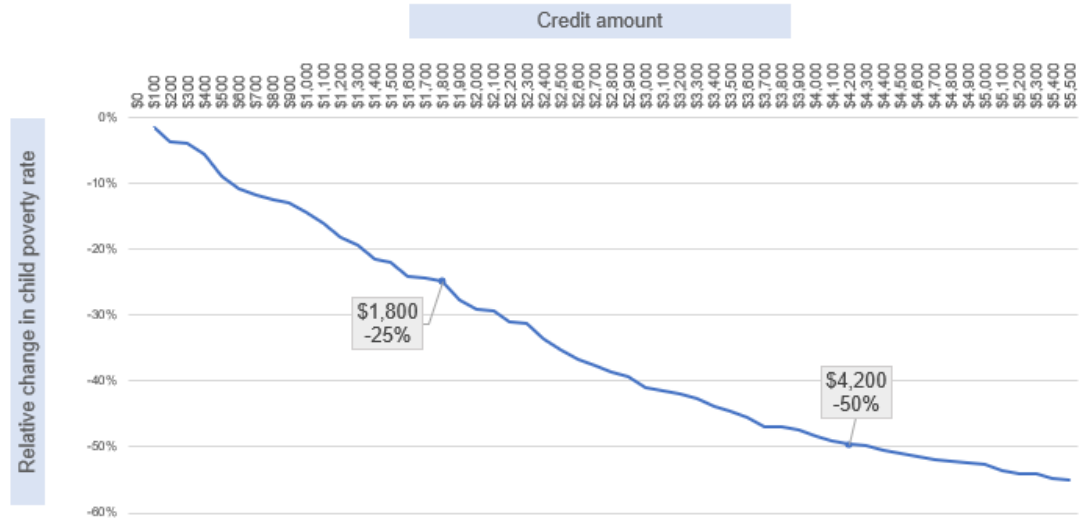


\*\*Younger children include those under age 6, older children, those ages 6-16; cost ranges related to phase-out rate assigned to credit.

# Research Recap – Columbia University's Center on Poverty and Social Policy

CPSP also used these models to project what CTC would be required to reduce child poverty by 25% and 50%

**What credit amounts could reduce child poverty in New York State by 25% or by 50%?**  
Example 1: Increase credit for all children



Source: CPSP & ITEP (2022)

# Research Recap – Columbia University’s Center on Poverty and Social Policy

- **According to CPSP, research shows that Child Tax Credits are “internal improvements,” which support society/the economy – with similar returns as investments in education and health:**
  - Extensive, high quality research finds that cash and near-cash benefits increase children’s health, education, and future earnings, and decrease costs on healthcare, child protection, and crime
  - The value to society that flows from these impacts is over seven times the annual costs
  - Expanding the Empire State Tax Credit to \$1,000 per child for all children in New York State under 17, with the exception of high-income families, would cost about \$2.8 billion per year and would generate about \$17 billion in benefits to society per year

# Research Recap – Columbia University’s Center on Poverty and Social Policy

Translating benefits of \$1,000 increase in household income to aggregate benefits to society

CPSP outlined the range of benefits/returns to society generated by an investment in increasing the Child Tax Credit, including:

- immediate poverty reduction
- improved lives
- better outcomes
- economic savings

<p><b>Future earnings of children</b></p>	<p><b>Involvement with child protections</b></p>	<p><b>Crime</b></p>
<p><b>\$5.2 billion</b> in benefits to society</p>	<p><b>\$90 million</b> in benefits to society</p>	<p><b>\$3.3 billion</b> in benefits to society</p>
<p><b>Children’s health and longevity</b></p>		<p><b>Parent health</b></p>
<p>Neonatal mortality, health in childhood, health in adulthood, longevity, and decreased spending on health <b>\$10.0 billion</b> in benefits to society</p>		<p><i>Health, longevity, and decreased spending on health</i> <b>\$381 million</b> in benefits to society</p>

