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Cash at the State Level: Guaranteed Income Through the Child Tax Credit

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Contents

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Summary

Since 2021, a significant number of states have passed fully-refundable child tax credits (CTCs) that include the lowest-income families with no reported labor income. This surge of public and policymaker support began alongside the historic federal 2021 CTC expansion in the American Rescue Plan Act, but crucially, it has persisted even as efforts to make the federal expansion permanent have faced political roadblocks. Altogether, eleven states now have active refundable CTCs, and legislation to create or expand such programs has been introduced in many others this year.

In this brief, we provide a comprehensive array of data on fully refundable state CTCs as a resource to lawmakers, researchers, and advocates. In addition to presenting descriptive information, we assess how successful recent expansions of the Child Tax Credit have been at following best practices in cash transfer benefit policy. While all state CTCs merit credit for creating a more inclusive, cash-based safety net, there is considerable variation in specific implementation between states and much room for further design improvements. We also discuss the political tenor of these reforms: the extent of bipartisan support in each state, support for unrestricted benefits, and the degree to which legislators situated their reforms within an explicit move toward “guaranteed income,” if at all. The experiences of each state offer lessons for other states interested in adopting refundable CTCs, as well as further expansions in states that have already adopted these credits. We estimate that these credits will likely be durable additions to state benefits and will increase cash assistance over the long term, as was true for refundable state EITCs—creating permanent forms of guaranteed income within state safety nets.

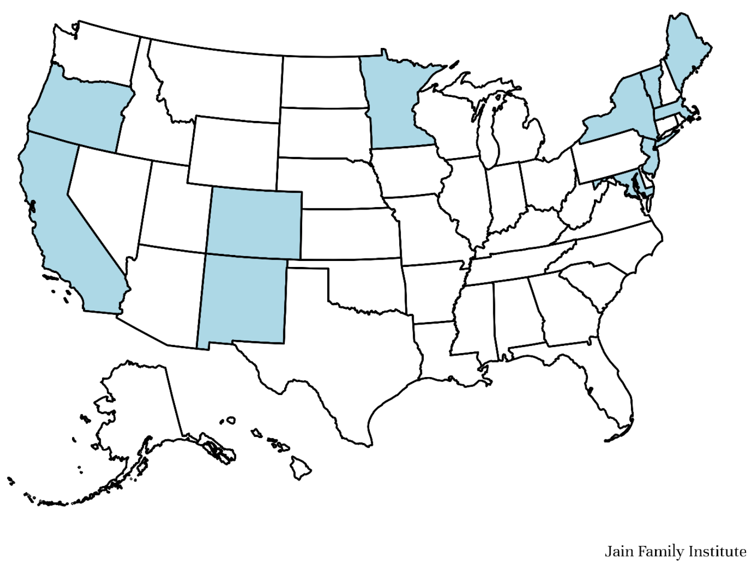
Key Takeaways

- Eleven states have passed refundable CTCs ranging in value from $300 to $1,750 per eligible child. Some are targeted at low-earner families, while others are universal or phase out at high income levels.
- While the states that have passed CTCs have Democratic majorities in their state legislatures, many of the credits have passed with substantial Republican support.
- Some states have relatively small benefits, but are likely to be expanded: Of the eleven states with refundable CTCs, seven have already significantly expanded them.
- Beyond benefit amounts, the state CTCs vary in their income and age targeting, inclusion criteria, and administrative burden. We point to ways through which states can reduce administrative burdens, create monthly payment options, and ensure immigrant children receive benefits. Such changes align with best practices from the empirical literature on direct cash assistance.

Overview: What Makes State CTCs Unique

While the federal child tax credit expired in 2021, efforts to provide cash assistance to the lowest-income children continued to hold political resonance, particularly because of the dramatic anti-poverty and equity impacts that the federal program had. In the wake of the federal program's expiration, eleven states have passed a refundable child tax credit.[1]

Map Of States With Refundable Child Tax Credits



These are not the first state-level benefits for families in the tax code. However, they distinguish themselves from [other long-running benefits for families with children] (e.g., exemptions, deductions, and non-refundable child tax credits[2]) by benefiting lower-income families who do not have any income tax liability in the form of a refund. Most states have a standard deduction and relatively low-income tax rates, which means

[1] Not all states use this exact terminology: for instance, California calls its credit a "Young Child Tax Credit" and New York refers to its credit as the "Empire State Child Tax Credit." Most inclusively, we count Massachusetts's dependent credit as a child tax credit. It gives a refundable $440 credit for up to two children under the age of thirteen, but also includes dependent adults over the age of sixty five.

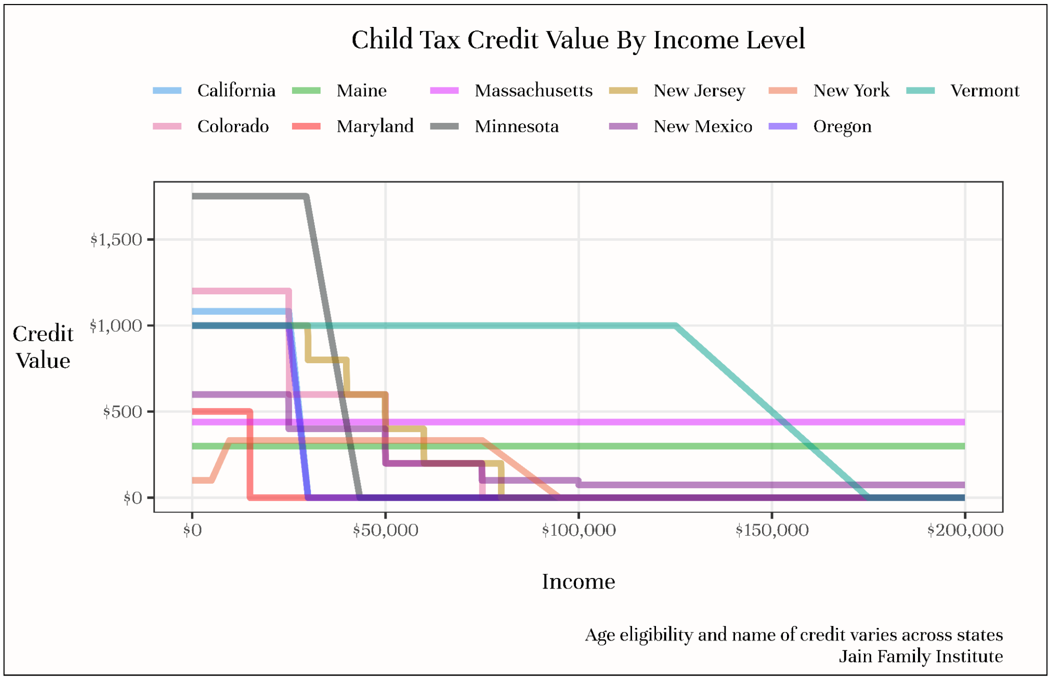
[2] We focus on refundable child tax credits in this brief, though we may not always specify "refundable" in each reference to state CTCs.

taxpayers do not owe state-level income taxes until they reach a substantial level of earnings. If a family does not have enough income to owe any income tax, then they do not have access to exemptions, deductions, and non-refundable credits either. A refundable credit benefits low-income families over and above their tax liability, giving them a refund even if they do not have to pay any income tax.[3]

In addition to non-refundable credits, deductions, and exemptions for families with children, many states have implemented a refundable Earned Income Tax Credit (EITC). This tax provision benefits families with low incomes and without an overall tax liability in the form of a tax refund. However, EITCs only support the “working poor”—they generally require families to earn over $10,000 to receive the maximum benefit and don’t offer any benefits to families out of the labor force. By contrast, newly implemented refundable state CTCs give the lowest-income families with no taxable income the full value of the benefit. This guarantees families with children some minimal level of income—even if they have no labor market earnings, they are eligible to receive a state’s Child Tax Credit.

The figure below shows how benefits change by income level in the eleven states with refundable CTCs. While the specifics of each state vary, all offer some benefit at $0 of income, and all but New York offer the maximum benefit at $0 of income. Importantly, these benefits do not only include families with no income—while phase-out points vary, all states provide some benefit until at least $15,000 of income, with some providing benefits at very high income levels or even universally. We break down the parameters of each state’s CTC at the end of this report (skip ahead here).

[3] While many families do not have state income tax liability, they still pay a significant share of their income to sales taxes, and pay some of the incidence of property taxes in the form of higher rents.



By providing a benefit to families with $0 of income, state CTCs also help fill a gaping hole in the federal cash safety net.[4] Families are not eligible for any benefit from the federal CTC until they have at least $2,500 of income; they only receive the full $2,000 per child when they have upwards of $25,000 of income. Only in 2021, with the American Rescue Plan Act, did the federal government remove its income requirement—but the change was not renewed after one year. While the federal EITC provides more benefits for low income families than the CTC, it does not apply to families without earnings from work. Finally, though the Temporary Assistance for Needy Families (TANF) program could provide cash assistance to families who are out of work, a combination of eroding federal funding and state decisions to divert funds away from cash assistance has resulted in a situation where just one in five families with children in poverty receiving any cash TANF benefit.

The graph below highlights the values of federal CTC and EITC for families with one eligible child by income level. The gray lines represent individual state CTCs. While the structure and generosity of state CTCs vary, they all help fill the gap in the federal safety net by providing a significant benefit at $0 income.

[4] One exception to this general pattern are state EITCs that extend eligibility to ITIN filers, who are not eligible for the federal-level benefit. In 2020, California and Colorado became the first states to allow ITIN filers to claim their state's EITC. The District of Columbia, Illinois, Maine, Maryland, New Mexico, Oregon, and Washington have also made ITIN filers eligible for their state EITC.

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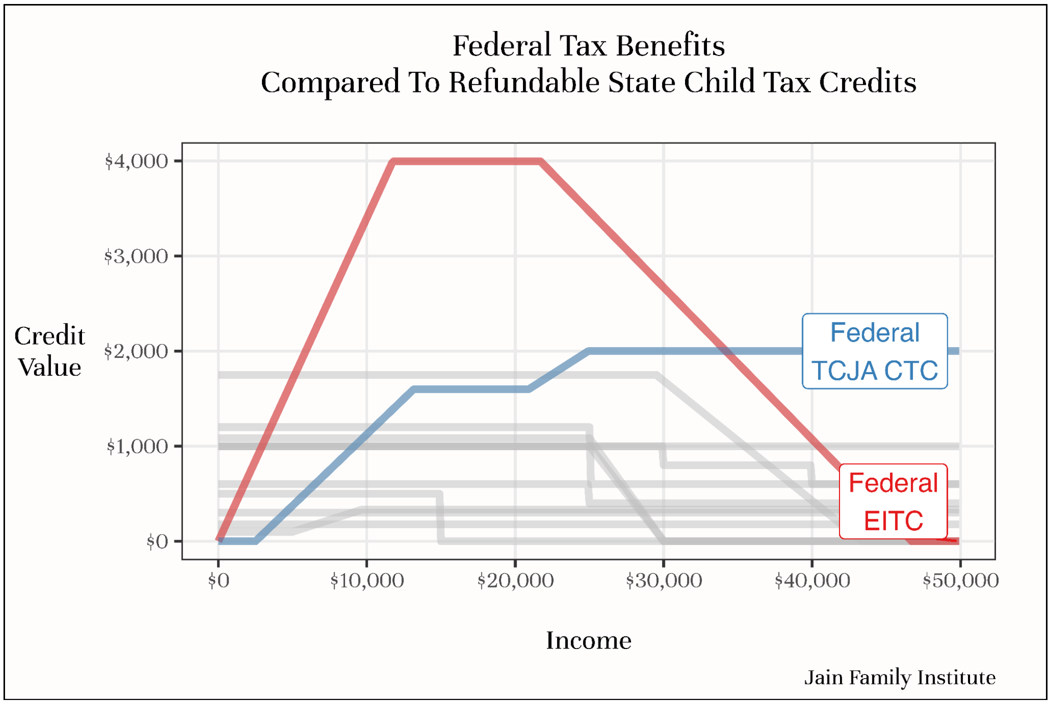

As of 2023, eleven states have fully refundable CTCs with some benefit to families with little to no income. We provide state-by-state details below (skip here to view [state-specific data](#)). Here are a few key points of comparison: Minnesota closed its 2023 legislative session by passing the largest CTC in the country, $1,750 per child under 17, for households making $0 to $35,000 each year. The second most generous benefit was passed in Colorado, with a benefit of $1,200 per child under six, for households below $35,000 in income, with smaller amounts available at higher income levels. The Vermont CTC passed in 2022 is noteworthy for its comparatively simple structure: it offers a flat $1,000 per child with a slow phase-out above $125,000 in income. The credits also vary in administrative burden, with the New Jersey CTC requiring just a quarter page of additional questions on one's tax filing, as opposed to the 2022 Colorado credit, which required three additional pages. While monthly or quarterly payments face many administrative obstacles, legislation in Minnesota and Oregon leave open this possibility.

Variation in the income eligibility criteria reveal that legislatures have not completely lost their desire to target the poor. However, deservingness criteria no longer limit eligibility to a narrowly defined "working poor" family—a major shift in state approaches to benefits which diverges from the federal status quo. As the graph shows, in Vermont, the income phase-out structure roughly models after the 2020-2021 economic impact payments and the expanded CTC. By contrast, the most generous benefits in Colorado and Minnesota go to families with incomes around the federal poverty line. In Massachusetts, a more modest benefit is administered universally to all parents, while Maryland has the most heavily income-targeted CTC—accessible only to parents with at most $15,000 in income between them. We summarize the general parameters of each state CTC in the table below.

For more detail on each state, skip to our state-by-state section.

State	CTC Design	Year Passed or Expanded
California	$1,083 per child < 6, Phase-out starts at $25,000	Passed 2019 Expanded 2022
Colorado	Up to $1,200 per child < 6 Benefit structure by income bucket, with largest benefit ($1200/child) to parents in households with $0 - $35,000	Passed 2021 Expanded 2023
Maine	$300 per child < 17 Phase out starts at $200k/$400k	Passed 2023
Maryland	$500 per child < 6 for households with $0 - $15,000	Passed 2021 Expanded 2023
Massachusetts	$440 per child < 13 Universal by income	Passed 2021 Expanded 2023
Minnesota	$1,750 per child <18 Phase-out starts at $25,000	Passed 2023
New Mexico	Up to $600 per child < 19 Benefit structure by income bucket, with largest benefit ($600/child) to parents in households with $0 - $25,000	Passed 2022 Expanded 2023
New Jersey	$200 - $1,000 per child < 6 Benefit structure by income bucket, with largest benefit ($1,000/child) to parents in households with $0 - $25,000	Passed 2022 Expanded 2023
New York	Up to $333 per child < 17, Benefit phase in, $100 for $0 income, $333 for low-middle income, phase out at $110,000	Passed 2006 Expanded 2023
Oregon	Up to $1,000 per child < 6 Phase-out starts at $25,000	Passed in 2023
Vermont	$1,000 per child < 6 Phase-out starts at $125,000	Passed 2022

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Comparative Features of State CTCs

We compare the state CTC policies based on the following key comparative policy features:

- **Amounts and Targeting**: While some studies show that even small cash transfers can have significant effects on long term economic outcomes, larger amounts will necessarily have a greater impact. However, lawmakers are often constrained by limited budgets, leading to choices around targeting criteria: eligible income levels, age ranges, and benefit phase-out rates. We discuss evidence around targeting and avoiding benefits cliffs.

- **Administrative burden**: States should avoid complicated formulas and/or eligibility criteria, which burden individuals who need the credit and may reduce takeup. States have implemented CTCs with as little as one added line on a 1040 tax filing.

