

CONNECTICUT CHILD TAX CREDIT

A Permanent Solution Supporting
Connecticut Families to Make Ends Meet

WINTER 2023



Connecticut United Ways

Connecticut Nonprofit Child Tax Credit Coalition
Connecticut United Ways

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— Candice, Hamden

EXECUTIVE SUMMARY

CONNECTICUT CAN ACT NOW TO CREATE A PERMANENT, REFUNDABLE CHILD TAX CREDIT AT \$600 PER CHILD FOR UP TO THREE CHILDREN.

Now is the time for Connecticut to join with the rest of the nation to support families struggling with the high cost of raising children by providing a **permanent, refundable Connecticut Child Tax Credit (CTC)**. A permanent CT CTC fills a critical gap for families, the center of Connecticut’s workforce, who are struggling with the high costs of household essentials and child care.

The Connecticut Child Tax Credit **provides tangible benefits for middle- and lower-income families, including households earning up to \$100,00 (single filers) or \$200,00 (joint filers), to help offset the high costs of raising kids in our state.** Even in households with two working adults, **21% of children in Connecticut are living in families who earn just enough to meet basic needs or who are falling behind.**¹ The design of the CT CTC, as proposed by the Connecticut Nonprofit Child Tax Credit Coalition, reaches a broad base of families and is particularly impactful for Black, Latino, and other historically marginalized people who face disproportionate and considerable economic hardship.



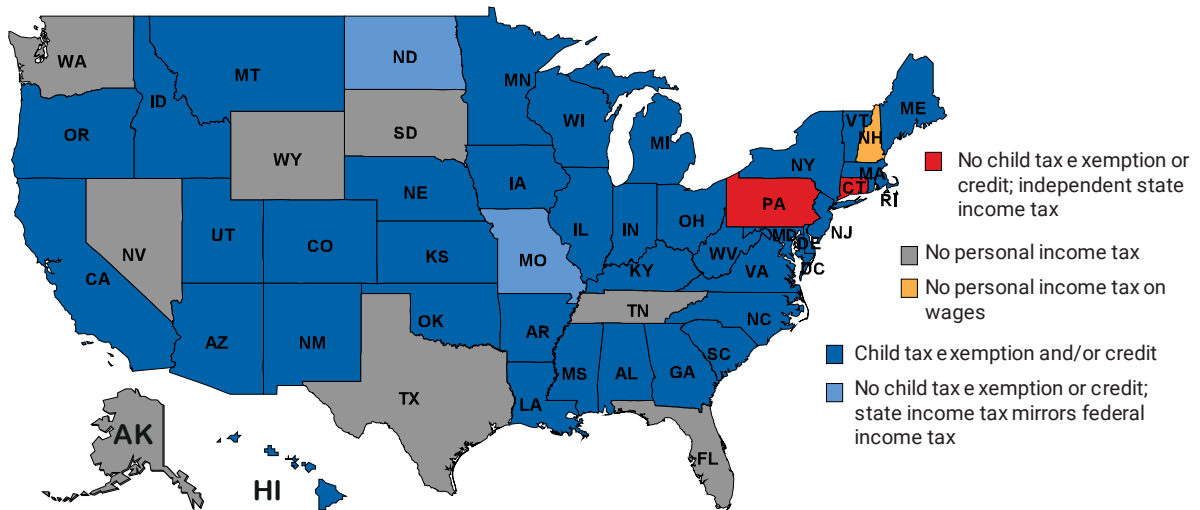
¹ United for ALICE, ALICE in Focus: Children, 2022

CONNECTICUT AND THE CHILD TAX CREDIT

Connecticut has the opportunity to design a **proven and practical** state Child Tax Credit that provides immediate relief to families and improves long-term outcomes.

The Institute on Taxation and Economic Policy outlines the purpose and impact of state Child Tax Credits: “Child Tax Credits boost the after-tax incomes of qualifying families and offset some of the cost of raising children. For families with lower incomes, these policies are especially important for economic security and stability. They help families avert unexpected hardship that can threaten basics like housing, food and utilities. Child Tax Credits are associated with reduced poverty, higher financial and household stability, improved child and maternal health, students’ educational achievement, children’s future economic outcomes and more.”

- Connecticut is one of only two states with a state-level income tax that does not offer any tax breaks, like a child exemption or deduction, specifically designed to ease the financial burden of raising children.