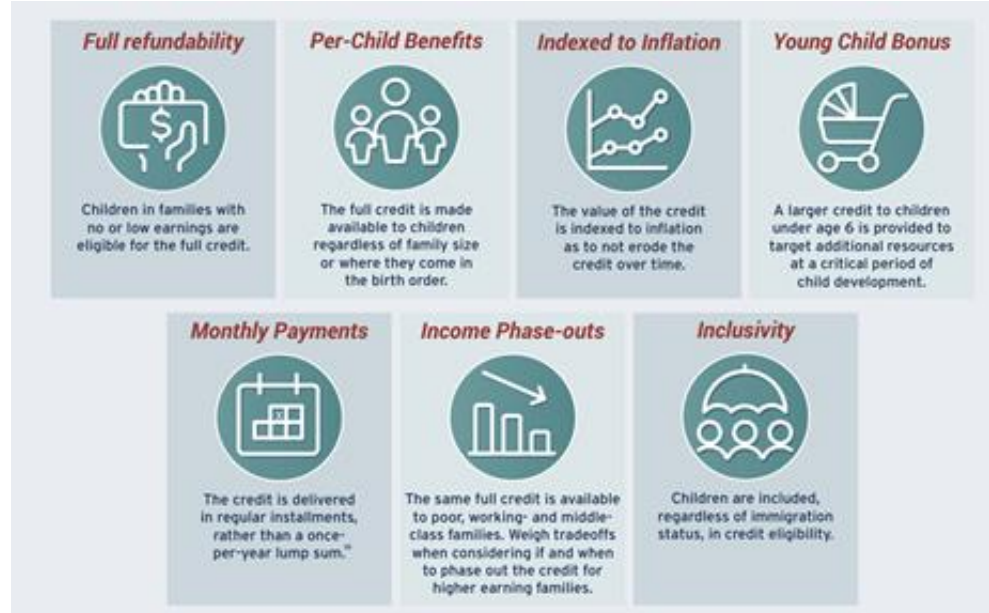


# Research Recap – Columbia University's Center on Poverty and Social Policy

- According to CPSP, an inclusive child tax credit should be a significant component part of any large-scale effort significantly reduce poverty:
  - New York State loses billions of dollars a year in productivity due to child poverty
  - New York's current child credit (ESCC) leaves out 40% of the highest need children
  - If NY can reduce poverty by reforming credit: larger, more inclusive credit = greater poverty reduction
  - Investing in youngest, low-income children is among highest-return social investments gov't can make
  - Child credit is effective poverty-reduction tool because of administrative efficiency, effectiveness in transferring income to families in need, and overall returns to society

# Research Recap – CTC Reform Options

- CPSP presented several examples of reform options to consider for New York’s Empire State Child Credit that would help it reach and uplift more families in poverty:



# Recap – Earned Income Tax Credit

- EITC is a refundable tax credit that supplements workers' low wages
  - Can claim/receive credit if you have earnings below certain level, which provides an annual infusion of \$ that increase overall income
- Complicated history – created in the 1970s as alternative to President Nixon's Family Assistance Plan
  - EITC prioritizes/incentivizes work (originally devised by legislators who wanted to maintain structural racism in the labor market)
- Program has grown over the years, due to bipartisan support – now one of largest cash-transfer programs in the U.S., with many positive effects
  - Higher take-up rate (80%) when compared to the 30-60% take-up rate typical of means-tested programs

