



**Testimony at the Joint Legislative Budget Hearing on Taxes
February 9, 2023
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Thank you for the opportunity to submit testimony on the 2023-24 New York State Executive Budget.

PCANY is the only private, nonprofit agency serving the entire state whose single mission is to prevent child abuse in all its forms. All of our work is centered in **prevention and strengthening families**. To us, “strengthening families” means decreasing parental stress, increasing the Protective Factors surrounding children, and increasing familial bonds to build resilience. ***Our work is rooted in a belief in families and the knowledge that, given adequate and appropriate resources, all families can thrive.***

At PCANY, we know that working family tax credits bolster stability and to that end, we strongly support the expansion of New York’s family tax credits, which will help to strengthen families and lift children out of poverty.

Summary of Recommendations

In the 2023-24 budget, we urge New York to **pass the Working Families Tax Credit (WFTC)**, which would strengthen and expand NY’s refundable tax credits in much the same way as the federal child tax credit was enhanced during the pandemic to have the greatest impact on child poverty by:

- Including a **robust State child credit for children under age four**, a group currently excluded from New York’s Empire State Child Credit (ESCC);
- restructuring 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;
- increasing the credit amount of the ESCC and EITC** to provide families meaningful support;
- making the **EITC available to as many immigrant families as possible**; the ESCC already includes children in immigrant families; and
- paying credits monthly or quarterly** to smooth-out income and help families keep up with bills.

Notably, the WFTC, described below, does all of the above.

New York policymakers currently choose to allow hundreds of thousands of New York children to experience poverty, with devastating costs. We can change this.

There are more than four million children residing in New York State. Nearly one-in-five are experiencing poverty and about 40% live in low-income (below 200% of the federal poverty level) families, who struggle to make ends meet. Children in Black, Hispanic/Latino, and multi-racial families experience poverty at much higher rates than non-Hispanic white children, the result of systemic and ongoing racism in housing, education, employment, and other systems. Evidence shows a lack of economic resources for families compromises children’s ability to grow and achieve adult success, hurting them and society.

Families with [young children face poverty](#) at greater rates and [the birth of a child is a leading trigger](#) of “poverty spells” experienced by families. Poverty creates conditions that are often [interpreted as parental failings](#). 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 three 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.¹

New York has Committed to Cutting Child Poverty in Half; Tax Policy has a Large Role to Play to Meet this Commitment

In early 2022 New York enacted landmark legislation, the [New York State Child Poverty Reduction Act](#), committing New York State to cutting child poverty in half in a decade. The Act had near-unanimous, bipartisan support from upstate and downstate, rural, urban, and suburban legislators and constituents. It is imperative that New York take meaningful steps this year to make good on its promise to New York children.

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 the ESCC to cover New York’s youngest children (under age four) and children facing deep poverty, and increase the credit amount.

As noted above, the impacts of the temporary expansion of the federal child tax credit in 2021 as a form of pandemic relief confirmed the immense effectiveness of refundable tax credits for reducing child poverty and its many negative and lasting impacts, particularly if targeted to reach the poorest and youngest. Unfortunately, the expanded federal tax credit, which brought

¹ [Child Poverty Fell to Record Low 5.2% in 2021 \(census.gov\)](#)

² Center on Poverty and Social Policy, Columbia University, Reforming the Empire State Child Credit to Reduce Child Poverty in New York State, presentation at the Child Poverty Reduction Advisory Council, January 2023. Found at: <https://otda.ny.gov/news/meetings/attachments/2023-01-12-CPRAC-Reforming-Child-Credit.pdf>

regular monthly payments to families for the second half of 2021, has ended. For many of New York's poorest families, the end of the expanded credit means they will receive no federal or state child tax credit for 2022. And, as noted above, for nearly all New York families, they will receive significantly smaller tax credits this year than last.

It is therefore critical that New York strengthen its child tax credit, especially for the state's poorest and youngest children by (1) ending the State's long-time, illogical, exclusion of babies and toddlers from New York's child tax credit), (2) making the credit available at the highest credit amount for those families with the lowest (including no) income, (3) increasing the credit to provide meaningful support for families, and (4) ensuring the credit continues to be available to as many immigrant families as possible.

Background about the ESCC

Enacted in 2006, New York State's ESCC provides eligible families up to \$330 annually per "qualified" child (children ages 4-16). The credit begins to phase in at \$3,000 of income. Eligible tax-filers are families with income up to \$110,000 for a joint tax return, \$75,000 for a single tax return and \$55,000 for a married individual filing a separate tax return, with a gradual phase out. Nearly 1.36 million families received the credit for tax year 2019 at an average credit of \$440. The cost associated with the ESCC in 2019 was \$612.9 million.³

It is estimated it would cost the State \$270 million to \$320 million to expand the ESCC to all children, fully-refundable, with no phase-in.

