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**Joint Legislative Public Hearings on
2025-2026 Executive Budget Proposal**

Taxes

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INTRODUCTION

Empire Justice Center is a statewide, multi-issue, multi-strategy not-for-profit civil legal aid provider focused on changing the complex systems impacting low income and marginalized New Yorkers. With a focus on poverty law, Empire Justice takes a 360-degree approach to the areas of law we practice in, providing individual legal representation, policy research and analysis, training and technical assistance as well as impact litigation.

Our work cuts across all significant areas of poverty law and involves three inter-related services:

We practice the law: Empire Justice Center provides a range of legal assistance from our Telesca Center and Library offices in Rochester, Albany, Yonkers, White Plains, Central Islip, and Hempstead. We provide one on one representation and undertake impact litigation to address systemic issues impacting low income and marginalized communities.

We teach the law: Our history as a backup center for civil legal services providers began in the 1970's and while federal funding for these services was eliminated during the mid 1990's, we have sustained that work in specific service areas where we continue to provide training, technical assistance and other legal support services to civil legal aid providers as well as a variety of other community-based organizations, keeping them apprised of changes in the law and regulations and providing legal research and support services.

We change the law: In order to ensure that the needs of low-income families are heard within the state's policy making processes, we engage in both legislative and administrative advocacy on a range of issues impacting our clients, and we do the same as needed at the local and federal levels.

We appreciate the opportunity to submit this testimony on behalf of Empire Justice Center. This testimony addresses issues in the Executive Budget that pertain to taxes. Our recommendations include:

1. **Pass the Working Families Tax Credit as drafted (S.2082 Gounardes/A.3474 Hevesi) to help lift New York children out of poverty, and help their families meet their basic needs, like clothing, gas, childcare, rent, and food.**

This bill includes and expands on recommendations from the Child Poverty Reduction Advisory Counsel, and proposals in the Executive Budget.

2. **Include \$500,000 in the final budget to preserve and expand our Low-Income Tax Clinic and Volunteer Income Tax Assistance Programs**

STRENGTHEN AND EXPAND NEW YORK'S CHILD TAX CREDIT BY INCREASING THE CREDIT AMOUNT, MAKING IT MORE INCLUSIVE, AND TARGETING THE LARGEST CREDIT TO THE LOWEST-INCOME NEW YORKERS.

In the 2025-26 budget, we urge New York to strengthen and further expand its refundable tax credits in a similar way to the enhancements made to the federal child tax credit during the pandemic, in order to maximize their impact on child poverty. We applaud the work that has been done thus far, particularly with both the passage of the Empire State Child Tax Credit and the expansion of credits in the proposed Executive Budget. Empire Justice Center looks forward to working with the legislature to build on this success to further reduce poverty in New York.

Expand and Restructure the Empire State Child Credit

Enacted in 2006, New York State's Empire State Child Credit provides eligible families up to \$330 annually per qualified child, with New York expanding the tax credits in the 2023-24 tax year to include children under age 4. The credit begins to phase-in at \$3,000 of income, keeping the poorest of New York's families from accessing the money they so desperately need. The Executive Budget proposes to expand New York's child tax credit, called the Empire State Child Credit, including eliminating an income phase-in that excludes families with the lowest incomes from receiving the full credit. We appreciate the Executive's proposal as a strong first step and urge the Legislature to build upon it to increase the poverty-fighting potential of the credit.

When the federal child tax credit was temporarily expanded in 2021 as a form of pandemic relief, child poverty rates dropped by nearly half, both nationally and here in New York State, confirming the immense effectiveness of refundable tax credits for reducing child poverty, particularly if targeted to reach the poorest and youngest¹. Unfortunately, the expanded federal credit, which brought regular monthly payments to families for the second half of 2021, ended. For many of New York's poorest families, the end of the expanded credit meant they received no federal or state child tax credit in 2022. It is critical that New York expand and strengthen its state child tax credit, especially for New York families facing the most financial hardship by (1) making the credit available at the highest credit amount for those families with the lowest (including no) income; (2) increasing the credit to provide meaningful support for families; and (3) ensuring the credit continues to be available to as many immigrant families as possible.

Cash transfers via tax credits can have big poverty-reduction impacts.² With no serious federal proposals on the horizon to provide economic support to struggling families, it is up to New York State to lead.

Expand New York State's Earned Income Tax Credit (EITC) and Increase the Amount for Families with Children

¹ Schuyler Center for Analysis and Advocacy. (2025). [Strong Refundable Tax Credits to End Child Poverty](#).