- **Inclusivity**: States should not exclude any income-eligible families from receiving the benefit due to immigration status. Many states have taken positive steps toward inclusivity by making families with Individual Taxpayer Identification Numbers (ITIN) eligible to claim their CTC. However, states should explore alternative options to provide proof of eligibility for families without an ITIN or SSN, which can be very difficult to obtain.

- **Frequency of payments**: Distributing payments more frequently than the traditional lump-sum refund at tax time may have some benefits. Indeed, and is preferred by many parents. However, moving away from the traditional, annual tax structure may cause a reduction in recipients' SNAP benefits and comes with an array of different administrative challenges, like allowing families to update bank account information during the year. States interested in this option should carefully study all the implementation requirements, invest in administrative capacity, and allow recipients to opt-out of a more frequent payment option.

- **Unrestricted**: Cash transfers only differ from existing forms of benefits and social insurance if recipients are allowed to use the benefit as they see fit. While other programs specifically target food insecurity (WIC/SNAP), housing access (Section 8, HCVs), or other predicted needs in poverty, the CTC is unique in allowing parents to spend the cash benefits on what their children need. Restricted or in-kind benefits introduce inefficiency, paternalism, and often administrative burden.

- Financing: States can sustainably finance CTCs via tax increases and benefits consolidation. States that rely on economic growth to pay for a CTC may have to face hard decisions about what to cut during a recession.

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- Take-up improvements: Thus far, states have passed refundable CTCs without parallel efforts to ensure all income-eligible families actually receive the credit. We suggest three categories of strategies that states can use to increase takeup: 1) information or awareness campaigns; 2) simplified filing portals; 3) automatic payments based on enrollment in other safety net programs.

Beyond the comparative policy design parameters, we also discuss the politics of state-level cash assistance, noting in particular its bipartisan appeal. Finally, in our state-by-state section, we provide a general view of the ecosystem of cash assistance efforts in each state (for example, guaranteed income pilots, emergency cash aid, etc.), pointing to support for guaranteed income or other income supplement programs. Throughout this analysis, we provide recommendations based on existing evidence, while noting some outstanding research questions.

Amounts & Targeting

The core design questions for a state child tax credit are: Who receives the benefit, and how much do they get? These questions are answered by a few different policy levers: 1) the benefit amount; 2) income qualification criteria, including both when the benefit phases out and how fast it phases out; 3) any additional qualifying criteria, like limiting the benefit to young children or limiting the total number of children that can be claimed. For a fixed budget, making one lever more generous requires making others less so. States must answer questions like: Is it preferable to have a larger credit for children under age six, or a smaller credit that includes all children under eighteen? A credit that phases-out quickly but provides the maximum benefit over a wide income range, or a credit that phases out slowly but provides the maximum benefit around a narrow income band? A larger credit that only includes the lowest-income families, or a smaller credit that also includes more middle-income families?

Benefit Amount

It is easiest to provide guidance on benefit amounts: **All things equal, larger amounts are better.** Larger credit amounts will cause more reductions in material hardship and poverty.[5] Unconditional cash transfer research is unambiguous about positive impacts from cash writ large, but it's not yet clear at what point additional cash has diminishing marginal returns or impacts.[6] However, at the benefit levels states have currently adopted (maximum amounts per child range from $300 to $1,750), it's very unlikely that an extra

[5] The Institute on Taxation and Economic Policy and the Center on Poverty and Social Policy at Columbia University report on state-level child tax credits puts specific numbers on how much different credit amounts reduce poverty in each state.

[6] Research is outstanding on any variation in effect sizes corresponding to larger or smaller amounts (for example, larger or smaller impacts on income, health, etc.). There are currently over 70 active guaranteed income demonstrations across the country with ongoing experimental evaluations. Some of them provide $500-600 each month, others $1,000 each month or more, with varying income eligibility criteria. In coming years, a meta-analysis of these varied approaches would help to answer this open question.

dollar spent on a child tax credit will have diminished effectiveness. The cost of raising children is far higher than $1,750, and it's implausible that these benefit amounts would be a significant work disincentive.

It's important to note that even small amounts of cash can have a significant positive impact on children's lives. No CTC is so small as to not be worth pursuing. For instance, one study on the long term effects of cash transfers found that children who received a one-time transfer of $1,300 around infancy earn two to three percent more in their twenties. In recent years, nonprofit programs like the UpTogether's (formerly the Family Independence Initiative) cash infusion program and LIFT's family goal fund have both shown noticeable impacts from quarterly payments of just $150 for hundreds of low income families: increased savings, fewer late fees on bills, and spending more on health and educational programs.

Income Targeting

Our core recommendation is that states should ensure the lowest-income families receive the full credit. While this brief concentrates on refundable CTCs, refundability is only a prerequisite for the low-income families benefitting—not a guarantee. States can create other criteria that limit or deny benefits to low-income families. For instance, New York's refundable CTC has a phase-in: the lowest income families receive $100 per year for every eligible child, while higher income families receive a $333 credit. Similarly, before Colorado's recent CTC expansion, their credit offered a percentage of the federal benefit, which gives no funds to families with less than $2,500 in earnings and does not give the full benefit until families reach upwards of $25,000 in earnings.

For a given state budget, the more families with relatively higher incomes included in the CTC, the smaller the benefit must be. Families with the lowest incomes are the most in need of extra support. And those with no income from work have virtually no cash safety net. However, families with extremely low or zero cash income are not the only ones in need of income support; there is little research showing diminishing marginal returns to benefits that go up the income ladder. Many existing benefits are highly targeted at the lowest income families: adding a highly targeted CTC can perpetuate a dynamic where safety net programs move families above the poverty line, but provide no support up the income ladder on the road to more long term economic stability.

Among states that have implemented fully refundable tax credits, there is wide variation in how much the CTCs target the lowest-income families. Some credits are highly targeted. For instance, Maryland's CTC only includes families with incomes below $15,000 a year. In contrast, New Mexico provides at least some credit to all families while giving lower-income families larger amounts. And Massachusetts has a totally universal structure, providing the same benefit regardless of income.

One potential compromise that levels the trade-offs between benefit size and targeting is to phase out the credit at an income level where families are no longer

eligible for other important safety-net benefits. This rule of thumb would prevent families from getting cut off from the CTC at the same time as they are losing other benefits as their income rises. Income eligibility levels for benefits can vary between states: we lay out general guidelines here but can provide more specific analyses to state policymakers and advocates outside of this brief.[7]

Three important income support programs can phase out at higher income levels: SNAP, housing assistance programs (namely Housing Choice Vouchers and Public Housing), and the Earned Income Tax Credit. SNAP and housing assistance serve a small fraction (five percent) of households reporting an annual income between $40,000 and $50,000 per year.[8] However, at this income range, families remain in the phase-out region for the Earned Income Tax Credit: EITC eligibility extends to $63,398 for married couples with over three children, and at least to $46,500 for all families with children. To avoid phasing out at the same time as other benefits, states will need to retain the credit until $64,000 a year.[9] However, it is not unreasonable to phase out a CTC at the same time the EITC phases out, as long as the CTC phases out slowly. In general, it is more important to slowly phase out a state CTC as a family's income increases (covered in the next section) rather than to start phasing it out at an arbitrary income level.

Another potential anchor point for phasing out a CTC is a percentage of the average supplemental poverty line for families with children in their state. This method emphasizes a level of need rather than harmonizing a program with other safety net benefits, and using the supplemental poverty line rather than the official poverty line recognizes that needs vary based on housing cost differences between states. At the national level, the average (100%) supplemental poverty line for families with children is $37,555. 150% of the line is $56,333, and 50% is $18,778.[10]

Importantly, means-testing (e.g. a credit that phases out at a certain income level) is not the only way to ensure that low-income families receive a sizable benefit. A state could pair a universal CTC with a small but broad-based tax increase. While wealthy families would receive a CTC, the tax increase will mean they do not benefit on net, ensuring the program is sustainably financed on the back end.

Universality has several benefits. First, progressive taxation can help avoid extremely narrow targeting or a fast phase-out. Second, it recognizes that all families are deserving

[7] Those interested in state-specific analysis can reach us at: jack.landry@jainfamilyinstitute.org.
[8] Details of this calculation are provided in the appendix. At $30-40k, 20 percent of households receive SNAP and eight percent receive housing assistance and at 20,000-$30,000 of income, 40 percent receive SNAP and 13 percent receive housing assistance, respectively.
[9] Eligibility for government health insurance programs can go higher than this point. For instance, The median state's CHIP eligibility goes to 255 percent of the poverty line, which is $76,500 for a family of four. However, at this level of income, many families are likely offered (or are enrolled in) employer sponsored coverage.
[10] Author's calculation using the 2022 CPS ASEC data adjusted for inflation.

of a child allowance.[11] Third, it gives all parents a stake in preserving and expanding the benefit, rather than just low-income parents who have the least political power.[12]

In other contexts, JFI has argued that another benefit of universality is that it eases administrative burdens and better ensures high takeup by eliminating means testing. In the case of a state-level child benefit, it is unclear whether universality will have these benefits. Even if there is no income testing, there still needs to be an enrollment process to verify state residency and which household is caring for a given child, as many children do not have the same custody arrangements from birth.[13] One national child benefits administrator has far more benefits than fifty different state systems.[14]

While it is possible on paper to provide a large universal CTC with targeting and financing via broad-based taxation, this can be a harder political lift. It may not be a coincidence that the only state to provide a universal CTC (Massachusetts) provides one of the smallest benefits.

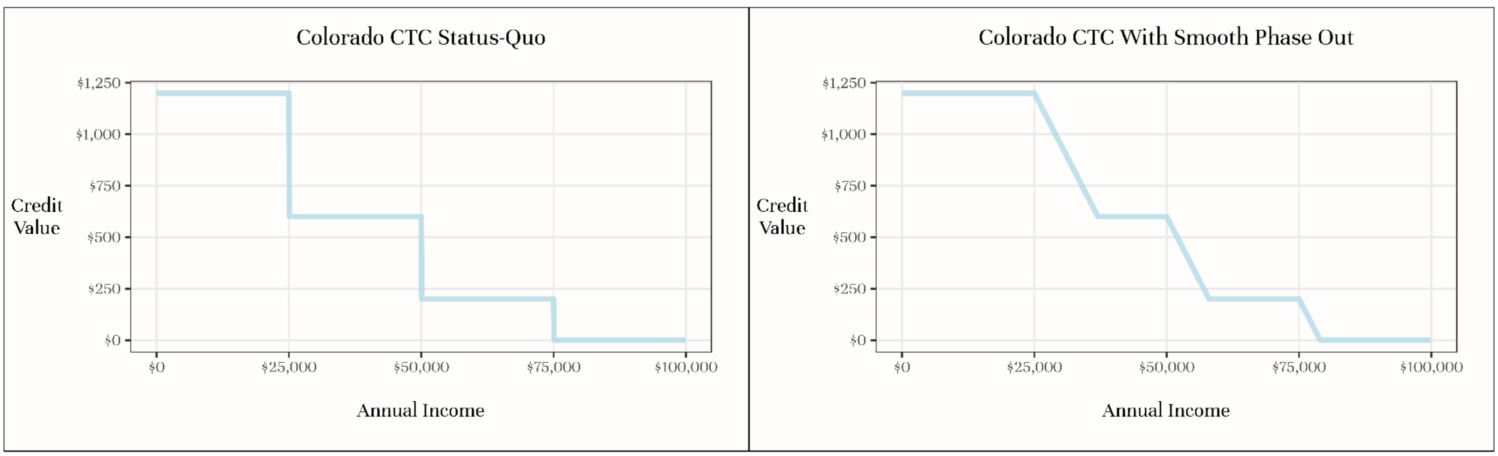
Phase Out Rate

More important than where a state phases out a benefit is how fast they phase it out: states should slowly reduce the value of a credit as a family's income increases. Some state CTCs sharply cut off benefits above a certain income level. For instance, Maryland’s CTC gives $500 per child credit to families with income below $15,000, but nothing to families above that income point—even as there is no significant economic difference between those on either side of the threshold. Sharp drop-offs at an arbitrary level create a cliff effect, where some families would paradoxically be better off not earning more money from work because it causes them to “fall off” the CTC benefits cliff.

CTCs with benefits cliffs do have one benefit: simplicity. Parents in a given income range get a specific benefit per child, without any complicated calculation. However, slowly phasing out a benefit is also a simple method to implement—and it avoids any cliff effects. Vermont provides a good example. For every additional thousand dollars of income above $125,000, the credit is reduced by twenty dollars—an easy-to-follow table provides the exact amount of credit at different income levels (see appendix figure 1). California has a similar phase-out structure but implements it with a few easy-to-follow calculation steps (shown in appendix figure 2).[15]

[11] Since a tax increase affects taxpayers regardless of whether they have children, but a universal CTC is only for families with children, families with children are slightly better off at all points on the income distribution.
[12] While universal benefits are likely more politically durable than a benefit targeted exclusively to poor families, it is not clear that all means tested benefits are less politically durable than universal benefits.
[13] States can also eliminate the income testing part of the filing process via a nonfiler portal, covered in the section on increasing benefit takeup.
[14] For states without an income tax, creating a dedicated child benefits administrator has more merit, as a CTC cannot simply be added into the existing income tax system.
[15] While better than a cliff, California phases out their credit very quickly around the same point other safety net benefits are phasing out and before many families with children will have enough income to be above the state’s supplemental poverty line.

While having a single phase-out point is the simplest option, slow phase-outs can easily be incorporated for states that want to set different credit levels at different income ranges. The figure below shows how this could work in Colorado. Rather than having a sharp drop in benefits between income thresholds (the status quo in the left panel), a credit can phase out so that a family receives $.05 cents less credit for every additional dollar of income (the proposed reform in the right panel). Rather than suddenly receiving $600 less per child after making slightly more than $25,000, the credit slowly reduces in value between $25,000 and $37,000. There are similar slow “phases-down” of the credit, rather than cliffs at $50,000 and $75,000. This will increase benefits for some families and increase the total cost of the program, but not dramatically. Shifting the point where the benefit starts to phase out to a slightly lower income level could make the change cost-neutral, slightly decreasing the benefit for some families while slightly increasing it for others.



Example for single parent with one eligible child
Jain Family Institute

While any gradual phase-out is better than a cliff, states should also aim for slow phase-outs. Reducing the value of a benefit as income increases has the same effect as a tax.[16] In isolation, most phase-out rates (e.g. $.25 cents for each additional dollar of income) are reasonable. However, the phase-out rate of state CTCs, when compounded with other programs and income taxes, can create an unduly high implicit marginal tax rate for some low-income families. This is another reason why states should consider phasing out CTCs at relatively higher income levels, beyond that of other safety net programs. If a state begins phasing out a credit at a lower income level, it’s particularly important to phase it out slowly.

[16] For instance, if a CTC is phased out at $.25 cents for each additional dollar of income, but there is no tax on earned income, a family's tax rate is effectively 25 percent. Total resources (CTC plus employment income) increases by $.75 cents per dollar of employment income, equivalent to not phasing out the CTC at all, but imposing a 25 percent tax on employment income. For this reason, a benefit phase-out rate is often referred to as an implicit marginal tax rate.

States that phase-out their credit quickly should phase out the total credit amount rather than the credit amount per child to avoid high implicit marginal tax rates for families with higher numbers of eligible children. For instance, if a state phases out a credit per eligible child by reducing it by $.20 for every additional dollar of income, it provides a reasonably low implicit marginal tax rate for a family with a single eligible child. However, the phase-out compounds for every additional eligible child—a family with three eligible children would lose $.60 of total credit ($.20 per child) for every additional dollar of income. Phasing out the total amount of credit ensures that families with more children do not see their benefits reduced faster than smaller families. However, this is not necessary for states like Vermont who phase-out the benefit very slowly ($.02 for every additional dollar of income).