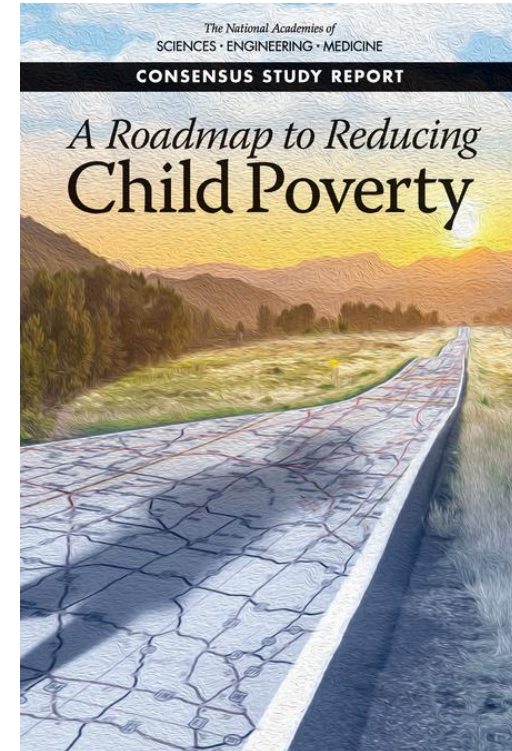
# Recap – Earned Income Tax Credit

- In CPRAC’s orientation on Employment/Wages, we explored research findings and real-world implementation data that show the EITC can significantly reduce poverty:
  - According to the IRS, in TY2019, 1.6 million New Yorkers claimed the EITC (81.4% of taxpayers eligible) and received an average benefit of **\$2,330**, less than the national average (\$2,461)
    - While the take-up rate in NYS (81.4%) is higher than the national average take-up rate (80%), the average benefit amount in NYS (\$2,330) in 2019 was below the national average (\$2,461) and far lower than average amounts in Mississippi (**\$2,903**), Alabama (**\$2,812**), Louisiana (**\$2,873**), and Texas (**\$2,736**)
  - In 2019, NAS “Roadmap to Reduce Child Poverty” projected that increasing EITC payments would reduce child poverty in New York State by at least 9%

# Research Recap – National Academy of Sciences “Roadmap” on the EITC

- NAS’ “Roadmap” explored two reform options for the Earned Income Tax Credit, which each increased EITC payments (higher credit value) in different ways
- Increasing EITC payments by 40% (Option #2 below) was projected to reduce child poverty in NY by more than 18%

Package or Policy	Description	Percent change from 2015 Baseline
		100% SPM
EITC Policy Option #1	Increase payments along the phase-in and flat portions of the EITC schedule	-9.9%
EITC Policy Option #2	Increase payments by 40 percent across the entire schedule, keeping the current range of the phase-out region	-18.4%

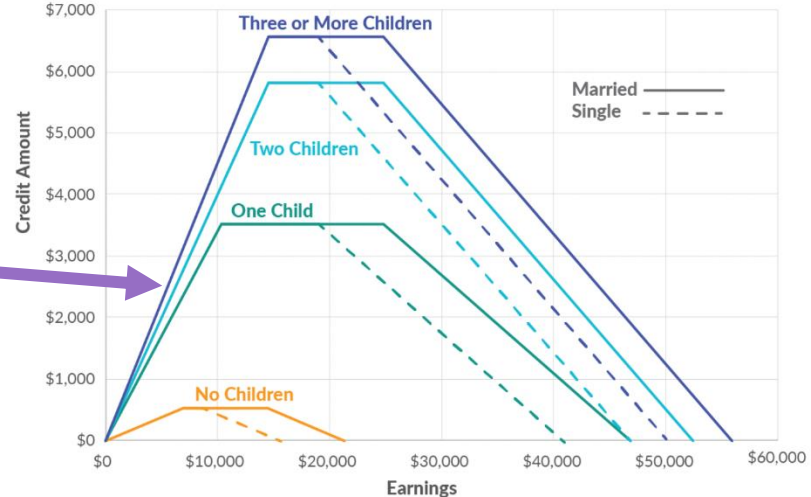


# Research Recap – Georgetown University McCourt School of Public Policy

Dr. Pamela Herd from the McCourt School of Public Policy at Georgetown University explained how the EITC operates: as an individual earns more money from working, the credit they can receive increases up to a point, then plateaus before phasing out as income continues increasing – which is meant to incentivize work for people who are not working, encouraging an increase in earnings from \$0

## The Phase-In and Phaseout of the EITC

Credit Amount by Marital Status and Number of Children



Source: Amir El-Sibaie, "2019 Tax Brackets," Tax Foundation, Nov. 28, 2018.