The Governor's 2023-24 Budget Proposal includes a significant expansion to the State's film tax credit, projected to cost the State an additional \$280 million per year.⁴ This proposed expansion is surprising, given New York State's Tax Reform and Fairness Commission's Final Report concluded that the film credit should be scaled back.⁵ In contrast, for a similar investment, the State could expand the ESCC to all children, with clear and recent data about the effectiveness of cash transfers for families with children.⁶

New York should expand the ESCC to end its illogical exclusion of our youngest children, and those children living in deep poverty. These actions would put New York on track to turning the tide on child poverty.

Expand New York's EITC to Cover Young Childless Adults and Immigrant New Yorkers and Increase the Credit Amount.

³ NYS Division of Budget and Department of Tax and Finance, 2023 Annual Report on New York State Tax Expenditures, p. 16. Found at: <https://www.budget.ny.gov/pubs/archive/fy23/ex/ter/fy23ter.pdf>

⁴ Fiscal Year 2024, New York State Executive Budget, Revenue Article VII Legislation, Memorandum in Support, February 1, 2023, p.8.

⁵ Politico, Jimmy Vielkind, [In unpublished report, Cuomo's tax commission questions a Cuomo initiative New York State Tax Reform and Fairness Commission](#), 11/20/13, referring to Final Report of Governor Andrew Cuomo's Tax Reform and Fairness Commission

⁶ Center on Poverty and Social Policy, Columbia University, Child Allowances are a Winning Investment, Policy Update, August 2. Found at: Child allowances are a winning investment, Columbia University Center on Poverty and Social Policy

Refundable tax credits like the EITC can encourage work because the credit amount rises as earnings rise to a maximum level, and then phases out slowly as a worker's earnings increase. The EITC also plays an outsized role in reducing child poverty in New York, constituting the largest state tax credit low income families receive. In tax year 2020, more than 1,240,000 New York State taxpayers filed EITC claims. The average credit for a family with two children was \$964.⁷ Excluded from the state and federal EITC, however, are young and childless adults ages 18 through 24 currently even though they experience poverty at rates higher than most adults.⁸ Also excluded are many immigrant tax-filers.

Notably, pandemic-era expansions at the federal level temporarily (for 2021) nearly tripled the maximum credit for single, childless federal EITC recipients, and expanded the federal EITC to reach young adults, reducing the minimum age from 25 to 19 for most workers. For students attending school at least part-time, the age limit was temporarily reduced from 25 to 24. And for former foster children and youth experiencing homelessness, the minimum age was temporarily reduced from 25 to 18.⁹ This extra assistance is particularly important for young people who are struggling to get on their feet and establish their lives as independent adults. Investments in young adults will result in a stronger start to their own families, if/when they become parents.

New York also acted in FY 2023 and temporarily increased the State's EITC benefit amount for families to 35% of the federal tax credit. Without action in this year's budget, in FY 2024, the credit will drop back to 30% of the federal EITC.

New York should expand and strengthen the state EITC by (1) permanently increasing the percentage of the federal credit paid to families from 30% to 45%; (2) expanding the credit for young adults without children (ages 18 through 24) who are currently ineligible for either the federal or state credit; and (3) adjusting filing requirements so more hard-working immigrant New Yorkers can file for the state EITC.

Another strong approach: combine the state CTC and EITC to create a strong, streamlined Working Families Tax Credit (WFTC).

The WFTC, Senate Bill 277 (Gounardes), 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 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

⁷ SONYC-2023-Data-Book.pdf (scaany.org)

⁸ National Kids Count. 2020. Population in poverty in New York.

<https://datacenter.kidscount.org/data/tables/51-persons-18-to-24-in-poverty?loc=1&loct=2#detailed/2/34/false/1729,37,871,870,573,869,36,868,867,133/any/337,338;>

<https://datacenter.kidscount.org/data/tables/52-population-in-poverty?loc=1&loct=2#detailed/2/34/false/1729,37,871,870,573,869,36,868,867,133/any/339,340>

⁹ <https://crsreports.congress.gov/product/pdf/IN/IN11610>

current EITC credit plus ESCC credits for all children in the household including young children under age four. It would eliminate the phase-ins currently in place for both credits to allow families with the lowest incomes to receive the full credit amount, and would 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.) Finally, the WFTC would be paid out in four increments throughout the year.

It is estimated that the NYS WFTC would 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.¹⁰

New York should enact the WFTC.

As New York implements the Child Poverty Reduction Act's commitment to halving child poverty in a decade, and turns the corner to pandemic recovery, we urge the Legislature and the Governor to pass a 2023-24 Budget that centers children and families; prioritizes communities hit hardest by the pandemic; and uses this moment of rebuilding as an opportunity to build back the systems upon which children and families and all New Yorkers rely to be aligned, coordinated, well-resourced, and anti-racist.

¹⁰ Analysis conducted by the Center on Poverty & Social Policy at Columbia University