One prominent justification for slow phase-out rates are their potential impact on work. Fast phase-outs create high implicit marginal tax rates, which can be a disincentive to work—adding income will result in a loss of a significant share of your benefits. In our view, this justification is overstated. Research shows that the vast majority of families do not face punitively high marginal tax rates. And families are unlikely to have either the knowledge or control over their exact earnings to work only a certain amount that maximizes their benefits. While a thorough review is beyond the scope of this brief, there is scant evidence that the fast phase-out rate of safety net programs significantly disincentivizes work. Much of the evidence that does exist does not hold up under close examination.

The more important justification for a slow phase-out rate is basic fairness. Low income families should not face higher marginal tax rates than the wealthy. Even if it does not affect decision-making, it is wrong to quickly withdraw a benefit at an arbitrary income level. There is no magic income level at which families no longer require support—slowly withdrawing a benefit as income increases is a recognition of that reality.

Age or Other Targeting Criteria

Many states choose to target their CTC to younger children under age six. This form of targeting has a strong evidence base. **While older children would be positively impacted by a state CTC, states with a limited budget should consider limiting eligibility to children under six. Alternatively, states could give a larger credit to families with younger children.**

Families with younger children are more likely to be living on incomes below the poverty line. Moreover, research shows that poverty among younger children is especially damaging to well-being in adulthood. For instance, the National Academy of Sciences roadmap report on child poverty reports that “The weight of the causal evidence indicates that income poverty itself causes negative child outcomes, especially when it begins in early childhood and/or persists throughout a large share of a child’s life.”

Often, the drawback of targeting is that it's complicated to execute, placing administrative burdens on recipients that cause many eligible people not to apply. These critiques do not apply to targeting young children. Age is a simple enough criterion to administer. This form of targeting may even help set the stage for future expansions. Giving a large benefit to younger children makes a credit more salient than spreading a small benefit around to children of all ages. And parents whose children age out of receiving the credit create a natural constituency for demanding an expansion of the eligibility criteria.

Some states have implemented other targeting criteria that should be avoided. For instance, states should avoid reducing costs by limiting the number of otherwise eligible children a family can claim.[17] Families with more children have higher costs, even if they receive some benefit from some economies of scale, an additional child will always require more resources. In fact, families with three or more children are more likely to be below the poverty line than those with one or two children.[18] Similar “family caps” for welfare have a racist history—lawmakers implemented them to try to deter low income, primarily black women from having more children.

Other narrow targeting criteria should also be avoided. For instance, Maryland offers a credit for families with disabled children making less than $6,000 a year.[19] While this group is certainly in need of cash assistance, others are too. Second, the disabled criteria can be difficult to prove to tax authorities, shifting the administrative burden on recipients, and preventing other eligible families from getting the credit all together. Third, it’s very difficult to increase takeup for a group that is so narrowly targeted.

Administrative Burden: Simple Credit Structures

States should opt for simple structures to determine how much credit a given family receives. A fully refundable credit that has a single phase-out point and only uses dependency status and age as qualifying criteria for children is ideal.

The status-quo federal CTC does not follow this example: it has a very complicated phase-in structure. Families receive $.15 cents of credit for every dollar of earned income above $2,500, up to $1,600 of credit. To receive the last $400 credit of the $2,000 per child credit, families must have a net tax liability, which will vary depending on other aspects of their tax return. Moreover, the total amount of credit a family is eligible for depends on both their income and number of eligible children, which means two households with the exact same income could receive a different amount of credit per child. Instructions for claiming the credit span nine pages, and the form requires up to twenty-seven calculation steps.

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[17] California currently limits families to claiming one child, and Massachusetts limited families to claiming two children until its recent 2023 expansion.
[18] Author’s calculation using supplemental poverty measures, Current Population Survey 2019.
[19] Maryland expanded its credit in 2023 to include all children ages 0-5 in families making less than $15,000 per year.

This complicated formula adds to the difficulty of filing a tax return. However, simple structures have many benefits besides easing the administrative burden.[20] It makes the overall benefit more legible to beneficiaries, so families can know how much to expect and legislators can explain the benefit to their constituents. Most importantly, it makes other interventions to increase takeup possible, such as a nonfiler portal and automatic payments.[21]

Inclusivity: Including Children Without Social Security Numbers

The federal child tax credit is currently restricted to children with Social Security numbers valid for employment. In practice, this restricts the credit to citizens and immigrants with federal documentation status (though a small number of documented immigrants are not eligible for an SSN). This was a change made in 2018 with the Tax Cuts and Jobs Act; previously, children with an Individual Taxpayer Identification Number were eligible to receive the Child Tax Credit.

States have the discretion to set their own criteria for eligibility for a state-level child tax credit—they do not need to restrict the credit to SSN holders. Inclusivity is a policy design and implementation choice that reflects equitable social policy and ensures benefits across a community. In contrast, the historic exclusion of racial and ethnic minorities from social services has produced a legacy of compounding inequality and cyclical poverty. Greater inclusion also contributes to more positive economic outcomes from cash assistance programs, as all individuals participate in the economy. A review of evidence from the National Academy of Sciences around benefits-use among immigrants found that second-generation immigrants are among the strongest fiscal and economic contributors in the country. In addition, inclusion creates equitable benefits recovery as all families, regardless of documentation status, pay into the tax system.

Most state CTCs allow children with ITINs to receive the benefit (Maine is the lone exception). While a positive feature of some state tax credits, one important limitation of ITIN inclusion is that ITINs can be very difficult to obtain. The IRS requires applicants to have original documents or exact certified copies with an official stamped seal proving their identity from the original issuing agency, and these cannot be past their expiration date. The documents have to be reviewed at a small number of IRS Taxpayer Assistance Centers or by Certified Acceptance Agents or they have to be mailed to the IRS along with a paper tax return.

States should go beyond ITINs and expand eligibility to anyone who can demonstrate residency. SSNs and ITINs provide an important check on organized fraud–criminals who seek to submit fraudulent returns would have to use a stolen Social Security or ITIN number. However, even a fairly burdensome state-level process that provides an

[20] In practice, the complexity of any given child tax credit formula is considerably reduced by paid tax preparers and software–few families prepare their returns by following IRS instructions without assistance.
[21] This is covered in more detail in the takeup section.

alternative to ITINs but guards against fraud could provide significantly more access than an ITIN alone.

Some states have modeled more inclusive benefits access across their safety net systems. Vermont's recent CTC expansion is an example. While the original bill mirrored federal SSN eligibility requirements, they recently passed a law that both expanded access to ITIN holders and directed the state tax agency, "to provide a process" by which families without SSNs or ITINs could claim the credit. While Vermont agencies may be mirroring legislator's intentions to maximize inclusivity without administrative hurdles, other state agencies may require more direction or specific regulation to include non-ITIN children. Policymakers should consider partnering with immigrant access organizations to help create specific processes.

Several other states have more well-developed benefits programs that were created during the pandemic to serve undocumented residents excluded from federal benefits programs, such as unemployment insurance and the economic impact payments. For instance, New York's excluded worker's fund required applicants to prove their identity, residency, and loss of employment income, but accepted a wide array of documents to this end. While the requirements were not easy to meet, they allowed a broader range of documentation than ITINs alone, which likely increased access for many immigrant workers.

In Colorado, pandemic unemployment and upheaval among contract and service workers, many of whom were undocumented and unauthorized workers without ITINs, motivated an effort to establish a Benefit Recovery Fund. The fund was originally philanthropically funded in 2020 (the Left Behind Workers Fund) but became a permanent program in 2021, enabling the state to provide unemployment insurance to undocumented workers whose wages pay into the state unemployment insurance and tax system but who were previously deprived of unemployment benefits. The identity verification system, managed by third-party cash platform AidKit, involves working with the Office of New Americans and the Colorado Department of Labor and Employment, and by proxy, their local partners. The process took seven to ten days in its initial phase, capturing an estimated five percent of Colorado's total workforce that was left out of benefits, despite contributing an estimated $188 million to the state's UI fund over a decade. Such efforts demonstrate states' capacities to include non-ITIN households in public benefits.

Payment Frequency: Annual Lump-Sum vs. More Frequent

Some states have expressed interest in replicating the federal model of paying out the Child Tax Credit monthly, instead of making the traditional lump sum annual payment at tax time. More frequent payments have several potential benefits: they help recipients smooth consumption and match payments with the timing of regular expenses, as well as guarantee families some cash income throughout the year. Separating a CTC benefit from an overall tax refund can also make beneficiaries more aware that they are receiving a specific benefit for families with children. This is important, as almost half of recipients of the Earned Income Tax Credit report that they "have not used a government social program."[22]

Regardless of the potential benefits of more frequent payments, moving away from a lump-sum distribution comes with significant new challenges. Most importantly, paying out a state CTC in installments rather than a lump sum may reduce recipients' SNAP benefits. SNAP regulations clearly state that lump-sum refunds should not be counted as part of income when calculating benefits. However, the regulation is specific to "nonrecurring lump sum payment(s)"; it does not necessarily exclude tax refunds paid out on a more frequent basis.[23] This arbitrary distinction–monthly payments simply change the timing of when tax refunds are received–is a potentially serious downside to more frequent payment methods.[24]

Other difficulties relate to implementation. A regular payments system will require a state tax agency to set up new infrastructure to allow recipients to update their payment information throughout the year. If set up as an advanced payment and is means tested, the credit will require strong protections so as to ensure that families are not required to pay back credits they are no longer eligible for, should their incomes increase or they move out of state.

While these issues present obstacles to administering a state CTC on a monthly basis, they are not serious enough to warrant forgoing setting up a monthly payment system altogether. For instance, even if families' SNAP benefits are reduced, a system could be set up to replenish the losses with state funds. There is precedent for such a system in Alaska—which compensates for the reduction in SNAP from permanent fund payments.

States that do create a monthly payments system should also respect recipients' preferences for payment frequency and allow families to opt to receive a lump-sum at tax

[22] There are also arguments in favor of a lump-sum payment. Some families value tax refunds as a forced saving mechanism, and a lump-sum can enable large purchases that are otherwise out of reach. A full accounting of the pros and cons of more frequent payments is beyond the scope of this brief.
[23] The specific regulation states that "Money received in the form of a nonrecurring lump-sum payment, including, but not limited to, income tax refunds, rebates, or credits." States have some discretion in other income-setting rules, but are specifically prohibited from exempting "regular payments from a government source." Unfortunately, the regulation is not an interpretation of a vague federal statue–it comes almost verbatim from the law that authorizes SNAP. However, that law specifically excludes counting income from "any payment made to the household under section 3507 of the Internal Revenue Code of 1986," which refers to the now defunct advance monthly payment system for the federal EITC. This shows that Congress did not necessarily intend for only lump-sum credit payments to not be counted as income.
[24] Washington DC is implementing a monthly payment system for its local EITC, and is asking the USDA for a waiver to allow it to not count these payments as income for SNAP. Even in the USDA rules that DC does not have to count monthly EITC payments for SNAP, the wording of the legislation authorizing SNAP may leave enough leeway that a future administration could reverse this ruling.

time.[25] Evidence from the expanded CTC shows that while a plurality of parents preferred monthly payments, a significant fraction would have preferred a lump-sum payment.

Thus far, two states have the option of implementing CTC payments outside of the typical lump-sum refund at tax time. Minnesota's legislation authorizes the commissioner of revenue to establish a system for administering advance payments, but does not compel it. Similarly, Oregon's legislation only compels a quarterly payments system if the payments do not count against recipients' SNAP allotments, via waiver, regulation, legislation, or other means. Oregon's legislation prescribes that recipients must be able to opt-out of advanced payments, while Minnesota's calls for the creation of an opt-in structure.

Unrestricted

One of the primary distinguishing features of cash assistance policy is that recipients may spend funds on what they determine their needs to be. This contrasts with most other safety net programs, particularly those targeting the poorest households. Policies like SNAP, WIC, and Housing Choice Vouchers provide income support for basic household needs like food and housing but offer limited benefit in the face of acute financial shocks or irregular incomes. SNAP and WIC can only be used on food—in fact, only on certain foods—and HCVs go directly to landlords.

The narrow income requirements, limited benefit amounts, and associated administrative burden of enrollment or continued eligibility verification are related ways these programs become highly restrictive. States also have discretion in administering SNAP and HCVs, sometimes adding restrictions to those programs. While the Earned Income Tax Credit (both federal and state versions) and TANF are more direct and unrestricted when received, their narrow income eligibility criteria limits each program's ability to help families in most need. Benefits that phase in slowly with income can burden individuals with significant paperwork in exchange for limited financial gain—resulting in limited take-up across all eligible households, and neediest households in particular.

TANF has similarly limited takeup. Its narrow income criteria—as well as variation in criteria within each state—disincentivizes families from accessing the program. As just one example, in Texas, a single parent with one child may make a maximum income of $78 per month to receive a benefit of $136. To access that benefit, the parent must provide the state with documentation of present finances, "the value of things the family is paying for or owns," and what the parent may pay for childcare or child support—on a recurring basis. These conditional and restrictive programs play an important role for some families, but direct cash assistance is notably preferable for the efficient delivery of flexible aid in times of acute need. Unrestricted cash aid was also a key feature of

[25] If families bear any risk of having to repay the credit or having their SNAP benefits reduced, states should adopt an "opt-in" procedure, as a part of which families opting-in to these payments are informed about these risks.

pandemic assistance programs when a national state of emergency made ease of access and use of aid a priority. However, household level emergencies or financial needs are often treated with steep stipulations for access within safety net programs.

In addition, unrestricted cash respects recipient preferences and what parents or guardians have expressed is most helpful. The Automatic Benefit to Children Coalition of over fifty policy research and child welfare advocacy organizations, including JFI, drafted a set of principles for cash support policies informed by a diverse parent advisory board of child tax credit recipients and potential recipients. These principles include an emphasis on no-strings-attached cash assistance. Unrestricted benefits delivery therefore reinforces recipient-centered program design, an increasing priority for many policymakers and research institutions beyond that coalition. **Restrictions on use ultimately hamper the flexible role that cash assistance can uniquely play.**

Financing

States have taken a variety of approaches to finance their CTCs. Broadly, they fall into three buckets: 1) progressive tax increases; 2) consolidating existing family benefits into a single, large CTC; 3) using an increase in state revenues to finance a CTC. The first two options are sustainable choices that can fund a CTC for years. The third option can work in some instances, but raises more concerns that a state will need to reduce a CTC or other state programs if revenue increases turn out to be temporary.

Colorado's initial CTC provides a good example of financing via progressive taxation. The bill capped itemized deductions at $30,000 and $60,000 for taxpayers making more than $400,000 and limited deductions for business income for taxpayers making more than $500,000. Those provisions were expected to raise about $160 million dollars, more than paying for the cost of the CTC expansion, which was estimated to cost $107 million dollars.

Other states have pursued other specific tax increases.[26] It is beyond the scope of this brief to prescribe what specific strategies states should pursue. However, an important similarity across the country is that most state tax codes are regressive—higher income residents pay a lower share of their income to state taxes than low-income taxpayers. Even in states where wealthier residents pay more, they tend to only pay a bit more. For instance, in California, the state with the most progressive tax code, the top one percent of households by income pays less than two percentage points more than the bottom twenty percent.