TAX FOUNDATION

@TaxFoundation

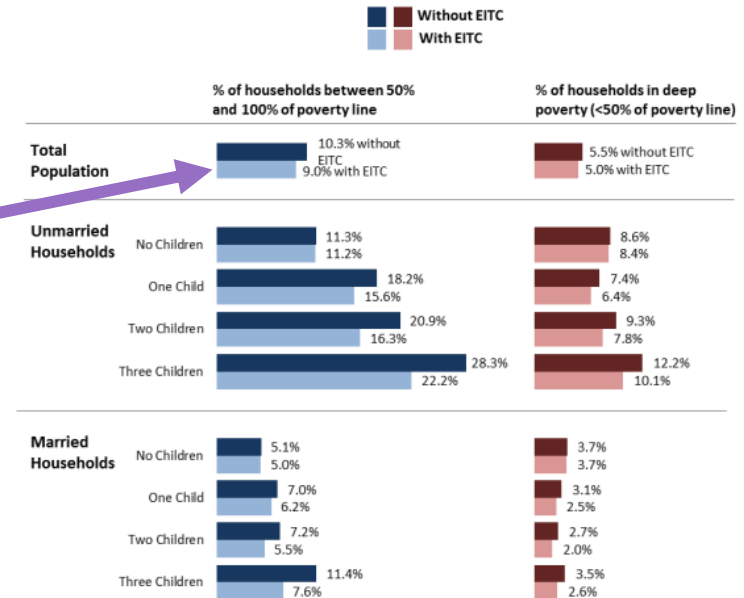


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# Research Recap – Georgetown University McCourt School of Public Policy

Dr. Herd explained that the EITC is effective at reducing poverty, citing Census data that showed the EITC lifted more than 5.6 million Americans, including over 3 million children, out of poverty in 2018 – and congressional analyses have shown the EITC reduced poverty by ~ 13%

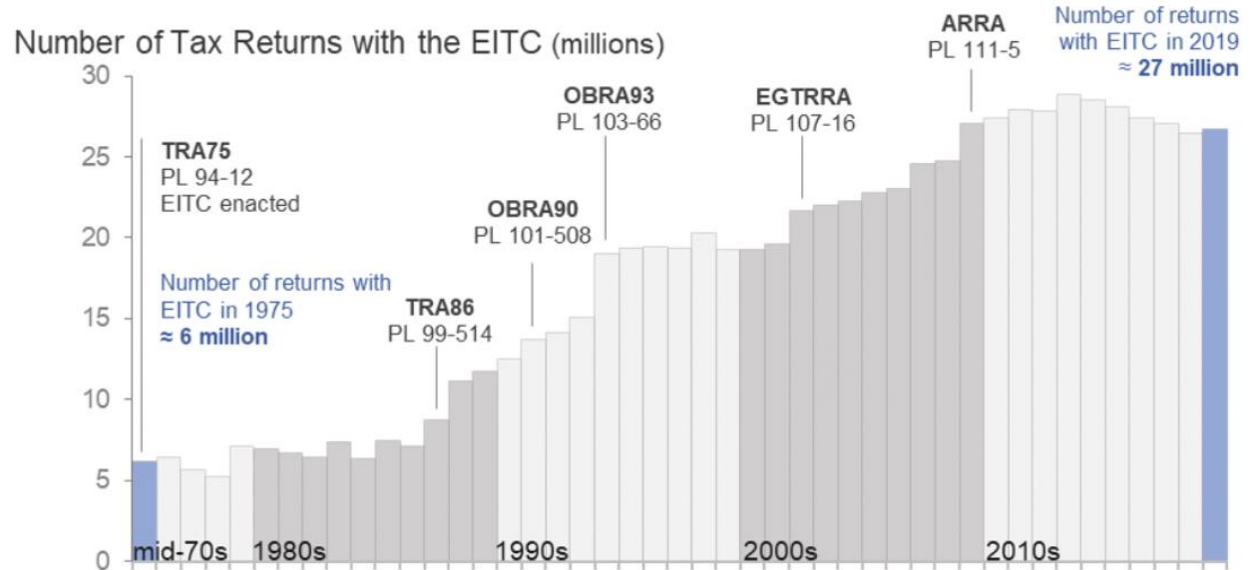
Figure 3. Estimated Effects of EITC on Households in Poverty and Deep Poverty, 2016



Source: CRS analysis of the 2017 Current Population Survey (CPS) Annual Social and Economic Supplement (ASEC) which reflect 2016 data.

