



**United Way
of New York State**

Testimony Submitted By:

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At the Joint Legislative Budget Hearing on Taxes

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Thank you for giving United Way of New York State (UWNYS) the opportunity to submit testimony regarding the 2020-2021 Executive Budget. My name is Brenda Episcopo and I am the President and CEO of United Way of New York State, a membership organization representing 35 local United Ways in communities across New York State.

Each day, United Way helps local communities find solutions to complex problems by working collaboratively to define issues, develop responses and generate resources to implement those responses. Our goal is to strengthen individuals and families by supporting the building blocks for a good quality of life: health, education and financial stability. NY United Ways raise and invest more than \$150M in communities throughout New York State.

UWNYS convenes two statewide projects, 2-1-1 New York and ALICE® NY. 2-1-1 New York is an information and referral resource that links people in need of assistance with available programs in their local communities 24/7/365 in more than 200 languages.

We all know ALICE®. ALICE is your childcare worker, your parent on Social Security, the cashier at your supermarket, the gas station attendant, the salesperson at your big box store, your waitress, a home health aide, an office clerk. ALICE cannot always pay the bills, has little or nothing in savings, and is forced to make tough choices such as deciding between quality childcare or paying the rent. One unexpected car repair or medical bill can push these financially strapped families over the edge.

Since 2016, every two years, UWNYS releases a report that examines the number of households across the State whose incomes place them above the poverty level, but who still struggle to make ends meet - a population that the report refers to as "ALICE" (Asset, Limited, Income Constrained, Employed). The most recent report was released in September 2018 and an update is due out this summer.

The 2018 report showed that over the last few years, the economy had rebounded. At the same time, the state made investments to assist those living in poverty. However, there is still a large number of New York households, **3.2 million (out of 7,216,340 households), or 45% of the all households**, that cannot afford the basic needs and lack sufficient income and resources to pay for housing, food, childcare, transportation, and health care. The report continues to show that ALICE lives in every part of the state, from our biggest cities to our most rural areas.

United Way of New York State has joined forces with Fiscal Policy Institute, Schuyler Center for Analysis and Advocacy and the Children's Agenda in an effort called NYBOOST: Building Opportunities and Outcomes Statewide. Our goal is to work with New York State to strengthen the Working Families Tax Credits to reduce child poverty and increase financial stability for households such as ALICE.

Our Joint Statement is Below:

2020-21 Executive Budget Recommendations

By orienting the state's tax code to benefit low-income families, children, and young adults, New York State can lead the nation and provide a roadmap for effective poverty reduction efforts.

This agenda should include a plan to:

- 1. Expand and strengthen the Empire State Child Credit**
 - a. Establish a new early childhood tax credit of up to \$1,000 per child
 - b. Fully phase-in credit at \$1
 - c. Expand the existing credit to up to \$500 for children 4-17
- 2. Make the Earned Income Tax Credit (EITC) More Equitable and Inclusive**
 - a. Include residents who file with Individual Taxpayer Identification Numbers (ITIN)
 - b. Include young childless workers age 18-24
 - c. Increase the income limits and phase-out rates so that they are consistent with our state minimum wage
- 3. Improve the structure of working family tax credits**
 - a. Allow quarterly payments option

There is a growing understanding around the nation and the world about the outsized positive benefits income supports can have for children's well-being. This understanding has led many state and federal lawmakers to advance proposals to supplement the income of low-income families and individuals through child allowances or refundable tax credits. Driving this emerging discussion is the strong evidence that such policies – particularly child allowances – long in effect in many peer nations, have dramatically reduced child poverty. For instance, the child poverty rate in most European countries is less than half that found in the United States.^[1]

New York State is overdue to take aggressive, innovative steps to reduce the number of children growing up in poverty. These reforms would provide immediate economic relief to thousands of children and families and set an example for the rest of the nation.

Background

Nearly 20%, or approximately 743,000 New York children live below the federal poverty threshold, (including approximately 260,000 children under age five), with that rate rising to nearly one in three among children of color.^[2] Children under age five are most likely to experience poverty and are most vulnerable to its impacts. The consequences of poverty for young children include negative effects to physical and mental health, educational achievement, and diminished lifetime earnings. Many of our upstate cities have child poverty rates that hover around 50%.^[3] The vast majority of children living in poor families – 67% – have at least one employed parent.^[4] These

numbers are staggering and shameful, particularly in a state with a strong economy. New York State boasts the 14th strongest economy in the nation, yet we rank 39th in child economic well-being.^{[5],[6]}

Another group that is over-represented among New Yorkers who live in poverty are young adults under age 25, 19% of whom live in poverty, far exceeding the 14% poverty rate for the state overall.^[7]

In fact, the problems of income insecurity among New York children, families, and young adults is much greater than the poverty numbers would suggest. United Way of New York's ALICE Project has developed a measure to capture a largely hidden population: hardworking households earning more than the Federal Poverty Level, but not enough to afford the basic cost of living. United Way calls this population ALICE: Asset Limited, Income Constrained, Employed. While more than 14% of New York households fall below the poverty level, an additional 31% of New York households fall below the ALICE Threshold. Those percentages are higher for families of color, and, as noted above, among families with children and young adults.