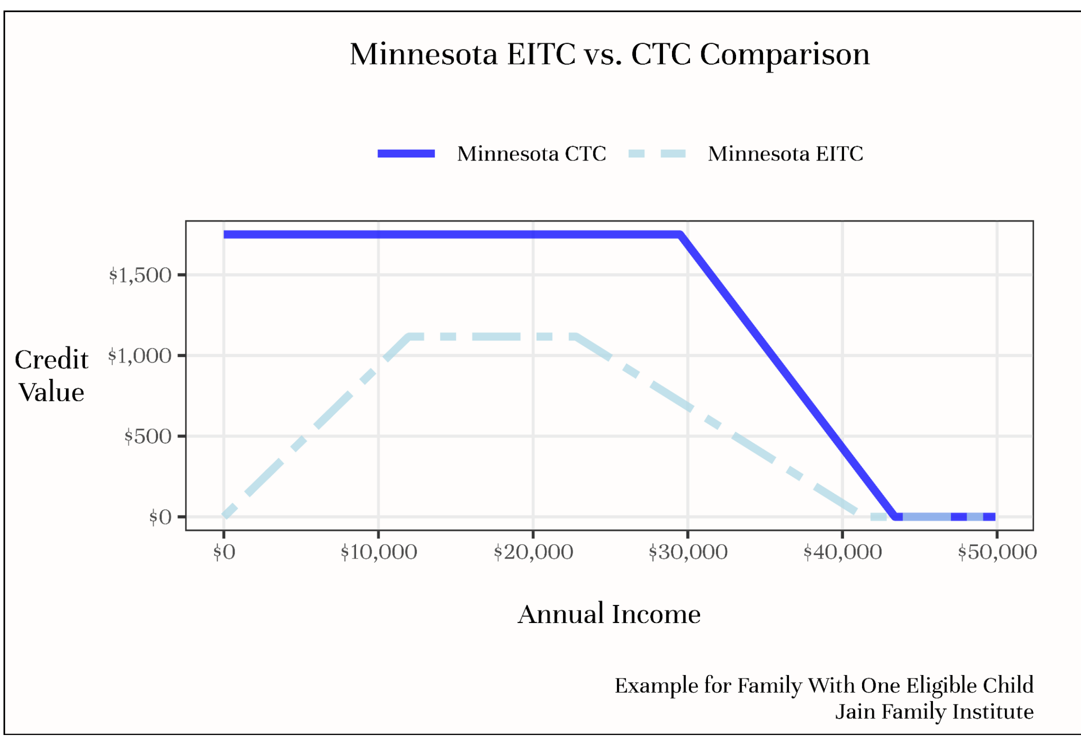
For lawmakers interested in making their tax code more progressive, state CTCs can play an important role. Giving the lowest-income families the full value of the benefit helps offset the other taxes they pay. Lowering income tax rates on low earners will have little

[26] Other CTCs paired with tax increases passed as part of a broader budget agreement, where revenue raisers are not necessarily paired with specific spending provisions.

impact on progressivity, as most low income families already pay little to no income tax. However, low income families do pay sales taxes. Moreover, while they may be less likely to be property owners and pay property taxes directly, the incidence of property taxes is passed through via higher rental prices.[27] Because low-income families spend a large share of their income on rent and goods and services subject to sales taxes relative to higher-income groups, they end up paying a similar or higher share of their income to state and local taxes than high-income groups. Refundable credits like the CTC may be a more equitable option than trying to bake progressivity into the property and sales tax system.

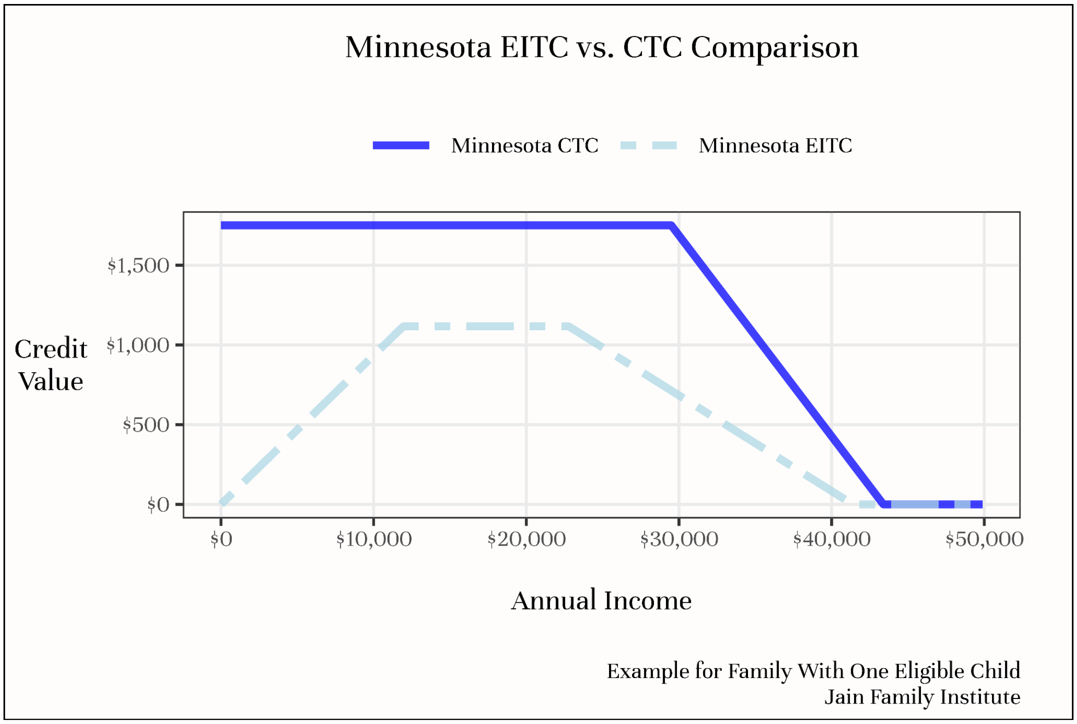
States have options besides raising taxes to finance a CTC. Massachusetts and Minnesota provide good examples of consolidating existing benefits into one large CTC.[28] Massachusetts's pre-2021 tax code included a tax deduction for children under twelve. Deductions only benefit families with tax liability, however, which means they exclude the lowest-income families. Massachusetts replaced the deduction with a refundable tax credit, providing the same benefit as the old deduction system for high-income taxpayers, but newly including the lowest-income families.

Minnesota's benefit consolidation was more ambitious—it consolidated its EITC into one large CTC. The figure below illustrates the change: the solid dark blue line represents Minnesota's new CTC benefit and the light-dotted blue line represents the state's previous EITC (both for families with one eligible child). Families who previously benefited from the state EITC were not harmed—in fact, they received a much larger credit.[29] More importantly, the state CTC newly included the lowest-income families who were previously ineligible for the EITC. While the new CTC benefit was bigger, it would have been far more expensive (and likely not feasible) if it was not paired with EITC consolidation.[30]



Other states have financed state CTCs by increasing revenues. State budgets tend to grow over time, even without tax increases, due to economic growth. However, relying solely on growth can be dangerous because of natural year-to-year variation. New Mexico provides a cautionary example. The state is a hotbed of oil and gas activity, which is responsible for roughly a third of its revenue. These revenues sharply increased during the pandemic, which encouraged the legislature to pass a bonanza of tax cuts, including an expansion of the state's CTC. While large enough to pay for these expansions at the time they passed, oil and gas revenues are very volatile in the long term. In fact, New Mexico's state budget revenue is among the most volatile in the county, due to its reliance on oil and gas. There was a threat that the governor would veto the CTC in the name of fiscal sustainability, though eventually she let the expansion stand while vetoing other permanent tax cuts. All the same, the example points to the potential perils of counting on volatile revenue sources to fund a permanent program.

It's particularly important to sustainably fund a means-tested state CTC because they are counter-cyclical. When the economy is doing well, fewer families will qualify; jobs are



easier to come by and wages are growing. State budgets tend to grow over time without raising taxes due to economic growth. However, during a recession when the unemployment rate is higher, more families will qualify, making the CTC more expensive.[31] It's good to provide more support to families and stimulate the economy during a recession, but it creates challenges for state budgets, which will also be making less revenue due in this period. States that rely on more stable revenue sources and invest surpluses into rainy-day funds will be better prepared to meet the challenge of funding a CTC during a recession.

Increasing Benefit Takeup

Families with low or no earned income are eligible for refundable state CTCs. This gives the credit unique poverty-fighting power and ensures tax benefits can reach the most disadvantaged children. However, eligibility does not automatically ensure that families actually receive benefits. Tax filing can be a complicated, intimidating process, and many low income families are not required to file a return even if they earned income. Takeup problems have long plagued the Earned Income Tax Credit: the IRS and Census Bureau estimate that one in five eligible families do not receive it. Full participation in state CTCs will be even more challenging because families with no taxable income are eligible for a credit. Families with no earned income normally have no obligation or reason to file a tax return because they would receive no tax benefit and have no tax liability.

States that pass fully refundable child tax credits should pair them with a plan to ensure all eligible children receive the benefits they are entitled to. Thus far, no state has paired a CTC expansion with serious reforms aimed at ensuring complete takeup. Making $0 income families eligible for a state CTC without proactive actions to ensure eligible families get the benefit will all but ensure low takeup.

States can take several proactive measures to increase benefit enrollment. The first, lowest-effort class of actions would aim at increasing awareness of the benefit and encouraging families to file. While such interventions have shown very little success at increasing uptake for the Earned Income Tax Credit, they may have more success for the Child Tax Credit because low- or no-income families may not be aware they are entitled to a large benefit. Families who do not file taxes, despite EITC eligibility, likely know about the credit but find tax filing too complicated or do not file for other reasons. However, the calculus may differ for families with no earned income eligible for a state-level CTC. These families are not ordinarily eligible for any tax benefits and have no obligation or reason to file. They are unlikely to file a state tax return unless informed of their eligibility for the benefit. Moreover, while the EITC has been around for almost fifty years, fully refundable child tax credits that benefit families without earned income have only been implemented in the last few years. For these reasons, outreach campaigns are likely to have some success in increasing tax filing and credit takeup.[32]

[31] This could be offset in the medium term by declining birth rates, particularly for CTCs targeted for children under six.
[32] Some states have passed laws that mandate employers provide their employees a notice about the EITC at tax time along with their W-2. Unfortunately, research has shown that these notifications do not significantly increase EITC takeup, which is consistent with other research showing limited success of other "awareness"

The most effective way a state can increase awareness of the credit is by using data from enrollment in other state-administered safety net programs. Specifically, SNAP and Medicaid/CHIP are wide-reaching programs that include parents and caregivers with low or no earned income. States should use a mix of mailers, text messages, and in-person communication to inform participants about their likely eligibility for the CTC.

Second, states can try to make filing taxes for the lowest-income families easier. Regular tax filing can be intimidatingly complex. Most people use paid tax preparers that erode the value of any refund, while others are dissuaded from trying to file at all. However, most of the complicated factors involved in filing taxes are only relevant to those with substantial incomes.

States should explore following the example of the Federal government which, during the pandemic, created simplified filing portals to ease the tax filing process for low-income families. These portals would be available to anyone with an income below the threshold that requires tax filing and would not require detailed income verification beyond self-attestation. They would only require families to answer questions relevant to receiving the state-level CTC, which greatly simplifies the filing process.[33]

A state-level simplified filing portal comes with an important tradeoff—it would not allow families to claim any potential state EITC or receive a refund based on excess withholding, as that would require a full tax return.[34] This should not dissuade states from setting up simplified portals. First, families with very low incomes would have little benefit from a state EITC and any extra withholdings. Second, when Code for America implemented an option to file a full return and receive the federal EITC in their simplified portal, just 0.2 percent of families successfully did so. A simplified filing portal with screening tools and language directing users to other free “full filing” options if they have significant earnings should be more than enough to deter families who could be missing out on significant benefits.

Third, states should try to automatically give the benefit to eligible families. This would remove the burden of signing up families and is therefore the most effective way to get tax benefits to as many eligible families as possible. Automatic payment is also far easier to facilitate at the state level than the federal level, because most safety net programs reaching low-income families are administered at the state level. As such, states

interventions for the EITC. States with pre-existing notification laws could modify them so employers also include information about state CTCs. However, employer notifications are poorly targeted for families with no income from work, who are the population most at risk of missing out on state CTC benefits and in need of information.

33 By eliminating the need to verify income information, non-filer portals erode a justification for universal child benefit. While a means-tested benefit with a nonfiler portal still requires moderate-income families to submit income verification, these families already have a filing obligation, and should be encouraged to file to receive other income-tested benefits.

34 This is a far less important concern if states consolidate their EITC benefit into a larger CTC, like Minnesota.

can modify credit-claiming rules to accommodate automatic payments. However, there are a number of tricky administrative issues that are beyond the scope of this report.

Facilitating automatic payments will require interfacing with data from other safety net benefits–SNAP and Medicaid/CHIP are the most widely used and likely to contain eligible families. States with high income phaseout points should find this easier—any family enrolled in a safety net benefit should be income eligible. This provides a stark contrast to the design of the EITC, where the benefit depends on your precise income. Because safety net benefits do not have the exact same income information as a tax return, it is far more difficult to automatically pay EITC benefits. States that phase out their CTCs at lower income points where families may be eligible for safety net benefits but not the CTC will need to reference a safety-net program's income data, perhaps only focusing on families with very low or no reported income.

One way to avoid paying out a CTC to families above the point of income eligibility is to wait until after the tax filing deadline. Higher-income families are required to file taxes and could easily be excluded. Families who appear in safety net program data but don't appear in any filed tax returns are unlikely to have an income above the phase-out point. If a state automatically pays families before tax time, based on data from other programs, it can use SSNs and ITINs of children claimed on a return to avoid double payments.

Politics of State-Level Child Tax Credit Expansions

At the federal level, support for the expanded CTC has been mixed and fairly partisan. The initial CTC expansion passed narrowly on partisan lines as part of the American Rescue Plan Act. Negotiations suggested that all but one Democrat in Congress supported the credit's renewal. However, on the Republican side, most representatives appeared to oppose the credit. While there may be some federal Republican support for making the existing credit larger, only Senator Mitt Romney has shown any public support for making a credit available to families without taxable income.

Comparatively, support for state-level child tax credits has been less divisive and more bipartisan. Almost all states that have passed state-level credits have done so with wide majorities. **In the sixteen votes in states that recently enacted or expanded a credit that we were able to track down votes for, the CTC was supported by 81 percent of State Senators and 78 percent of State Representatives.**[35] The three least-supported state CTCs (in New York, Massachusetts, and Minnesota) were passed as part of broader budget agreements that contained other controversial measures.

[35] We are missing Massachusetts' original CTC vote and New York's original 2006 vote for its Empire State Child Tax Credit.

While all the states that have passed a credit have a solid Democratic lean, many votes on the bills establishing the credits have had bipartisan support. For every state that passed a refundable CTC where we could find the final votes in the legislature, we compared the CTC votes with the partisan composition of the state house. We conservatively assumed all Democrats and Independents voted for passage and then examined what percentage of Republicans must have voted for its passage to explain the final vote, counting abstentions as not supporting. **Overall, an average of 40 percent of Republican State Senators and 30 percent of Republican State Representatives voted in favor of fully refundable child tax credits.**

In states where the CTC got few Republican votes, it wasn't necessarily that Republicans were against the credit. For instance, in Minnesota, the Republican State Senate Minority Leader Mark Johnson said, "I can agree with the child tax credit idea," but opposed other tax credits passed as part of the same package. In Maryland, Republicans appeared to specifically oppose expanding the credit to ITIN holders, proposing an amendment restricting the credit to legal residents that failed along partisan lines. In New Jersey, Republicans put forward a (failed) amendment expanding the credit's age eligibility.

There is also some evidence of interest in refundable CTCs in Republican-controlled states. Most notably, Montana's Republican Governor Greg Gianforte championed a $1,200 child tax credit for children under six. The original text of the bill (introduced by Republican legislator Joshua Kassmier) made the credit fully refundable with no minimum income requirement. In committee, it was amended to require "proof of earned income," an unfortunate change, but still far preferable to the status-quo Federal CTC, which only allows parents with incomes upwards of $25,000/year to claim the full value of the credit.[36] While the bill died as part of a broader squabbling over budget priorities, it is still indicative of some bipartisan state-level support for a more inclusive Child Tax Credit.