² Garfinkel, I., & Wimer, C. (2023). [Reforming the Empire State Child Credit to Reduce Child Poverty in New York State](#) [Presentation]. Center on Poverty and Social Policy.

Refundable tax credits such as the Earned Income Tax Credit (EITC) encourage work because the credit amount increases as wages do, to a maximum level, and then phase out slowly as a worker's earnings increase. EITC is the largest state tax credit low-income families receive, making it a demonstrative poverty-fighting tool. In the tax year 2022, more than 931,149 New York State taxpayers with children filed EITC claims. The maximum credit available to a family with two children was \$1,849, and the average credit for that same size family was \$1,131.³ Excluded from the state and federal EITC, however, are young and childless adults ages 18 through 24, even though they experience poverty at rates higher than most adults.⁴⁵ Also excluded are many immigrant tax-filers. Experts estimate there are 107,000 children in households that do not qualify for EITC financial support solely because a parent files taxes using an Individual Tax Identification Number (ITIN).⁶ Many low-income workers who are ineligible for the federal or state EITC are taxed into poverty or deeper poverty in part because they cannot receive the EITC.⁷ Expanding the state tax credit to reach more immigrant New Yorkers and young childless adults would help lessen or end this inequity. All of these goals would be accomplished by passing the Working Families Tax Credit.

Pass the Working Families Tax Credit (S.2082 Gounardes/A.3474 Hevesi)

The Working Families Tax Credit, (**S.2082 Gounardes/A.3474 Hevesi**), proposes combining and strengthening New York's ESCC and EITC. For individual New Yorkers and families currently eligible for the ESCC, EITC, or both, the combined credit they would receive from the WFTC would be greater, or equal to the sum of the two credits. For the lowest income, and many immigrant New Yorkers, the credit amount would be significantly greater under the WFTC.

The WFTC credit builds upon the strengths of New York's ESCC and EITC and corrects their shortcomings. Eligible families with children would receive a WFTC equal to or greater than the current EITC credit plus ESCC credits for all children in the household up to age 18. The WFTC will allow families with the lowest incomes to receive the highest credit amount by eliminating the phase-ins currently in place for both credits and will be available to immigrant tax-filers with Individual Tax Identification Numbers (ITIN) in the same manner as filers with Social Security Numbers (SSNs). (This is currently the case with the ESCC, but not with the EITC.) The WFTC will be implemented through a five-year phase-in period and be paid out in four increments throughout the year.

The WFTC is structured to have greater poverty-reduction impact than existing credits, adopting characteristics of the temporary pandemic expansion of the Federal Child Tax Credit in 2021, an expansion that contributed to reducing child poverty nationally by 46% to a record low of 5.2%.¹ Since the federal CTC expansion ended in 2022, 3.7 million children around the nation have been plunged back into poverty.²

³ Schuyler Center for Analysis and Advocacy. (2025). [Strong Refundable Tax Credits to End Child Poverty](#).

⁴ Kids Count Data Center. (2023). [Young Adults Ages 18 to 24 in Poverty In New York](#). The Annie E. Casey Foundation.

⁵ Kids Count Data Center. (2023). [Population in Poverty in New York](#). The Annie E. Casey Foundation.

⁶ Wiehe, M., & Gee, L.C. (2020). [Analysis: How the HEROES Act Would Reach ITIN Filers](#). Institute on Taxation and Economic Policy.

⁷ The Center on Budget and Policy Priorities. (2023). [Policy Basics: The Earned Income Tax Credit](#).

With New York’s child poverty rate persistently higher than the national average,³ it is essential for New York to prioritize policies proven to reduce child poverty like the robust, targeted, fully refundable WFTC. It is estimated that the NYS WFTC will result in a 13.4% reduction in children under the age of 18 living in poverty, with a 19.6% reduction for those under 18 living in deep poverty.⁴

We would like to highlight the impact of several critical policy proposals in the bill:

- Families with young children face poverty at greater rates⁵ and the birth of a child is a leading trigger of “poverty spells” experienced by families⁶. Poverty creates conditions that are often interpreted as parental failings⁷. Families experiencing poverty have a higher likelihood of experiencing crises related to lack of basic needs, and of having poverty be construed as “neglect,” leading to entanglement with the child welfare system.