Expand and Strengthen the Empire State Child Credit

The Empire State Child Credit currently provides up to \$330 in tax relief to parents for each child, *if those children are at least 4 years old*. The credit is targeted to low-income working parents. Single parents earning more than \$75,000 and couples earning more than \$110,000 have the value of the credit phased out or eliminated, based on the number of qualifying children and their income. The current credit does not support new families or growing families, because babies and toddlers are inexplicably excluded from the credit. It is estimated that 590,384 young children, from birth to less than age four, live in families whose income is low enough to qualify for this credit, but are excluded because they are too young. It also excludes families in deep poverty who are likely in the most dire economic need.

To address these shortcomings, New York should strengthen the Empire State Child Credit by **removing the credit's phase-in, establishing a \$1,000 young child credit and expanding the existing credit to \$500 for children 4 and older.**

Make the Earned Income Tax Credit (EITC) More Equitable and Inclusive

The Earned Income Tax Credit (EITC) is an important and effective tool that reduces poverty, increases workforce participation, increases financial security, leads to better educational outcomes for children, and improves overall child and parent well-being. New York currently provides a 30% match to whatever amount an individual receives from their federal tax return. Along with SNAP, the EITC is the most widely used form of government support for low-income families in the state.

New York should **modernize the EITC to be more consistent with our state's higher minimum wage**, which will provide a needed economic boost to our state's struggling

workers, helping them close holes in their household budgets while also boosting local economies.

Allow the EITC to be claimed by immigrants and young childless workers. Doing so will make New York's tax policy more equitable by providing the benefit to all eligible workers.

Improve the Structure of Working Family Tax Credits

In addition to expanding and strengthening the EITC and Empire State Child Credit, New York State should implement an additional reform that will make a real difference in the lives of struggling families.

Allow families with dependent children to **receive a portion of their EITC and Empire State Child Credit in quarterly advance payments** throughout the year. Giving families this option will smooth a family's income throughout the year, helping them with budgeting and unexpected expenses.

[1] See Dylan Matthews, *Senate Democrats have coalesced around a big plan to expand tax credits*. *Vox*. (April 10, 2019).

<https://www.vox.com/future-perfect/2019/4/10/18302183/tax-cut-democrats-earned-income-tax-credit-child-allowance>

[2] See *The State of New York's Children: Data Book*. Schuyler Center for Analysis and Advocacy. January 2019. <https://www.scaany.org/wp-content/uploads/2019/01/State-of-NY-Children-Data-Book-2019.pdf>

[3] U.S. Census Bureau. (2017). *Children characteristics: 2012-2017 American Community Survey 5-Year Estimates*.

<https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF>. (Buffalo - 47.2%, Rochester - 51.9%, Syracuse - 46.7%)

[4] See *The State of New York's Children: Data Book*. Schuyler Center for Analysis and Advocacy. January 2019. <https://www.scaany.org/wp-content/uploads/2019/01/State-of-NY-Children-Data-Book-2019.pdf>

[5] Andy Kiersz, *Every US State Economy Ranked from Best to Worst*. *Business Insider*. (March 15, 2018).

<https://www.businessinsider.com/state-economy-ranking-q1-2018-2>:

[6] Kids Count Data Center: A Project of the The Annie E. Casey Foundation. New York: *Kids Count Overall Rank, and Kids Count Economic Well-Being Rank*.

(2018). <https://datacenter.kidscount.org/data/tables/9981-kids-count-overall-rank?loc=34&loct=2#detailed/2/34/false/37/any/19338>; <https://datacenter.kidscount.org/data/tables/7246-economic-well-being-rank?loc=34&loct=2#detailed/2/34/false/37,871,870,573,869,36,868/any/14340>

[7] Kids Count Data Center: A Project of the The Annie E. Casey Foundation. New York: *Persons 18 to 24 in poverty*. (2018).

<https://datacenter.kidscount.org/data/tables/51-persons-18-to-24-in-poverty?loc=1&loct=1#detailed/2/34/false/37,871,870,573,869,36,868,867,133,38/any/337,338>