# Research Recap – Georgetown University McCourt School of Public Policy

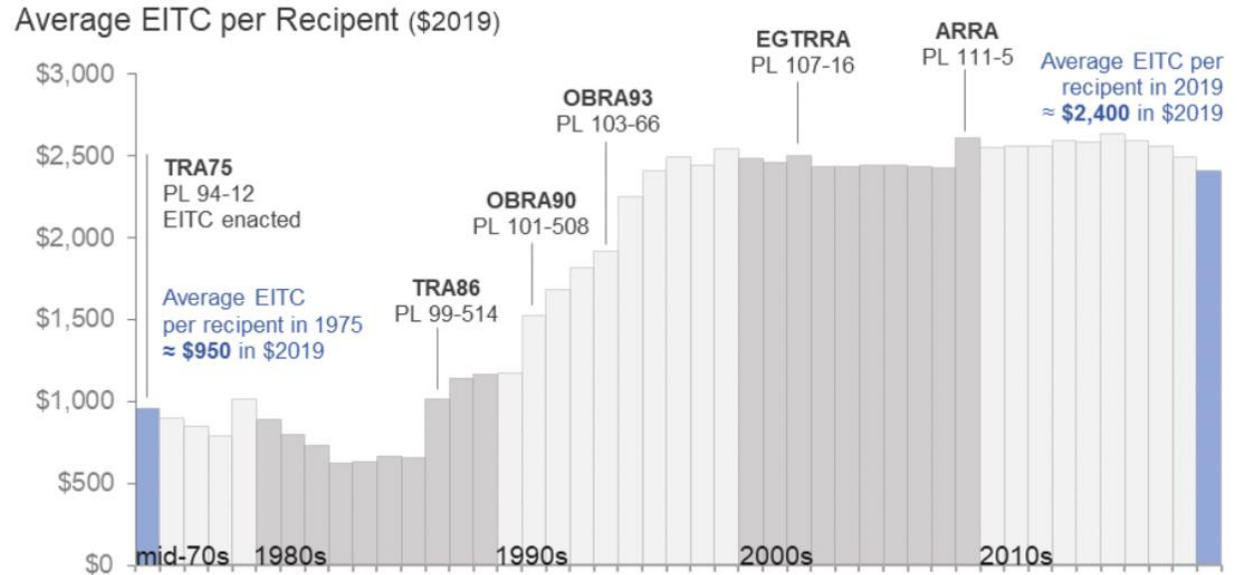
Dr. Herd outlined how the EITC has been expanded to reach more Americans since inception – due to broad support from Republicans, Democrats, businesses, employers, and the tax prep industry





# Research Recap – Georgetown University Mccourt School of Public Policy

Dr. Herd showed how the credit amount has changed over time – growing as the program was expanded in the 1980s and 90s, and leveling off by the 2000s and remaining at roughly the same level since then



# Research Recap – Georgetown University McCourt School of Public Policy

- According to Dr. Herd, the way the program is currently structured presents challenges for applicants and existing recipients:
  - Confusing for eligible populations
  - Concealed within the tax system
  - Complicated design causes errors
  - Audits can be hard to navigate and overly punitive (40% of appealed audits found in favor of recipient)