One of the key learnings of the last four years is that government policy can make a real and immediate difference in the lives of children and families who are struggling to make ends meet. Pandemic-era federal supports confirmed that it is possible to quickly and sharply cut child poverty and boost family economic security. The most dramatic example was the temporary pandemic expansion of the Federal Child Tax Credit in 2021, which contributed to a 46% decline in child poverty nationwide.⁸

- ***The Impact of Disbursing Payments More Often Than Yearly***

Disbursements of Advanced Child Tax Credits have shown an IRS infrastructure that could allow for Credits to be monthly or quarterly to smooth-out income and help families keep up with bills. Distributing credits over time rather than one lump sum at the end of the year is much more effective toward the end goal of helping families meet their basic needs. **At CASH when we survey clients; 97% of families spend tax credits on clothing for their children, rent, gas, food, childcare, and on the many day to day expenses.** Steady disbursements are increasingly important as people are struggling to manage the increasing cost of living.

- ***The Impact of Making Lower-income Families Eligible for the Credit***

Many of our most needy families are excluded from the NYS Empire State Child Credit. Lowering the floor for eligibility would have a big impact on lifting children and families out of poverty. A restructuring of the ESCC and NYS Earned Income Tax Credit (EITC) so the highest credit goes to the lowest-income families, by ending regressive minimum income requirements and phase-ins is needed.

We see the Working Families Tax Bill as an effective way to help New York achieve its goal of lifting children and families out of poverty. Additionally, we support efforts to make it easier for people to get the credits they’re eligible for, and we caution lawmakers to keep the digital divide in mind when working to reduce barriers, so lower income families are not again left behind.

Table 1

Child Poverty Reduction Advisory Council Tax Recommendations (CPRAC)	Executive Budget Tax Proposal
<ul style="list-style-type: none"> • Ages: children under 18: \$1500 per qualified child 	<ul style="list-style-type: none"> • Restructure ESCC – highest credits go to lowest-income families

	<ul style="list-style-type: none"> • End phase-ins • Ages 0-4: \$1,000 each child; 4-16: \$500 per qualified child
Current: Empire State Child Credit (ESCC)	Current: New York State's Earned Income Tax Credit (EITC) and Increase the Amount for Families with Children
<ul style="list-style-type: none"> • \$330 annually per qualified child • Ages: children under 17 • Income level: \$3,000 minimum; \$55,000 married filing separately; \$75,000 filing single (or head of household); \$110,000 married, filing jointly • Child must be a U.S. citizen, national, or resident noncitizen (Can use ITIN to file) 	<ul style="list-style-type: none"> • Eligible for working individuals aged 25 to 65 • Only includes individuals who file with Social Security Numbers
ASK: Expand and Restructure Empire State Child Credit (ESCC)	ASK: Expand New York State's Earned Income Tax Credit (EITC) and Increase the Amount for Families with Children
<ul style="list-style-type: none"> • Highest credits go to lowest-income families • End phase-ins • Increase child tax credit to \$1500 per child per year for each child under age 18 • Index for inflation • Ensure change is permanent and reliable for families • Note: Working Families Tax Credit (S.2082 Gounardes/A.3474 Hevesi) accomplishes these goals 	<ul style="list-style-type: none"> • Adjust filing requirements so more tax-paying immigrant New Yorkers can receive the state EITC • Increase percentage of the federal credit paid to families from 30% to 45% • Expand the credit for young adults without children (ages 18 through 24) who are currently ineligible for either the federal or state credit
Working Families Tax Credit (S.2082 Gounardes/A.3474 Hevesi)	
Proposed combining New York's EIC and ESCC: <ul style="list-style-type: none"> • Families receive Working Families tax Credit equal to or greater than the current EITC credit plus child tax credits for all children in the household • Eliminate current phase-ins for both credits to allow families with lowest incomes to receive the full credit amount • Allows immigrant filers with ITIN in the same manner as filers with a Social Security Number • Maximum credit would phase-in to \$1600 indexed to inflation over a 5-year period • All families would receive \$500 minimum credit per child, regardless of income • Would be paid out in four increments throughout the year 	

ASK: Pass the Working Families Tax Credit as drafted (S.2082 Gounardes/A.3474 Hevesi) to help lift New York children out of poverty, and help their families meet their basic needs, like clothing, gas, childcare, rent, and food.

Preserve and Expand Low Income Taxpayer Assistance Programs

Empire Justice Center currently operates two low-income tax assistance programs: CASH (Creating Assets, Savings, and Hope) and Low-Income Tax Clinic (LITC) in Rochester. Within the past year, our program has suffered the loss of funding from our major funding source with United Way at \$150,000. Our programs combined receive \$400,000 in federal funds, comprising 57% of our total operating budget for our tax programs. Given the issues and uncertainty at the federal level, our work would not be sustainable if we were to lose this funding, creating devastating service gaps for our neediest communities, many of whom are in need of language assistance and would be forced to turn to paid, sometimes predatory tax preparation services.

