



**Testimony for the Joint Fiscal Committees
SFY 2023-24 Executive Budget
Taxes Budget Hearing
February 9, 2023**

Thank you for the opportunity to submit testimony on the 2023-24 New York State Executive Budget. The Schuyler Center is a 150-year-old statewide, nonprofit organization dedicated to policy analysis and advocacy in support of public systems that meet the needs of disenfranchised populations and people living in poverty. We urge policymakers to consider policy and budget decisions through the lens of New York's recently enacted law committing the State to reduce by half the number of children experiencing poverty.

Schuyler Center leads and participates in several coalitions focused on the well-being of children, families, and communities, including Raising New York; the Empire State Campaign for Child Care; Fostering Youth Success Alliance; and Medicaid Matters New York; among others. Schuyler Center staff are appointees to state advisory bodies related to child and family well-being, including the Child Poverty Reduction Advisory Council (Kate Breslin) and the Child Care Availability Task Force (Dede Hill).

Summary of Recommendations

In the 2023-24 budget, we urge New York to strengthen and expand its 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 and **deliver the greatest tax savings to New York families struggling under the weight of record inflation 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 immigrant families who claim children with Individual Tax Identification Numbers (ITINs); and
- paying credits monthly or quarterly to smooth-out income and help families keep up with bills.
- Notably, the Working Families Tax Credit, described below, does all of the above.

New York policymakers choose to allow hundreds of thousands of New York children to experience poverty, with devastating costs

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 Empire State Child Credit 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 regular monthly payments to families, 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 expand and 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 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 (children ages 4-16). The credit begins to phase in at \$3,000 of income. Eligible tax-filers are families with an income at or less than \$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 2020 at an average credit of \$440. **The estimated savings the ESCC delivers to New York families with children was \$597.5 million in 2020.**³

Notably, New York's child tax credit is the only state child credit in the nation to exclude young children.⁴ In fact, the trend around the nation is to direct the largest credits to the youngest children given the evidence of the outsized benefits of cash benefits to our youngest children.⁵

It is estimated expanding the ESCC to include all children (including the state's youngest, and making it fully-refundable, with no phase-in or minimum income threshold, would save New York families with children \$270 to \$320 million annually.⁶

New York should expand the Empire State Child Credit to end its illogical exclusion of our youngest children and children living in deep poverty, and increase the credit amount. These actions would begin to turn the tide on child poverty.

Expand New York's Earned Income Tax Credit to cover young childless adults and immigrant New Yorkers and increase the credit amount

Refundable tax credits like the Earned Income Tax Credit (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, even though they experience poverty at rates higher than most adults.⁸ 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).⁹

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 who 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 18.¹⁰

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

The Working Families Tax Credit, 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 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.¹¹

New York should enact the Working Families Tax Credit.

The Child Care Creation and Expansion Tax Credit Program: an Unproven Approach to Addressing the State's Child Care Capacity Shortage

The Executive Budget proposes a Child Care Creation and Expansion Tax Credit to encourage child care providers to expand capacity for infants and toddlers. It is true that the need for child care capacity is significant. However, the root cause of declining child care capacity is that the business model does not work. In the words of United States Treasury Secretary Janet Yellen, "child care is a textbook example of a broken market."¹² The costs of providing high quality care are high because children need one-on-one attention to grow and thrive. And yet, most parents need child care at the exact moment when they can *least* afford it – at the beginning of their career when their income is lowest. They simply cannot pay more.

Accordingly, while we look forward to learn more about this proposed credit, we are skeptical that a credit to encourage the expansion of child care capacity can be successful until such time as New York directs sufficient public funds to child care providers to allow them to cover the true cost of care. Further, there is concern that this credit will be inaccessible to the family-based providers that disproportionately serve New York's low-income families who do not have reserves to enable them to front costs. This could further entrench inequities in the sector. What we know works and what we know child care providers need is direct wage supplements to retain and grow their workforce while New York transitions to a new provider reimbursement model and workforce pay scale. The investment the child care provider community is calling for in 2023 is [\\$1 billion for workforce compensation supplements](#).

A Film Tax Credit Expansion?

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**.¹³ The proposed expansion of the film credit is surprising, given New York State's Tax Reform and Fairness Commission's Final Report concluded that the film credit should be scaled back.¹⁴ In contrast, there is clear and recent data about the effectiveness of cash transfers for families with children.¹⁵

New York should prioritize proven tax benefits for New York families over questionable incentives for film companies.

A recovery that centers children, families, and communities

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 equitable.

Thank you. We appreciate the opportunity to submit testimony and look forward to continuing to work with you to build a strong New York.

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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>

³ New York State Department of Finance and Taxation. Data for 2019 tax year. On file at the Schuyler Center.

⁴ [More States are Boosting Economic Security with Child Tax Credits in 2022 – ITEP](#)

⁵ [More States are Boosting Economic Security with Child Tax Credits in 2022 – ITEP; Analysis of a Young Child Tax Credit \(urban.org\)](#)

⁶ 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>

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 Institute on Taxation and Economic Policy, *Analysis: How the HEROES Act Would Reach ITIN Filers*, May 2020. Found at: <https://itep.org/analysis-how-the-heroes-act-would-reach-itin-filers/>

¹⁰ <https://crsreports.congress.gov/product/pdf/IN/IN11610>

¹¹ Analysis conducted by the Center on Poverty & Social Policy at Columbia University.

¹² [Remarks by Secretary of the Treasury Janet L. Yellen on Shortages in the Child Care System | U.S. Department of the Treasury](#)

¹³ Fiscal Year 2024, *New York State Executive Budget, Revenue Article VII Legislation*, Memorandum in Support, February 1, 2023, p.8.

¹⁴ 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

¹⁵ 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