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Expanding the Empire State Child Credit to Cover the Youngest New Yorkers

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New York is one of a very few states that offer a state child tax credit, and is the only state where the credit is fully refundable. Enacted in 2006, New York's Empire State Child Credit provides eligible taxpayers a credit equal to 33% of the federal child tax credit or $100 per qualifying child, whichever is greater. **While New York is a leader in the nation in offering a refundable child tax credit, the state credit contains a significant flaw: it excludes children under age four from eligibility—the very group that is most severely impacted by poverty, and would most benefit from receiving a credit. If New York were to fill in this gap in the law, low- and moderate-income families with very young children would be eligible to receive up to $330 in income per year per young child,** which could yield substantial benefits for thousands of the state's youngest residents, particularly those living in poverty or near poverty.

Investing in families with young children improves outcomes for a lifetime.

Modest income transfers to low-income families—particularly families with young children—can yield tremendous benefits for children and their families, including improved physical, emotional and behavioral health, higher educational attainment and increased future earnings.[1,2] The benefits are particularly great—and most acutely needed—in families with very young children. This is the case because families with young children face poverty at greater rates than other families. In fact, the birth of a child is the leading trigger of "poverty spells" experienced by families.[3] In addition, stress and hunger can impair brain development, which is most rapid when children are very young, and can lead to lifelong deficits.[4] And strengthening family economic security improves the lives not only of this generation of children, but the next, because poor children are much more likely to grow up to be poor adults.[5]

The Empire State Child Credit encourages work and family self-sufficiency.

The child tax credit (federal and state) targets low- and middle-income working families, giving them an income boost to offset the costs of raising children that has been linked to significant short- and long-term improved outcomes for children and families. And, the credit encourages and rewards work because it phases in as family income increases. Specifically, a family with one child qualifies for the maximum credit when the family's annual income exceeds $7,000; the credit begins to phase out when family income exceeds $75,000 (or $110,000 for married filers filing jointly).[6]

Excluding the youngest New Yorkers from the Empire State Child Credit makes no sense.

The exclusion of New York's youngest children from a credit that exists to offset the high costs of raising children defies logic. Further, expanding the Empire State Child Credit to cover children 0 to 4 would bring this law in line with the growing body of research establishing how critical are the early years, and how investments in young children pay dividends for a lifetime. Reflecting this understanding, recent proposals to expand and strengthen the federal Child Tax Credit, upon which the Empire State Child Credit is based, propose larger credits for younger children.[7] It is time for New York to stop excluding its youngest, most vulnerable children from receiving the important benefits offered by the Empire State Child Credit.

[1] Garfinkel, I., Harris, D., Waldfogel, J., & Wimer, C. (2016). Doing More For Our Children: Modeling a Universal Child Allowance or More Generous Child Tax Credit. *The Century Foundation.* https://tcf.org/content/report/doing-more-for-our-children/

[2] White, G.B. (2015). Income Makes a Big Difference for Kids. *The Atlantic*. http://www.theatlantic.com/business/archive/2015/09/income-inequality-poverty-children/407512/

[3] West, Rachel, Boteach, Melissa, & Vallas, Rebecca (Aug. 12, 2015). Harnessing the Child Tax Credit as a Tool to Invest in the Next Generation. *Center for American Progress*. https://www.americanprogress.org/issues/poverty/reports/2015/08/12/118731/harnessing-the-child-tax-credit-as-a-tool-to-invest-in-the-next-generation/

[4] Starting Smart: How Early Experiences Affect Brain Development. (2d. Ed. 2000). *Zero to Three* and *The Ounce of Prevention Fund.* www.education.com/reference/article/**smart-early-experiences-brain**-iq/

[5] *Ending Child Poverty Now*, (Research Report of the Children's Defense Fund, 2015), ch. 1, available at: http://www.childrensdefense.org/library/PovertyReport/EndingChildPovertyNow.html

[6] Chart Book: The Earned Income Tax Credit and Child Tax Credit. *Center on Budget and Policy Priorities* (May 24, 2016) http://www.cbpp.org/research/federal-tax/chart-book-the-earned-income-tax-credit-and-child-tax-credit

[7] Marr, Chuck, Cho, Chloe, Sherman, Arlo. (August 2016). A Top Priority to Address Poverty: Strengthening the Child Tax Credit for Very Poor Young Children. *Center on Budget and Policy Priorities* http://www.cbpp.org/research/federal-tax/a-top-priority-to-address-poverty-strengthening-the-child-tax-credit-for-very