Expanding State CTCs

Some state CTCs provide a relatively modest benefit. However, **once a state passes a CTC, it becomes a platform for future expansions.** Of the eleven states with a refundable child tax credit, six have already raised the benefit amount or broadened eligibility.

While state CTCs have only a short track record, state EITCs provide a similar history of expansion. Based on historical data on the EITC, we estimate that state EITCs have a 21% chance of expansion after they are first passed, and just a 3% chance of being restricted or reduced. **In other words, once a state has a refundable EITC, it expands it on average once every five years, and has a six times higher chance of expanding the benefit than making it smaller.**[37]

[36] California's Young Child Tax credit had the same earned income requirement until 2022.
[37] This draws on historic EITC expansion data from The Upenn Wharton Budget Model.

This year, several states introduced fully refundable child tax credits or expansions that did not pass, including Hawaii and Virginia. Last year, a Republican legislator in West Virginia also introduced a fully refundable CTC eligible to households with no reported income, but the measure was not supported by other members of the Republican majority.

Other states passed non-refundable child tax credits: Utah introduced a $1,000 per child CTC that reduces taxes owed but is not refundable. Illinois also passed a nonrefundable credit of $100 per child (for parents with incomes under $60,000). Other refundable and nonrefundable credits target childcare expenses explicitly. While these efforts show an interest in supporting families, they cannot play the same role as refundable benefits in poverty reduction, particularly for families who may already have little to no income tax liability. Non-refundable benefits should be converted to fully refundable cash assistance if they are meant to provide financial buffers for material hardship or address acute cash needs.

Some advocates aim to use refundable earned income tax credits (EITCs) as a basis for progress toward refundable child tax credits. However, EITCs differ substantially in design, as CTCs fill a gap in other means tested benefits by providing income support for households with little to no reported income. EITCs are often based on a percentage of federal EITC benefits or follow the same eligibility criteria, which presently requires a minimum $2,500 income to begin to receive the full benefit. However, efforts to consolidate EITC-type benefits into a more inclusive and fully refundable child tax credit (at $0 income) can increase the poverty impacts of such programs while ensuring flexible cash assistance reaches households in greatest need.

Conclusions & Further Considerations

The rapid rise of refundable state CTCs shows the continued resonance of providing a guaranteed income for families, even as the expanded CTC faces headwinds at the federal level. Eleven states now guarantee families with young children a minimal level of income. While no state comes close to matching the size of the expired federal program, many states offer substantial sums—over half have a maximum benefit of at least $1,000. And even the short history of state CTCs shows these benefits tend to be expanded: of the eleven states with a refundable CTC, six have already expanded them.

Refundable state CTCs offer a unique instance of states following the example of the federal government, rather than the federal government adopting policy innovations at the state level. While the federal CTC expansion only lasted six months, it was enough to cause a huge drop in child poverty and substantial reductions in material hardship. State lawmakers and advocates took note: all refundable state CTCs that gave the maximum benefit to families with no income from work were passed in 2021 or later.

While state CTCs help provide a guaranteed income for families, they perpetuate the exclusion of other adults without children from the cash safety net. “Able-bodied adults without dependents” (ABWDs) are by and large not eligible for the work-contained cash safety net that families with children are: they are not eligible for TANF or the CTC, and they receive at most $600 from the federal EITC at a very narrow income range. By and large, states do little to fill this gap. The most generous state, Maryland, simply matches the Federal EITC for childless workers.[38]

There are good reasons to focus efforts on families with children: they have a higher poverty rate, and there is a strong research base showing investments in childhood pay off in the long run via improved adult outcomes. Child benefits are also more popular and politically feasible—ABWDs are not a particularly sympathetic group. However, states should consider measures that provide a more inclusive cash safety net that covers households without children.

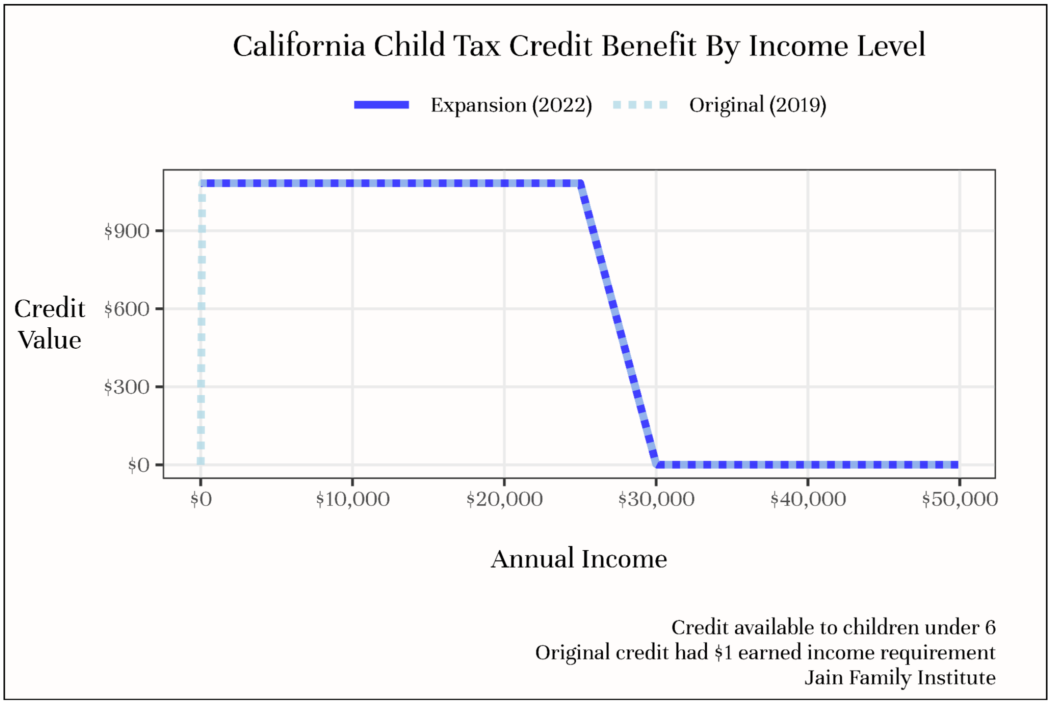
[38] Washington DC has the same policy.

Comparing All State CTCs

Below we provide state-by-state details on the child tax credit programs summarized above. Each table overviews topline details and analyzes the strengths or weaknesses of the programs. We also note opportunities or models the state may have to improve their CTC programs. While we are not prescriptive about all cash transfer parameters, we note strengths and weaknesses, based on evidence described in the analysis above. In the case of age eligibility, we note that targeting young children with larger benefits is a strength relative to other programs but not in an absolute sense. Helping a greater number of children would of course increase the program's impact. But within limited budgets, we focus on the larger benefits to young children in lowest income (or no income) households. See the discussion above for more analysis of this policy choice. In addition, the "direct cash ecosystems" described below are not a complete picture of all guaranteed income activity in the state. Similarly we provide only a high level description of how these policies passed. The tables offer a simplified picture of public initiatives for cash assistance and discourse we have encountered, as researchers in conversation with guaranteed income pilots and advocates for various forms of direct cash assistance—through the tax system or otherwise.

California

California has had its Young Child Tax Credit since 2018, but in 2021 it eliminated an earned income requirement, allowing parents with no reported income to access the benefit for children under six years old. While the state has more guaranteed income programs, policy, and advocacy than any other state, efforts to expand the CTC and make it refundable at $0 income were overwhelmingly about child poverty and wellbeing, and not centrally using the term "guaranteed income." The program provides the third highest CTC benefit in the country, targeting young children and providing the largest benefit at no income, with a single phase-out starting at $30,000.



California CTC Overview & Strengths and Weaknesses		**Details**
Benefit Amount Range	▲ Up to $1,083 in 2023, indexed to inflation	Third highest dollar amount in the country.
Eligible Age Range	▲ Under six ▼ Can only claim one child	Larger benefit for younger children, which ensures beneficial impact in a key period for children's growth, as well as long term outcomes. Maximum number of children to be claimed is unfair for larger families, who have higher needs and are more likely to be in poverty.
Eligible Income Range	▶ $0 - $25,000 for maximum benefit ▶ Phases out at $.22 per dollar of income above $25,000	Fast phase out at low-income point creates a high total implicit marginal tax rate in conjunction with other safety net benefits.
Administrative Burden	▲ Simple phase-out formula at single point	Single smooth phase-out formula provides a model for other states.

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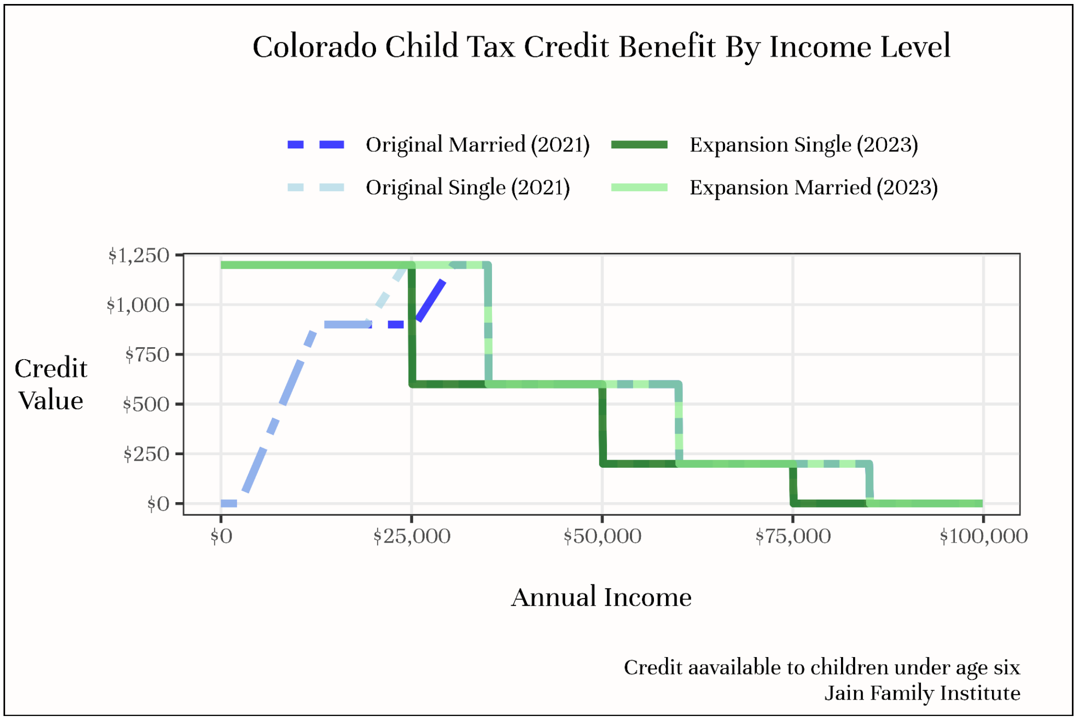
Inclusivity	▲ Includes ITINs ▼ Excludes other immigrant children	While a 2020 bill extended the CTC to ITIN holders, California could include children without ITINs through the same community-based networks that administered the state's $75 million Disaster Relief Fund to approximately 150,000 non-ITIN or SSN-holding workers in 2020.
Partisanship	Initial bill passed along partisan lines, expansion passed with strong bipartisan report	60-19 Assembly (counting abstentions as nos), no Republican support; 27-13 Senate (counting abstentions as nos), no Republican support. 75-5 Assembly (counting abstentions as nos), 74 percent Republican support; 33-7 Senate (counting abstentions as nos), 22 percent Republican support.
Direct Cash Policy Ecosystem	• More basic income pilots than any other state, expected to reach up to 12,000 residents, with a $39 million fund, which was begun in 2022 by the Department of Social Services to support guaranteed income pilots. • Extensive Golden State Stimulus and other emergency cash assistance during the pandemic. • California guaranteed income community of practice includes advocates from women's health, foster youth, and child welfare organizations. • Policymakers have passed policy using "guaranteed income" to refer to cash assistance, with significant advocacy to expand these programs and increase uptake or eligibility; CTC advocacy, however, did not use "guaranteed income" to refer to the cash assistance.	

Colorado

In 2023, Colorado became the state with the second largest child tax credit, while expanding the credit to ensure families with no income could receive the full benefit: up to $1,200 per child under the age of six. While the Colorado legislature is majority Democratic, the expansion of the state CTC passed with strong bipartisan support as a measure to make the tax system more equitable and redistribute tax revenues directly to Colorado families in need. The state CTC is set to reach 195,000 eligible children, with roughly 65,000 children in households with under $25,000 or $35,000, for single or joint filers respectively, receiving the full $1,200 per child. The full benefit structure is explained in the figure below.

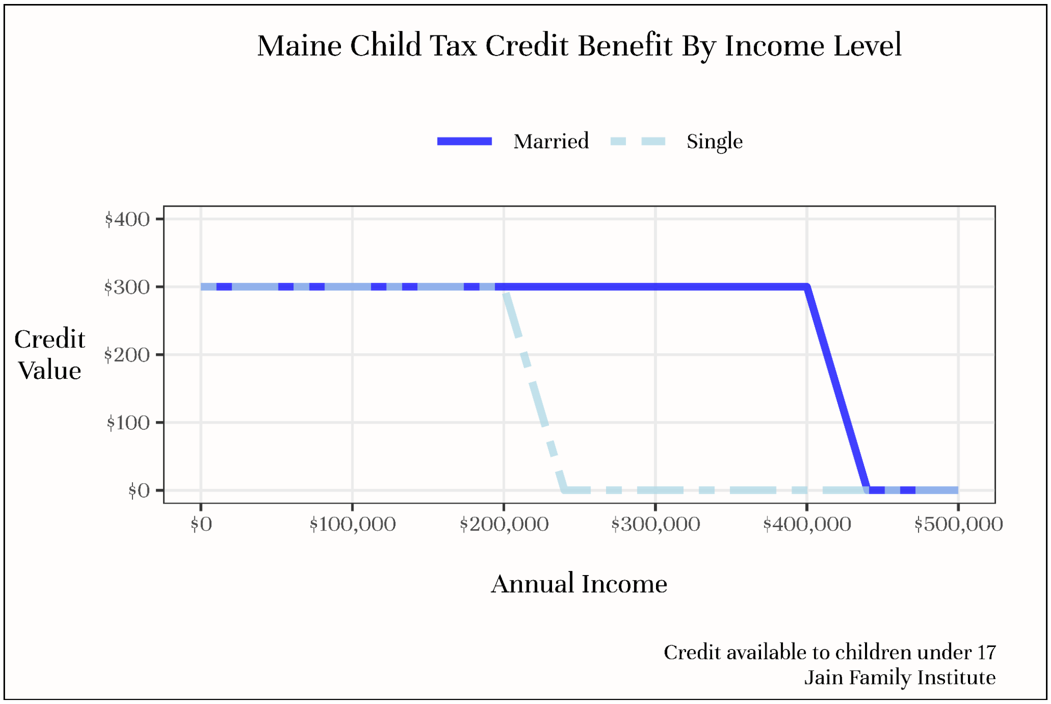


Colorado CTC Overview & Strengths and Weaknesses		Details
Benefit Amount Range	▲ $200 - $1,200 with highest benefit for incomes < $35,000	Second highest dollar amount in the country.
Eligible Age Range	▲ Under six	While the legislature originally proposed an expansion making children up to age sixteen eligible, the focus on larger amounts instead for young children ensures the benefit is fiscally sustainable and has an impact in a key period for children's growth and long term outcomes.
Eligible Income Range	▶ $0 - $25,000/$35,000 for maximum benefit, up to $75,000/$85,000 for some benefit ▼ Sharp changes in benefit levels between income groups creates cliffs	Benefit decreases to $600 for incomes over $25,000/$35,000, and by smaller amounts at higher income levels.
Administrative Burden	▲ Simplified structure in expanded credit	Original design had a complicated formula: determining your CTC required

		three extra pages of tax filing; forthcoming formula sets will be easier-to-understand, offering flat benefits.
Inclusivity	▲ Includes children with ITINs ▼ Does not go beyond ITINs	Colorado has a model for including undocumented individuals without ITINs, through the Benefit Recovery Fund. But it has not applied this to immigrant children seeking the CTC.
Partisanship	Passed with strong bipartisan report	Original: 55-9 House 58 percent Republican support; 32-3 Senate, 80 percent Republican support.
		Expansion: 53-12 Assembly, 17 percent Republican support; 25-10 Senate, 37 percent Republican support.
Direct Cash Policy Ecosystem	• Four current basic income pilot programs in the state. • Over $15 million emergency cash assistance during the pandemic. • Alignment of child welfare and anti-poverty organizations with unconditional cash assistance in the safety net. • Few policymakers use “guaranteed income” to refer to cash assistance but think of the policy as simply a tax refund. • Child welfare and basic income advocates are creating a formal working group on guaranteed income policy advocacy this year.	