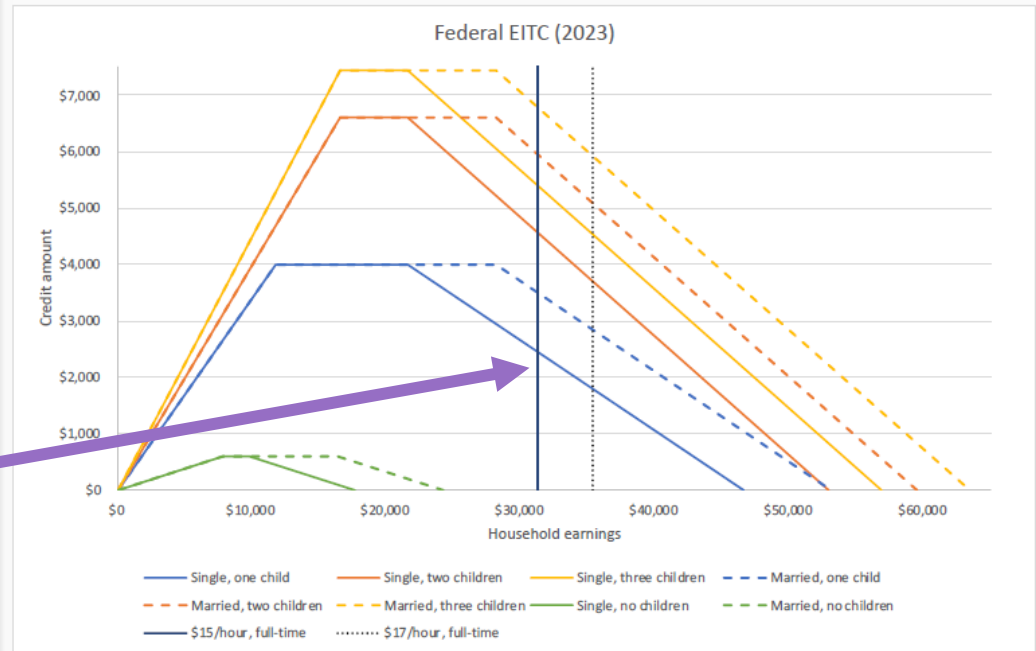
# Research Recap – Niskanen Center

## Federal EITC

Maximum credit ranges from \$600 to \$7,430 depending on income and household size

Indexed for inflation

Dr. Josh McCabe from the Niskanen Center also shared data on the Federal EITC design, demonstrating how the EITC's current curve interacts with New York's minimum wage



# Research Recap – Niskanen Center

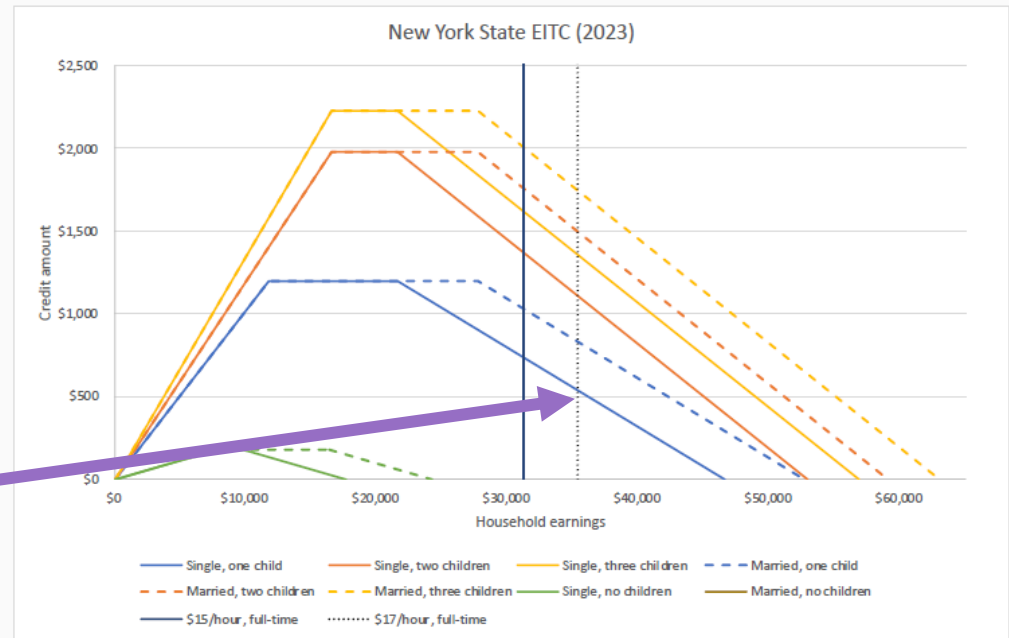
## New York State EITC

Set at 30% of federal EITC

Maximum credit ranges from \$180 to \$2,229 depending on income and household size

Indexed for inflation

Dr. McCabe also showed how New York's EITC is based on/conditioned on the Federal credit, representing a percentage of that credit, with same structure – and similar interactions with New York's minimum wage