In our work at CASH (Creating, Assets, Savings and Hope), we provide tax preparation support to low-income people, helping to ensure they are claiming all the tax credits that they are entitled to. To date, we have supported almost quarter of a million families through our VITA program in the Rochester area, to set them on a path towards financial stability. Each year we provide direct service to over 10,000 families and connect them with additional resources that they may not be aware of.

Our CASH/VITA, Volunteer Income Tax Assistance, program plays a crucial role in supporting low- to moderate-income individuals by offering free, professional and reliable tax preparation services. This program continues to be especially important given the rise of predatory practices by some commercial tax preparation companies, which often target vulnerable populations. These for-profit services may charge exorbitant fees, push high-interest refund anticipation loans, or withhold critical information about tax credits, ultimately reducing the refunds families desperately rely on. VITA programs, by contrast, ensure that taxpayers receive their full refunds at no cost, while also educating our clients about available tax benefits like the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC). We do the tax returns other providers won't do because the return is "too small." We know every return is important to our clients and recently spent 2 hours completing a return that totaled \$34 owed to the client. The Spanish speaking client, thanked us for our time and reminded us that now she would be able to fill her gas tank once the money came in.

This week a single mother of three sought help from a commercial tax preparer, hoping for a quick refund to cover overdue bills. Unaware of the fine print, she was charged excessive fees and signed up for an advance refund loan with soaring interest rates. A move that left her with significantly less money than expected. She came into

our office seeking guidance as she understood her return would be \$2,000 less but did not understand why. It wasn't until a friend told her about the VITA program that she realized there were free, trustworthy alternatives. She sobbed in our waiting room as her return had already been filed with the commercial tax preparer and ultimately, she was taken advantage of. This next year, with the help of VITA volunteers, she will come to VITA first to have her taxes done without paying a dime and receive her full refund, allowing her to catch up on expenses and save for the future. This was not the first time we have seen this happen and we have many clients who are committed to our services because they or their family have been taken advantage of by predatory practices within the tax return process. If Rochester were to lose the VITA program over 4,000 families per year would not be protected from such negative practices as they seek support during a confusing time, tax time. On average we save our clients over 1 million dollars, in total, in preparation fees per year.

The LITC program helps people with many kinds of tax issues they may face including refund delay, questions about the amount owed, payment arrangements, innocent spouse relief, injured spouse relief, and worker classification. With our experienced tax attorney, we are able to help navigate what can be an incredibly scary and overwhelming time for people – a huge overdue tax bill, an audit, whatever it may be – providing support and often, a good outcome that brings relief.

A client we originally represented through our Disability Advocates Program (DAP), was facing immense financial strain after his wife suffered a stroke and could not return to work. The client received a letter alerting him that he owed \$20,000 in tax debt, causing him to fear losing his home and having his Social Security Disability benefits garnished. Our LITC intervened on his behalf, helped him understand complex IRS notices, and assured the client that his disability income and home he had worked so hard for were safe. This support was a much-needed peace of mind and relief through a tremendously stressful situation.

We have just gotten this program up and running and are anxious to maintain and expand our services to individuals with tax problems that cannot afford to hire an attorney.

ASK: Provide \$500,000 to support our Low income tax clinic and Volunteer Income Tax Assistance Programs

Thank you for the opportunity to submit this testimony.

¹ United States Census Bureau. Child Poverty Fell to Record Low 5.2% in 2021. Found at: <https://www.census.gov/library/stories/2022/09/record-drop-in-child-poverty.html>

² Center on Poverty & Social Policy at Columbia University. 3.7 million more children in poverty in Jan 2022 without monthly Child Tax Credit. Found at: <https://www.povertycenter.columbia.edu/news-internal/monthly-poverty-december-2021>

³ Annie E. Casey Kids Count Data Center. [Children in Poverty in New York](#).

⁴ Analysis conducted by the Center on Poverty & Social Policy at Columbia University.

⁵ The Center for the Study of Social Policy. [Federal Spending on Prenatal to Three](#).

⁶ Center for American Progress. Harnessing State Child Tax Credits Will Dramatically Reduce Child Poverty. Found at <https://www.americanprogress.org/article/harnessing-state-child-tax-credits-will-dramatically-reduce-child-poverty/>.

⁷ Child Welfare League of America. Family Poverty, Racism, and the Pandemic: From Crises to Opportunity for Transformation. Found at: <https://www.cwla.org/special-foreword-family-poverty-racism-and-the-pandemic/>

⁸ United States Census Bureau. Child Poverty Fell to Record Low 5.2% in 2021. Found at: <https://www.census.gov/library/stories/2022/09/record-drop-in-child-poverty.html>