Maine

Maine’s CTC was signed into law July 11, 2023. Rather than creating a new program from scratch, Maine made its existing dependent exemption tax credit fully refundable. It was supported by the Maine Economic Policy Center, the Maine Associated for the Education of Young Children, the Maine Children's Alliance, the Maine Council of Churches, and Maine People’s Alliance, among many others. Unfortunately, unlike every other state that has adopted a CTC, it did not expand the credit to include children with ITIN numbers.

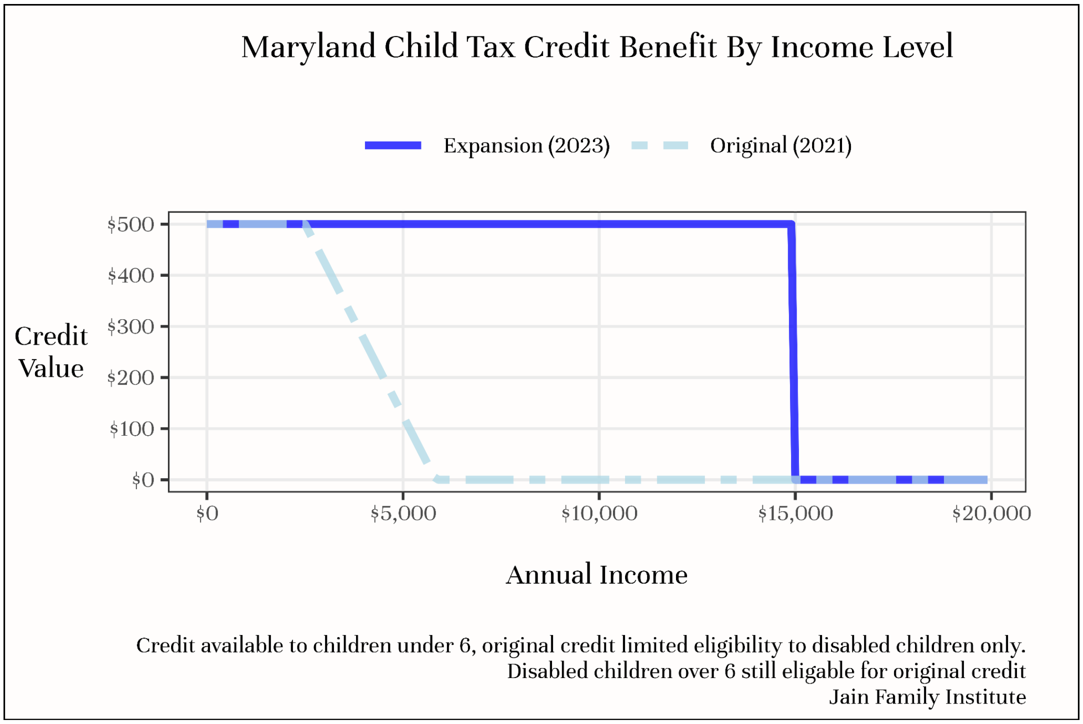


Maine CTC Overview & Strengths and Weaknesses		Details
Benefit Amount Range	▼ $300	Smallest maximum dollar amount in the country.
Eligible Age Range	▶ Under seventeen	Large age range with smaller benefit amount, may be more impactful with a larger benefit focused on young children.
Eligible Income Range	▶ Max benefit <$200k single, <400k married, phase out at less than $.01 per dollar of income	By making the credit available to high earners, it reduces the funds available to make the credit larger but more focused on low income families. However, the credit's availability at high income ranges was a reflection of the status-quo credit before it was made refundable.
Administrative Burden	▲ Simple structure with single phase out point, only variation for married vs. unmarried filers	Consolidated existing dependent exemption tax credit, which was non-refundable, to make it refundable, removing the phase-in, which simplifies the tax system.

Inclusivity	▼ Does not go include children with ITINs	Maine is the only state in the country with a refundable CTC that does not include children with ITINs.
Partisanship	Passed along partisan lines	80-58 Assembly, no Republican support; 22-13 Senate, no Republican support
Direct Cash Policy Ecosystem	• GI pilot for single mothers who experienced homelessness through Quality Housing Coalition. • Sent multiple rounds of direct cash relief though the tax system. • State legislature set up a special committee to study the feasibility of creating basic income security.	

Maryland

Maryland initially passed its Child Tax Credit in 2021. Part of a larger package that expanded the EITC, the CTC component was very small. It was worth just $500, and limited eligibility to disabled children whose parents had an income less than $6,000. One positive part of the design is that it very explicitly gave low-income parents a benefit where the federal CTC did not—the benefit phased out as the federal CTC phased in. In 2023, the legislature returned to the CTC, expanding the benefit to all children under age six rather than just disabled children, and extended the income eligibility to under $15,000. It remains among the smallest and most targeted CTCs in the country, but is far more substantial than the initial credit.

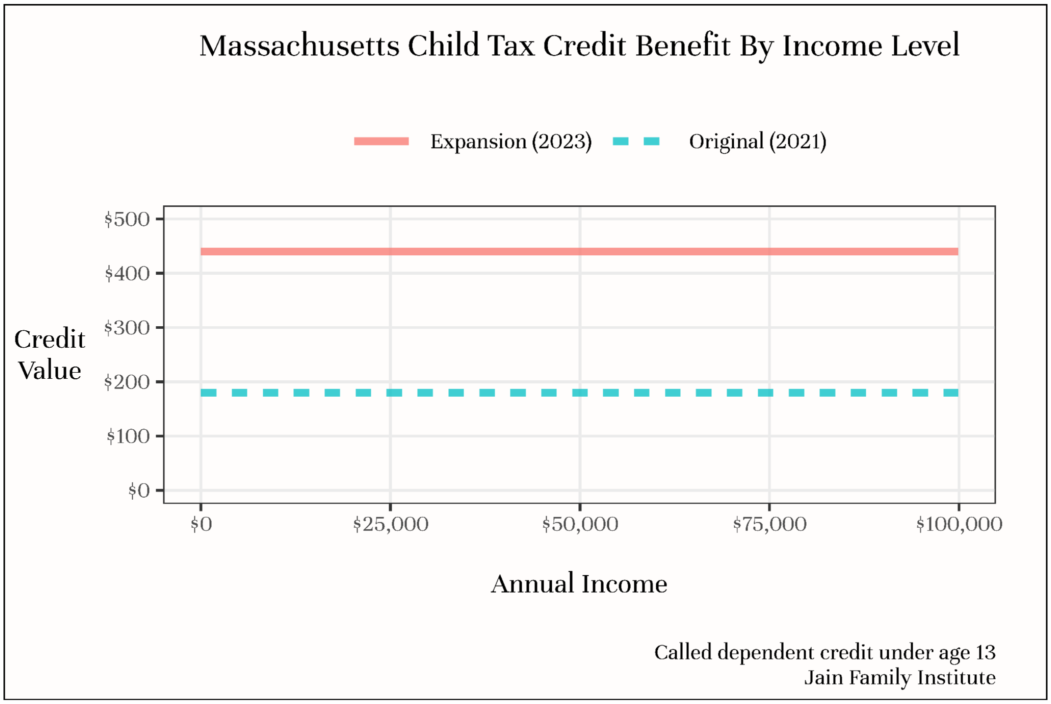


Maryland CTC Overview & Strengths and Weaknesses		Details
Benefit Amount Range	▼ $500 for all income-eligible families	Larger amounts are associated with more significant anti-poverty and wellbeing impacts for recipients.
Eligible Age Range	▲ Under six, or disabled children under seventeen	Larger benefit for younger children ensures beneficial impact in a key period for children's growth as well as long term outcomes.
Eligible Income Range	▼ Under $15,000, or $6,000 for maximum benefit for families with disabled children ▼ Sharp cut off of eligibility at $15,000 for families with children under six creates cliff	No state CTC is more heavily targeted to families with lowest incomes. No other state reduces benefits to zero above its income maximum, without a n phase-out.

Administrative Burden	▼ Two different structures for families with children under six and families with disabled children	Maryland could simplify its filing process by creating a common tax credit structure for all children.
Inclusivity	▲ Includes children with ITINs ▼ Does not go beyond ITINs	Non-ITIN holders could be included through alternative identity verification methods used in other states.
Partisanship	Passed along partisan lines	101-35 Assembly, no Republican support; 31-12 Senate, no Republican support.
Direct Cash Policy Ecosystem	• Two ongoing guaranteed income demonstrations reaching 500 people, one with partial government funding. • "Let's GO DMV" represents concerted guaranteed income advocacy in the broader DC region, pushing for $1,000 per month transfers focused on hospitality workers and communities of color. • Child welfare and domestic violence prevention organizations join in advocacy for basic income programs. They have formed small pilots with support from the Greater Washington Community Foundation, among other major area philanthropies. • Policymakers have not regularly referred to guaranteed income in the passage of fully refundable CTC benefits at $0 income, and have favored larger benefit increases to programs with a work requirement, like the EITC.	

Massachusetts

Massachusetts's CTC was a result of benefit consolidation. Massachusetts's pre-2021 tax code included a tax deduction for children under twelve. Deductions only benefit families with tax liability, however, which means they exclude the lowest-income families. Massachusetts replaced the deduction with a refundable tax credit, providing the same benefit as the old deduction system for high-income taxpayers, but newly including the lowest-income families. It is the only credit that is provided universally, regardless of income. In 2023, the credit was increased to $440 per eligible child (initially $310), no longer capped the total number of children families could claim, and made eligible twelve-year olds.



Massachusetts CTC Overview & Strengths and Weaknesses		Details
Benefit Amount Range	▼ $440 per child	Among the smallest dollar amounts across all states.
Eligible Age Range	▲ Children under age thirteen Also includes dependents sixty-five or older and disabled dependents of any age	Before 2023 expansion, only allowed two children under age 12 could be claimed, which was unfair for larger families, who have higher needs and are more likely to be in poverty.
Eligible Income Range	▲ Universal	Universal benefits support take-up and can be more equitable coupled with progressive taxation, while a targeted approach can increase benefit size and impact.
Administrative Burden	▲ Universal structure delivers simplest possible benefit enrollment	Converted previous dependent deduction into

		refundable credit, creating a simpler, easy to administer structure
Inclusivity	▲ Includes children with ITINs ▼ Does not go beyond ITIN inclusion	Non-ITIN holders could be included through alternative identity verification methods used in other states.
Partisanship	Original vote unclear, expansion passed with strong bipartisan support	155-1 Assembly, 80% Republican Support 38-1 Senate, 67% Republican Support
Direct Cash Policy Ecosystem	● Six guaranteed income pilot programs, four of which have been concluded and one of which is being converted into permanent income support policy in Cambridge, MA. ● While some guaranteed income pilots struggled politically to use “guaranteed income” to describe their direct, unconditional cash transfer programs (e.g. Chelsea EATs), others found broad public support (e.g. Cambridge RISE). ● The fully refundable CTC passed as part of a larger “tax relief plan,” signaling only indirect support for guaranteed income, with no clear interest in unconditional cash assistance more broadly.	

Minnesota

The Minnesota CTC passed as part of a larger 2023 tax bill that both increased state revenues and came with an array of other tax reductions for lower-income households. The CTC was one way to defer the benefits of proposed tax cuts onto low income households when lawmakers originally sought to eliminate all income taxes on social security insurance beneficiaries, including many high-income recipients. Instead, advocates argued for low-income moms who could do more with a refundable tax credit than wealthy retirees. The larger tax package then passed with various reforms that redirected tax revenues to lower-income households, making the tax code broadly more progressive. The state CTC was celebrated in particular for its potential to reduce child poverty in the state by roughly a third. "Guaranteed income" was not a primary descriptor for this CTC push among legislators or advocates, but Minnesota Congresswoman Ilhan Omar published a local op-ed calling for the credit and positioning the move within her concerted efforts to support guaranteed income and cash transfers at the national level. The Minnesota CTC is now the largest in the country.

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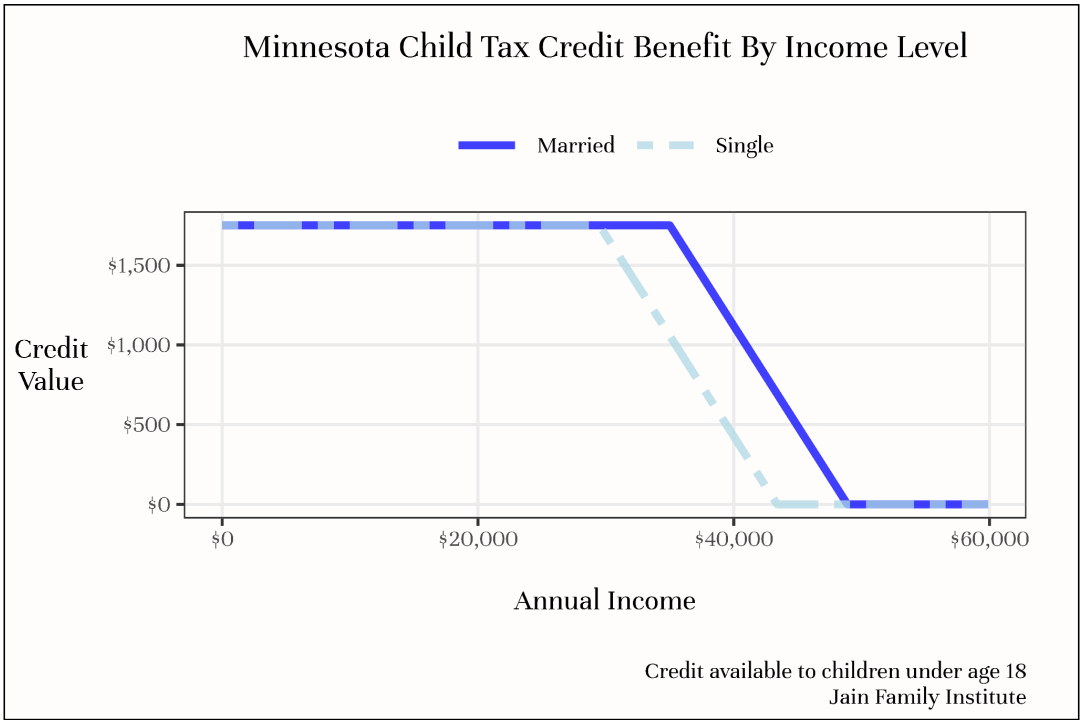
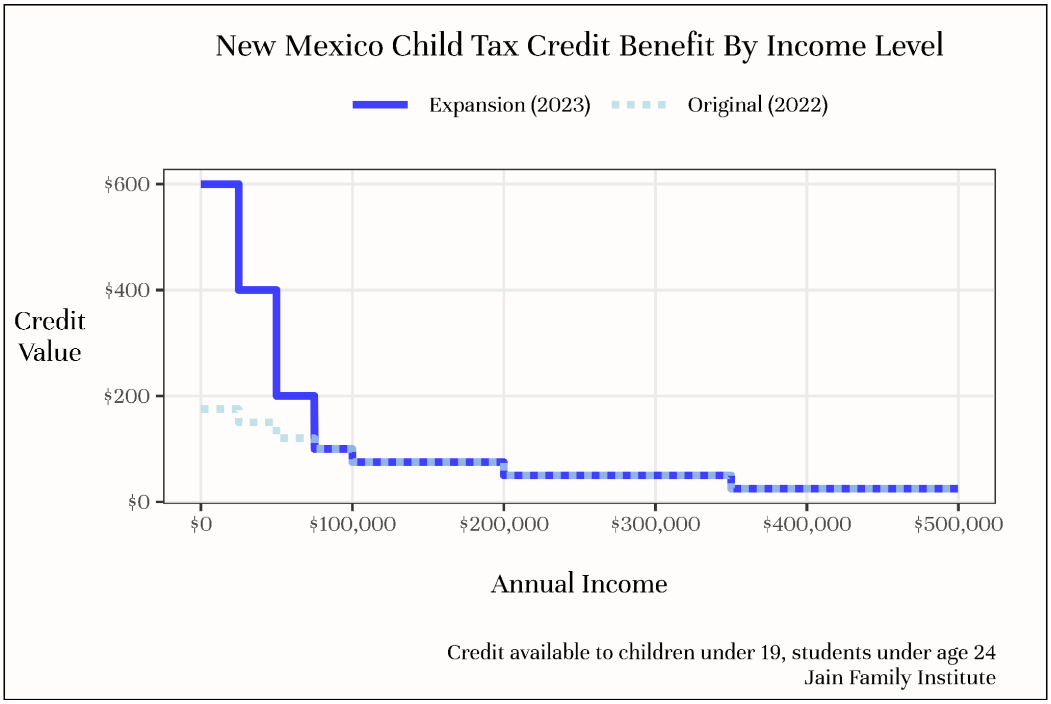