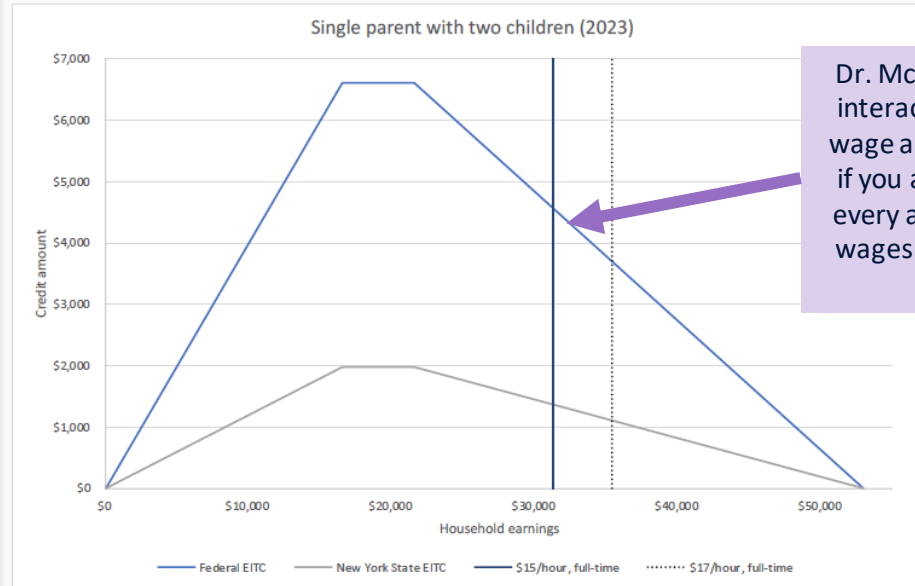
# Research Recap – Niskanen Center

## Layered impact

New York's \$15/hour minimum wage puts a full-time worker with children in the phaseout range for these programs.

Each additional dollar earned reduces benefits by:

- Federal EITC: 21.06%
- State EITC: 6.32%



Dr. McCabe then outlined how the interaction between the minimum wage and EITC affects New Yorkers: if you are earning minimum wage, every additional dollar you make in wages reduces the amount of EITC you can receive

# Research Recap – Niskanen Center

## Cumulative impact of rising wages

EITC phaseouts claw back 27.38% of every additional \$1 earned in this range.

- Functionally, value of \$2/hour increase reduced to \$1.45/hour.
  - This does not include other tax provisions (federal/state income taxes; NYC EITC), childcare programs (CDCTC; CDCC), or SNAP. Clawbacks would climb to 50%+ in this earnings range.

	\$15/hour, FT	\$17/hour, FT	\$ Change
Earnings	\$31,200	\$35,360	\$4,160
Federal CTC	\$4,000	\$4,000	\$0
State CTC	\$660	\$660	\$0
Federal EITC	\$4,574	\$3,698	(\$876)
State EITC	\$1,372	\$1,109	(\$263)
<b>Total</b>	<b>\$41,806</b>	<b>\$44,827</b>	<b>\$3,021</b>

Dr. McCabe explained that while you may get a raise in wages, the effect on your overall resources is less than it appears because of how these policies interact – in this example, instead of earning \$4,100 more dollars due to the wage increase, you only take home \$3,000 more dollars due to the decreased/lost EITC

# Research Recap – EITC Reform Options

- **Dr. Pamela Herd (Georgetown University) and Dr. Joshua McCabe (Niskanen Center) presented several examples of reform options to consider for New York’s EITC that would help it reach and uplift more families in poverty:**
  - Make the EITC more accessible
  - Expand the EITC
  - Consider adjusting overall structure of EITC – shape of curve, phase-out, etc.
  - Consider how other tax credits, such as the Empire State Child Credit, avoid intersection with minimum wage – any lessons to draw in terms of program design, resource allocation, etc.

