

Thank you for the opportunity to submit testimony on the 2023-24 New York State Executive Budget.

United Way of the Greater Capital Region (UWGCR) was established in 1949 and is a part of a network of non-profits connected to United Way Worldwide. This provides our local chapter of 20 employees a state-wide and national framework for understanding and addressing social issues; qualitative and quantitative data for comparison, and opportunities for staff to implement thought leadership and best practices based on the feedback of other regional United Ways in similar markets. UWGCR's total service area include Albany, Columbia, Greene, Montgomery, Rensselaer, Saratoga, Schenectady, and Schoharie Counties. UWGCR is a pillar organization in the region's nonprofit sector, whose mission is to advance community well-being on a generational scale.

### **Summary of Recommendations**

We believe that a demonstrably effective strategy to reduce child and family poverty is by strengthening refundable tax credits. We speak from experience. For two decades we have convened a 16-organization wide coalition that delivers Voluntary Income Tax Assistance to low-income residents (VITA). In the past three years, the CASH Coalition has facilitated 38,000 returns yielding \$68M in refunds, \$12M in Earned Income Tax Credit, and saving filers \$11M in filing fees. In 2022, our coalition was responsible for returning a total of \$1,868,367 in Earned Income Tax Credits to residents and \$1,740,855 in Child Tax Credits.

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 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 Working Families Tax Credit, described below, does all of the above.

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.<sup>1</sup>

### **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.<sup>2</sup> 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 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 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 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.<sup>3</sup>

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.<sup>4</sup> 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.<sup>5</sup> In contrast, there is clear and recent data about the effectiveness of cash transfers for families with children.<sup>6</sup>

**New York should expand the Empire State Child Credit 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 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.<sup>7</sup> 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.<sup>8</sup> 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 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.<sup>9</sup>

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.<sup>10</sup>

### **New York should enact the Working Families Tax Credit.**

#### **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 anti-racist.

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

<sup>2</sup> 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>

<sup>3</sup> 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>

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

<sup>5</sup> 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

<sup>6</sup> 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

<sup>7</sup> SONYC-2023-Data-Book.pdf (scaany.org)

<sup>8</sup> 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>

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

<sup>10</sup> Analysis conducted by the Center on Poverty & Social Policy at Columbia University