Minnesota CTC Overview & Strengths and Weaknesses		**Details**
Benefit Amount	▲ $1750 per child	Largest state CTC.
Eligible Age Range	▲ Children under eighteen	While targeting larger amounts for young children may be favorable within limited budgets, a large benefit for all children will reduce poverty more and maximize impacts.
Eligible Income Range	▲ Max amount for filers under $29,500/35,000 income ▲ Phases out at $.12 per dollar of income	Maximum amount for filers single HH < $29,500 income, and for married HH < $35,000. Phase out combined with state EITC.
Administrative Burden	▲ Simple formula with single phase out point	Consolidated family portion of EITC into flat CTC benefit, which has additional simplification benefits.

Inclusivity	▲ Includes children with ITINs ▼ Does not go beyond ITIN inclusion	Non-ITIN holders could be included through alternative identity verification methods used in other states.
Partisanship	Passed along partisan lines	69-63 Assembly, no Republican support; 34-33 Senate, no Republican support. Passed as part of the budget.
Direct Cash Policy Ecosystem	• Five different guaranteed income pilots in the state center around the Twin Cities, with public support from Minneapolis and St. Paul mayors, and philanthropic support for cash assistance to unhoused individuals. • Efforts to pass a fully refundable CTC at $0 income were part of a larger tax package to support low income families, but which did not reference "guaranteed income" as a dominant advocacy frame. • MN Congresswomen Ilhan Omar has introduced legislation to fund a federal basic income program and vocally supported the state CTC as part of unconditional cash assistance efforts more broadly. • Minnesota has other one-time cash assistance programs for families facing financial hardship or loss of income.	

New Mexico

New Mexico passed its child tax credit in 2022 and expanded amounts in 2023. Efforts to introduce and pass the legislation were part of omnibus tax bills in 2022 and 2023, bolstered by advocacy and policy analysis from New Mexico Voices for Children. The focus of the tax reform was to benefit over 300,000 low income children and improve maternal and child wellbeing: from decreasing child poverty to improving mental health. Guaranteed income was not an explicit part of the advocacy campaigns. Cash pilot efforts have not been a large part of advocacy, although some members of New Mexico Voices for Children talked about their tax credit cash assistance work later in 2022 at a "guaranteed income now" conference.



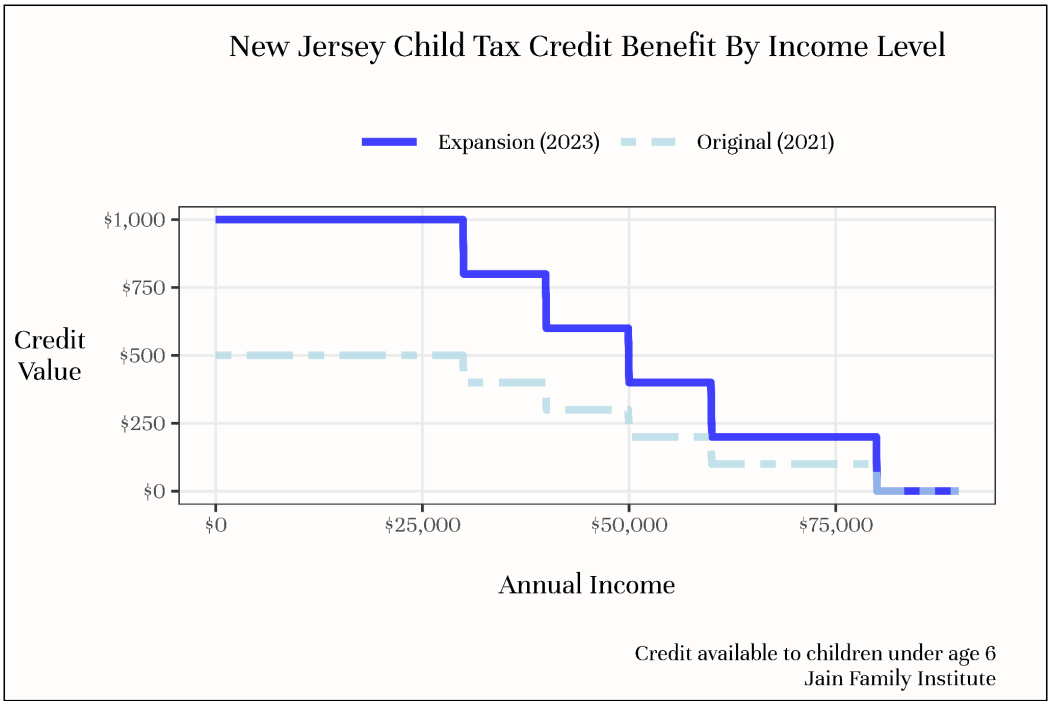
New Mexico CTC Overview & Strengths and Weaknesses		Details
Benefit Amount	▲ Up to $600 per child after expansion	Second largest amount for a wide age range. Indexed to inflation.
Eligible Age Range	▲ Children under age nineteen, and full time student dependents under age twenty-four	Expansion creates substantial benefit for lowest income families while remaining broadly inclusive.
Eligible Income Range	▲ Max amount for families making less than $25,000 ▼ Sharp cut offs between income levels creates cliffs	While the program phases out further up the income ladder, with at least $25 to highest income families (>$350,000), recent expansions for lowest income families (from $175 to $600) create cliffs effects.
Administrative Burden	▲ Simple formula for computing credit: income bracket by number of children	It is possible to smoothly phase out benefits while preserving simple structure rather than income buckets that create cliff effects.

<table>
<tr><td>Inclusivity</td><td>▲ Includes children with ITINs
▼ Does not go beyond ITIN inclusion</td><td>Guaranteed income efforts in the state have focused especially on those excluded by benefit systems and ways to verify undocumented recipient identities.</td></tr>
<tr><td rowspan="2">Partisanship</td><td rowspan="2">Original passed with strong bipartisan support, expansion passed with some bipartisan support</td><td>Original: 59-9 Assembly, 60 percent Republican support; 39-3 Senate, 80 percent Republican support.</td></tr>
<tr><td>Expansion: 50-18 Assembly, 28 percent Republican support;
24-12 Senate, no Republican support.</td></tr>
<tr><td>Direct Cash Policy Ecosystem</td><td colspan="2">Four guaranteed income demonstration programs in the state in recent years, including one taking place statewide, with a focus on undocumented workers and their families.
New Mexico Voices for Children, involved in guaranteed income pilot efforts in the state, led advocacy efforts for the state child tax credit passage and expansion.
Advocacy for the CTC did not refer to the benefit as a “guaranteed income,” but focused on economic relief for parents and positive outcomes for children and families.
Direct cash assistance has had a particular focus on targeting immigrant populations, which were disproportionately disadvantaged by the pandemic or were left out of other benefit systems.</td></tr>
</table>

New Jersey

The New Jersey CTC was driven in part by New Jersey Policy Perspectives (NJPP), as part of efforts to reduce child poverty and address rising costs of living—reflecting the legislature’s desire to address the lack of affordability, broadly defined. Lawmakers committed to issues that serve children became sponsors and advocates for a state CTC that would reach low income families. The effort was not focused on creating a “guaranteed income.” However, New Jersey has six different cash pilot efforts and the staff of NJPP were previously part of the Newark Guaranteed Income Task Force, which preceded Newark’s Transformation and Equity cash program. NJPP has also since published a highly theoretical paper on what a universal basic income could look like in New Jersey, costing an estimated 20 percent of the state budget. The CTC was narrowed to young children to ensure larger benefit amounts, working backwards from a budget of

$100 million. While the bill moved forward from inception to passage in the span of a mere four months, NJPP's existing partnerships with ITEP, a national partner; UnitedWay of New Jersey; and coalitions of parents on policy needs and design allowed them to include that input in aspects of the policy design—namely a need for less administrative burden. The ultimate bill was framed as tax relief for working families, with a focus on strained family budgets. Advocates also focused on "affordability for whom" narratives, amid concurrent efforts to include corporate tax breaks in the 2022 session. Not only did the CTC pass with bipartisan support, but Republican legislators pushed for increasing the age range with Democrats pushing back, citing budget constraints.



New Jersey CTC Overview & Strengths and Weaknesses		Details
Benefit Amount	▲ Up to $1,000 per child after expansion	Among the highest benefit amount in the country.
Eligible Age Range	▲ Children under age six	Larger benefit for younger children ensures beneficial has an impact in a key period for children's growth as well as long term outcomes.

Eligible Income Range	▶ Max amount for families making less than $30,000, smaller amounts for families making up to $85,000 ▼ Sharp cut offs between income levels creates cliffs	Though less extreme than other states, the benefit formula between income brackets causes a sharp drop in benefits for families whose income puts them in a slightly higher income bucket. Recent expansion made these drops larger.
Administrative Burden	▲ Simple formula determines CTC amount	It is possible to smoothly phase out benefits while preserving simple structure rather than income buckets that create cliff effects.
Inclusivity	▲ Includes children with ITINs ▼ Does not go beyond ITIN inclusion	The state has a precedent for going beyond ITIN inclusion with its Excluded New Jerseyans Fund.
Partisanship	Both original implementation and expansion passed with strong bipartisan support	Original: 68-3 Assembly, 65 percent Republican support; 29-6 Senate 31 percent Republican support. Expansion: 75-3 Assembly, 85 percent Republican support; 31-5 Senate, 44 percent Republican support.
Direct Cash Policy Ecosystem	● Six guaranteed income pilot efforts in the state in recent years, including a Newark-based program that originated in the Newark Guaranteed Income Task Force, made up of multiple policy and direct organizations. A former member of the task force led state-level CTC efforts in 2022 through New Jersey Policy Perspectives. ● Pandemic emergency assistance focused on rental assistance paid to landlords and expanded SNAP benefits rather than unrestricted cash. ● Advocacy centered on child wellbeing without explicit use of "guaranteed income" to refer to the CTC.	

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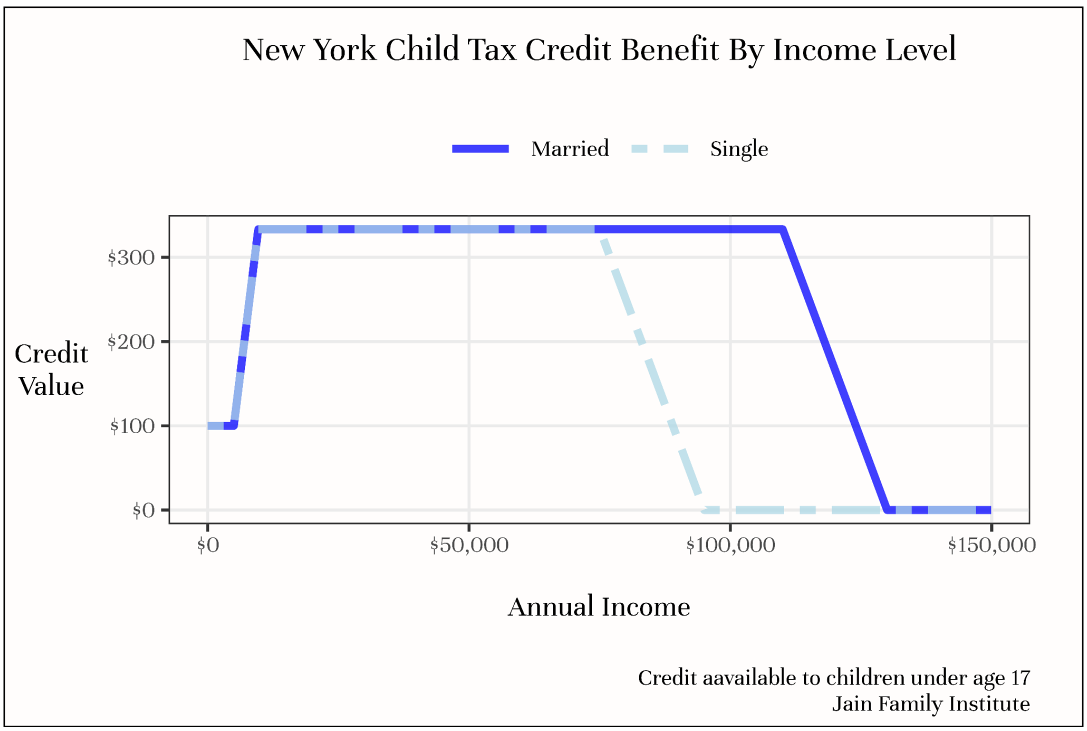
New York

New York's Empire State Child Tax Credit was passed originally in 2006. Up until 2023, it reached children aged four to sixteen, with a minimum benefit of $100 per child and a maximum of $330 per child (or 33 percent of the federal CTC). While the credit sets a minimum refundable benefit for families with no reported income, those in deep poverty receive less, as the benefit phases in from $100 to $333 (in 2023) as household income increases up to roughly $10,000. The benefit phases out above $95,000 for singles and $130,000 for married households. Advocacy in New York for the CTC has been shaped in large part by the Schuyler Center for Analysis and Advocacy, which was part of a committee formed by the legislature in 2021 to investigate ways to reduce child poverty in half in under a decade. Cash assistance, and the EITC and CTC in particular, were part of that committee's intended policies to investigate. In 2022, the state passed a one-time expansion that doubled the state CTC for eligible families with under $10,000 in income and who filed on time. In 2023, the Schuyler Center advocated for a permanent CTC expansion that would include children below age four and remove the income phase-in. The legislature did expand the age eligibility, including an additional 900,000 children under age four.