# Recap – Lived Experience

- While the projected impacts of programs like these are very important, we also need to hear directly from New Yorkers that have experienced poverty and utilized related programs
- Often gaps between models that assume 100% uptake (and its associated impact), versus real-world implementation where programs may not reach all eligible families
- In addition to designing anti-poverty programs more effectively (via expansions, increases, etc.), must ensure that eligible families know that help is available - and know how to apply and enroll
- Recommendations must incorporate the perspectives of our Council members and other New Yorkers with lived experience



# Recap – Lived Experience

- **CPRAC statutory members who've lived in poverty provided testimonials about their experiences with Child Tax Credits and related/similar benefits**
- Pamela Walcott (New York City):
  - Eligible for child tax credit but not aware of it
  - Difficulties applying for, accessing, and maintaining benefits
    - Denied for eligibility for many years
    - Didn't receive benefits until moving out of shelter in 2022, with shelter provider's help
- Candace Cabral (Rochester):
  - Received benefits for many years, including public benefits and child tax credit
  - Difficulties applying for, accessing, and maintaining benefits
    - Challenges navigating complex language
    - Hard to gather documentation
  - Trusted and accessible community-based organizations/services helped with credit application process, making it much easier than DSS process

# Recap – Recent Tax Credit Changes

- **Child Tax Credit:** the recently passed FY2024 Budget expanded the Empire State Child Credit to add children under 4 years old, who were previously excluded
  - Provides \$179 million in total support for over 525,000 low and middle-income taxpayers, reaching nearly 630,000 additional children

# Discussion

## *Tax Credits*

# Child Tax Credit: Key Reform Options

- As presented by CPRAC and recapped earlier, there are several options to consider for reforming New York's Empire State Child Credit:
  - ~~Expanding credit to include all children (adding 0-4)~~
    - *Governor Hochul closed this gap in the 2023/2024 NYS Budget, adding children 0-4*
  - Eliminate phase-in based on wages (ensuring lowest-income households receive full credit)
  - Increase per-child amount of the credit (consider enhanced credit for youngest children)
  - Index value of credit to inflation (prevents erosion over time)
  - Alternative payment models (more regular than once per year)
- Each reform option and policy iteration will have different poverty-reduction/cost impacts

# Earned Income Tax Credit: Key Reform Options

- As presented by CPRAC and recapped earlier, there are several options to consider for reforming New York's Earned Income Tax Credit (EITC):
  - Increasing the amount of the credit, as NYS credit amount is below national average
  - Making the EITC more accessible:
    - Draw on existing administrative data – auto enrollment?
    - Increased outreach to improve enrollment
    - Simplify the design, including application and audit process
  - Adjust overall structure of EITC to accommodate wage growth at lowest levels:
    - Modify phase-out to avoid intersection with minimum wage, encourage income-building

# Tax Policies: Additional Considerations

- The following are key points for any recommendations to reform tax credits in New York (such as ESCC and/or EITC) and reduce child poverty:
  - Decouple from Federal credit
  - Analysis of magnitude of impact of credit on child poverty and racial equity
  - Ease and accessibility (proving eligibility, claiming and computing for claimant, etc.)
  - System implementation – ease of implementation for agency
  - Creating taxable income and/or income that impacts eligibility for other assistance or other unintended consequence
  - Strategic marketing campaign and community outreach – raise awareness/ enroll NYers
  - Fraud

# Tax Credits: New Analyses and Data Needs

- **Renowned researchers at Urban Institute who helped develop NAS “Roadmap” are preparing comprehensive analysis of poverty in NYS, including microsimulation modeling**
  - Urban will assess: baseline (“before”), where NYS is now (as of the Enacted 2023 Budget), and the projected impacts of several different policies (individually and in combination)
  - Will begin to receive updated comprehensive data on 2019 baseline soon
  - Will begin to receive data on policy simulations, including CTC and EITC, in summer
- **Other data needs**
  - Department of Tax and Finance?

# Looking Ahead

## *Next Steps*



# Next Steps – Future Discussions

- **Other tax credits to discuss:**
  - Noncustodial parent EIC
  - Are there other tax policies we should be considering?

# Next Steps – Looking Ahead at 2023

- **Next Tax Policy Committee meeting?**
- **Target date for developing recommendations?**
  - CPRAC statutory members will compile report with recommendations in fall/winter
  - Goal of solidifying by August?

# Closing

# Closing

- **Committee Co-Chairs** – Remarks  
*Marie Canon*, 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

**Questions? Comments? Feedback?**

**Thank you!**