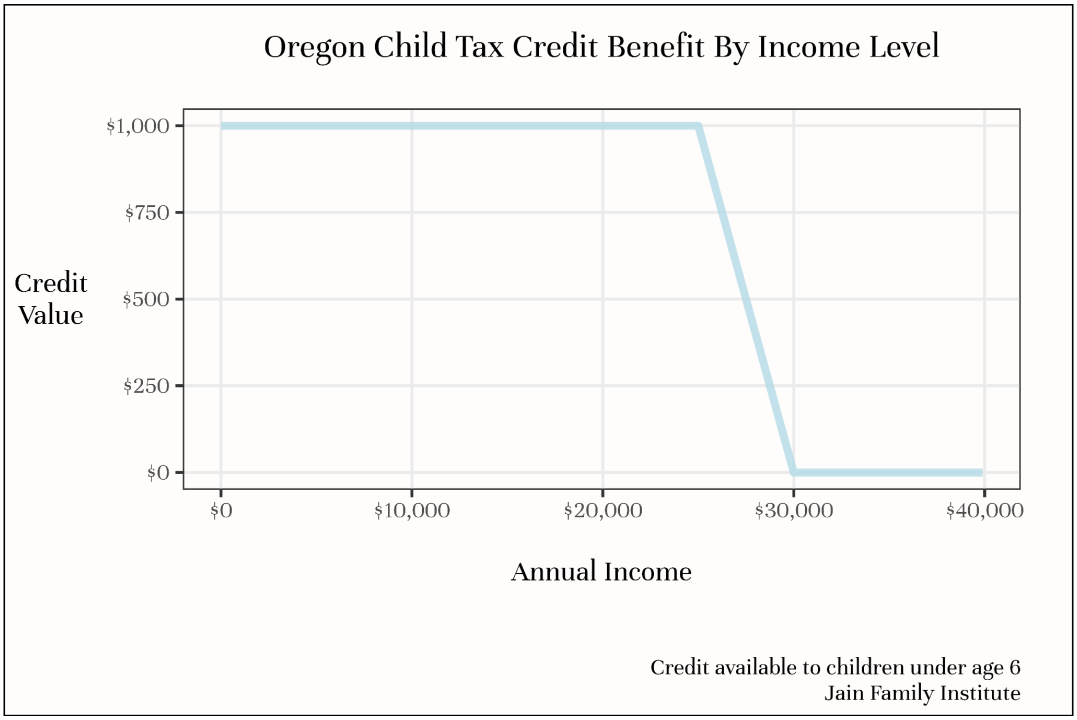
As in other states, an emphasis on child poverty reduction was more central to CTC advocacy efforts than guaranteed income. Directly on guaranteed income, the state has passed a bill to protect recipients of pilot programs from any benefits reduction due to temporary income support. New York has some of the largest guaranteed income programs in the country: Creatives Rebuild New York, the Bridge Project, Point Source Youth, HudsonUP, and Chapin Hall guaranteed income programs together reach roughly 3,000 people. Some of those pilot efforts have invested in dedicated staff to investigate long term policy change options. New York City Council has also considered guaranteed income proposals in recent years, passing support for some existing pilots in the last budget.

New York CTC Overview & Strengths and Weaknesses		**Details**
Benefit Amount	▼ Up to $333 per child	$100 for lowest-income households, then a phase-in to $333. Only state with a refundable CTC that does not give the maximum benefit to the lowest income families.
Eligible Age Range	▲ Children under age seventeen	Prior to expansion included only children age four to sixteen.
Eligible Income Range	▶ $0 to $130,000 ($95,000 single) ▼ Does not give the maximum benefit to lowest-income families	Efforts to expand the benefit amount, including giving lowest income families the maximum benefit, failed in the 2023 budget session.
Administrative Burden	▼ Complicated formula determines CTC amount	Formula is 33 percent of the pre-TCJA CTC or $100 per child, whatever is larger. Keeping a complicated defunct federal formula that no longer exists illustrates the drawbacks of linking to the federal credit.
Inclusivity	▲ Includes children with ITINs ▼ Does not go beyond ITIN inclusion	The state has a precedent for going beyond ITIN inclusion with its Excluded Worker Fund.
Partisanship	Passed along partisan lines	91-57 Assembly, no Republican support; 39-24 Senate, no Republican support. Passed as part of budget

Direct Cash Policy Ecosystem	• Guaranteed income demonstrations in the state reach over 3000 people, including targeted programs to artists, youth experiencing homelessness, transition-age foster youth, and new mothers. • Some state and city-based policymakers have endorsed guaranteed income and proposed government-funding for pilot programs, such as a New York City Council program passed in 2023 to extend some existing programs, and 2023 state legislation to protect recipients from losing other means tested benefits, while in the program. • CTC advocacy and expansion, led largely by the Schuyler Center, focused on reducing child poverty and built on a 2021 bill that created a committee to investigate reforms to reduce child poverty in half. • NY Excluded Worker Fund distributed $2.1 million in direct cash assistance to over 130,000 immigrant workers without work authorization, needed to access unemployment insurance, or who could not access other benefit programs.

Oregon

Oregon’s CTC was passed in July 2023. Representative Andrea Valderrama, one of the chief sponsor’s of the legislation, said the credit was a priority of the Oregon Legislative BIPOC Caucus and that the credit will especially help Black and Brown, Indigenous, and Latinx children. The credit was supported by a number of research and advocacy groups, including Oregon Center for Public Policy and Our Children Oregon.



Oregon CTC Overview & Strengths and Weaknesses		**Details**
Benefit Amount	▲ Up to $1,000 per child	Among the highest benefit amount in the country.
Eligible Age Range	▲ Children under age six	Larger benefit for younger children ensures beneficial impact in a key period for children's growth as well as long term outcomes.
Eligible Income Range	▲ Max amount for families making less than $25,000 ▶ Phases out at $.20 per $1 of income above $25,000	A slower phase-out or higher could mitigate cliff effects.
Administrative Burden	▲ Single smooth phase out	Single smooth phase-out is a model for other states.
Inclusivity	▲ Includes children with ITINs ▼ Does not go beyond ITIN inclusion	Oregon has a model for including undocumented individuals without ITINs

		through the The Worker Relief Fund. But it has not applied this to immigrant children seeking the CTC.
Partisanship	Passed with strong bipartisan support	51-1, 64 percent Republican support;24-1 Senate, 46 percent Republican support. (Abstentions counted as not supporting.)
Direct Cash Policy Ecosystem	• Ballot initiative in 2024 to create a universal rebate of approximately $750 per person, funded by raising taxes on large Oregon corporations. Has collected enough signatures to appear on the ballot • Several ongoing guaranteed income demonstration projects, including the Black Resilience fund and the Multnomah Mother' Trust.	

Vermont

Vermont passed its state CTC in 2022 within the governor's $50 million "tax cut" package, providing $1,000 per child under six to all parents with under $125,000 in income. Lawmakers were motivated by the example of the APRA CTC at the federal level, aiming to bolster childcare funding at the expense of the EITC, which turned into an effort to instead create a fully refundable CTC, in addition to increasing the state's child and dependent care tax credit (CDCC, also fully refundable) and state EITC. Advocacy was not directly tied to nascent guaranteed income efforts in the state, such as an initiative to form a cash assistance program for youth aging out of foster care. Representative Janet Ancel, in her final term in office, led the efforts to introduce the CTC, based partially on her experience as a former social worker and her expertise as a former Vermont Tax Commissioner. The Vermont House Committee on Appropriations had also investigated the possible impacts of a $1,000 per month unconditional cash transfer in April 2021, with an interest in exploratory conversations about effective anti-poverty policy, and at the behest of Representative Mary Hooper, the committee's chair. Vermont Voices for Children testified in favor of the CTC but the effort was led primarily by the lead sponsor's initiative. While lawmakers were interested in creating periodic payments through the CTC, interaction with the federal benefits system and difficult administration prevented this from making it into the bill. Still, partially in response to feedback on ITIN inclusion in 2022, including from this brief's authors, legislators expanded to both include ITIN children as well as those without ITINs or SSNs.

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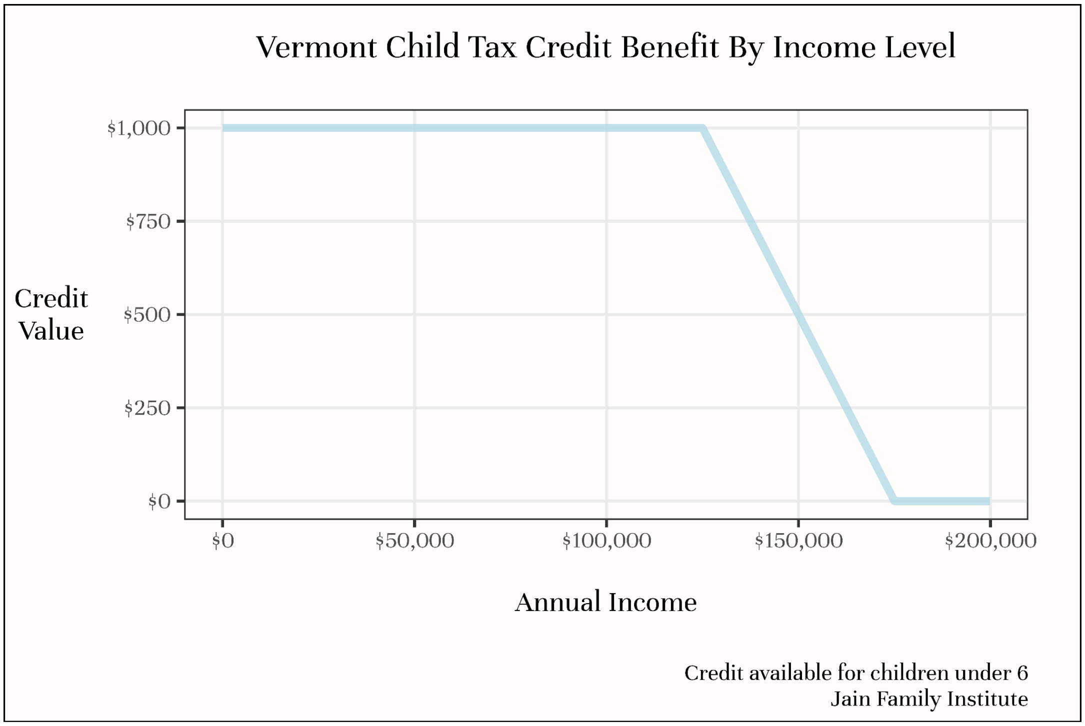

Vermont CTC Overview & Strengths and Weaknesses		Details
Benefit Amount	▲ Up to $1,000 per child	Fourth largest benefit amount, though original proposals for a $1,200 benefit were curtailed by cost.
Eligible Age Range	▲ Children under age five	Larger benefit for younger children ensures beneficial impact in a key period for children's growth as well as long term outcomes.
Eligible Income Range	▲ Gives the maximum benefit to lowest-income families ▲ Incorporates a slow phase-out in benefits	Benefit phase-out begins at $125,000 incomes at a two percent rate.
Administrative Burden	▲ A simple formula, with flat benefits for most low-income households, lessens filing burdens on recipients	Single smooth phase-out is a model for other states.

Inclusivity	▲ Includes children with ITINs ▲ Expansion directs agencies to go beyond ITIN inclusion	Expansion in 2023 included both ITINs and non-ITINs.
Partisanship	Passed with bipartisan support	141-4 Assembly, 91 percent Republican support; 30-0 Senate, full Republican support.
Direct Cash Policy Ecosystem	• No guaranteed income programs in the state. • CTC bill sponsors modeled the credit partially on the ARPA CTC and scaled the program to meet their budget. Sponsors supported direct cash assistance as a child poverty-reduction measure, based on experience working with income insecure households. "Guaranteed income" was not used in advocacy surrounding the bill. • Emergency assistance during the pandemic was limited to rental assistance and increased SNAP benefits.	

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Appendix

Methodological Details for Calculation Fraction of Families Receiving Benefits By Income

SNAP and housing assistance are administered by complicated formulas–they do not phase out at the same level of income for all households. However, we can use administrative data from HUD (Public Use Microdata Sample 2021, inflation adjusted to 2023) and the Department of Agriculture (2019 SNAP Quality Control Data inflation adjusted to 2023) to calculate how many families are receiving these benefits at different income levels. To calculate the total number of families at a given level of earnings, we use the Current Population Survey. Combined with the administrative data, we can estimate the fraction of families at a given level of earnings receiving housing assistance and SNAP.

We use administrative data rather than self-reported receipt of assistance in a survey because it is likely to more accurately correspond with what households would submit on tax returns. Survey data relies on potentially faulty recollections of earnings and public assistance receipt over the last year, where one person generally responds for the entire household. Administrative data reflects what households reported to state welfare agencies, and is subject to considerable verification.

Appendix Figure 1: Vermont CTC Phase-Out Table

CHILD TAX CREDIT TABLE

If your adjusted gross income from Form IN-111, Line 1, is greater than $125,000, use this table to find the child tax credit amount to enter on Line 4.

If Adjusted Gross Income is...		Enter on Line 4	If Adjusted Gross Income is...		Enter on Line 4	If Adjusted Gross Income is...		Enter on Line 4	If Adjusted Gross Income is...		Enter on Line 4
At Least	But Not More Than	Child Tax Credit Is...	At Least	But Not More Than	Child Tax Credit Is...	At Least	But Not More Than	Child Tax Credit Is...	At Least	But Not More Than	Child Tax Credit Is...
0	125,000	1,000	137,001	138,000	740	150,001	151,000	480	163,001	164,000	220
125,001	126,000	980	138,001	139,000	720	151,001	152,000	460	164,001	165,000	200
126,001	127,000	960	139,001	140,000	700	152,001	153,000	440	165,001	166,000	180
127,001	128,000	940	140,001	141,000	680	153,001	154,000	420	166,001	167,000	160
128,001	129,000	920	141,001	142,000	660	154,001	155,000	400	167,001	168,000	140
129,001	130,000	900	142,001	143,000	640	155,001	156,000	380	168,001	169,000	120
130,001	131,000	880	143,001	144,000	620	156,001	157,000	360	169,001	170,000	100
131,001	132,000	860	144,001	145,000	600	157,001	158,000	340	170,001	171,000	80
132,001	133,000	840	145,001	146,000	580	158,001	159,000	320	171,001	172,000	60
133,001	134,000	820	146,001	147,000	560	159,001	160,000	300	172,001	173,000	40
134,001	135,000	800	147,001	148,000	540	160,001	161,000	280	173,001	174,000	20
135,001	136,000	780	148,001	149,000	520	161,001	162,000	260	174,001	-	0
136,001	137,000	760	149,001	150,000	500	162,001	163,000	240			

Appendix Figure 2: California CTC Phase-Out Form

24 Available Young Child Tax Credit . . . . . 24 | 1,083 .00

- If the amount on line 23 is $25,000 or less, skip line 25 through line 27 and enter $1,083 on line 28. If applicable, complete line 29 and line 30.
- If the amount on line 23 is greater than $25,000, complete line 25 through line 28. If applicable, complete line 29 and line 30.

25 Excess Earned Income over threshold. Subtract $25,000 from line 23 . . . . . ● 25 | .00

26 Divide line 25 by 100. Enter the result as a decimal out to two decimal places, **do not** round . . . . . ⦿ 26 | .

27 Reduction amount. Multiply line 26 by $21.66. Enter the result as a decimal out to two decimal places, **do not** round . . . . . ● 27 | .

28 Young Child Tax Credit.

- If you did not need to complete line 25 through line 27, your credit is the $1,083 from line 24.
- If you completed lines 25 through 27, to compute your credit, subtract line 27 from line 24. If your credit amount is between $0 and $1, enter $1. If your credit amount is over $1, round to the nearest whole dollar.

This amount should also be entered on Form 540, line 76; or Form 540 2EZ, line 23b. . . . . . ● 28 | .00

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