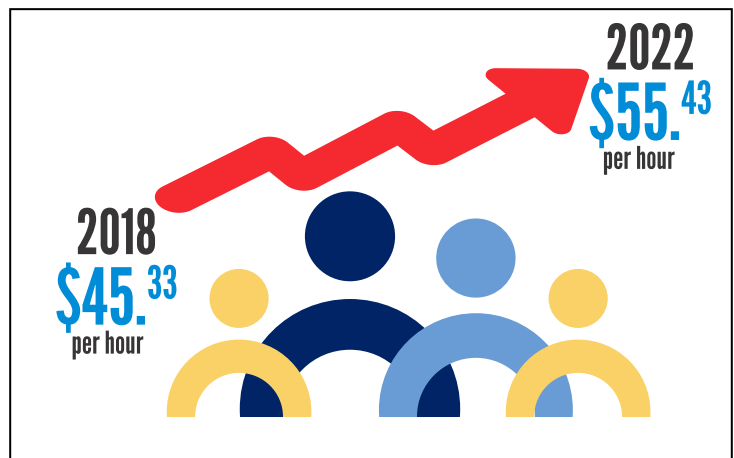


<https://ctvoices.org>

- An estimated **80% of eligible Connecticut families applied for the 2022 Child Tax Rebate** during the application period, June 1 to July 31, 2022. The temporary rebate was implemented as an opt-in, application-based benefit that provided a fully refundable benefit of up to \$250/child for up to three children for filers with \$100,000 AGI or less (single filers) or \$200,000 AGI or less (joint filers).

- During the application window, the Connecticut Department of Revenue Services received 238,668 Connecticut Child Tax Rebate applications reporting 369,863 dependents. Not surprisingly, urban centers received the highest number of rebate checks: Bridgeport (12,056), Waterbury (9,949), Hartford (9,856), New Britain (6,134) and New Haven (5,580). **Connecticut Child Tax Rebate uptake was widespread across the state**, including rural and suburban communities: Naugatuck (3,489), Willimantic (1,270), Montville (1,077), East Lyme (854), and Sharon (90).
- **The need is urgent, more so now than ever.** The most recent **ALICE** report for Connecticut reflects that nearly 40% of households – about half a million families in our state – were struggling to make ends meet *before* the COVID public health emergency.

- **ALICE** is a data-driven approach to provide reliable and realistic information on the cost of living specific to each state. The 2020 **ALICE** Report demonstrated that a family of four with one infant and one toddler needed a household income of more than \$90,000 a year to afford just their basic needs - that's \$45.33 per hour. Adjusting for inflation, that same family now needs more than \$110,000 a year just to afford the basics.



- **Connecticut consistently ranks among the top five most expensive states for child care** (the single largest expense in most family budgets), at an average of \$16,990 a year. Raising a child in Connecticut is more expensive than almost anywhere else in the country.
- This **economic stress falls disproportionately on women and families of color** in our state: 57% of Connecticut's Black households, 63% of Hispanic households, and 73% of single female headed households with children who are trying to make ends meet in Connecticut are at or below this **ALICE** threshold.

RECOMMENDATIONS

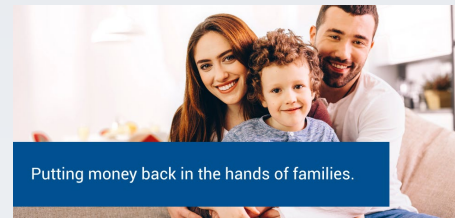
1.) Establish a **permanent credit**.

- Managing unstable income is one of the greatest challenges low- and middle-income earning families face. Being able to plan on a permanent CT CTC provides stability to family finances and a consistent incentive for families to remain in or relocate to Connecticut.
- Permanency also provides familiarity, removing concerns about fraud that challenge effective uptake of a temporary refund.

2.) Make the Connecticut Child Tax Credit **fully refundable**.

- A *refundable credit* simply means that if the amount of the credit is larger than the taxes owed, the filer will receive a refund for the difference. For example, a family with two children that owes \$600 in taxes and qualifies for \$1,200 from the CT CTC would receive a \$600 refund.
- Eligible Connecticut families who are not required to file federal taxes would benefit from the CT CTC.
- A fully refundable CTC advances equity, ensuring that the CTC provides a benefit to the lowest income households, a population in which families of color are disproportionately represented.

How the Child Tax Credit Helps Families



A permanent, refundable Child Tax Credit of \$600 per qualifying child for up to three children is an important, high-impact step to help families now living in Connecticut, and to help draw new families to our state.

For a qualifying Connecticut family with two young children, a \$1,200 credit is a month's groceries or a month of reliable transportation to and from work and child care. For a single parent of one school-age child, \$600 can cover a month's worth of an after-school program or child care while Mom or Dad is working. Imagine what \$600 per child could do in the face of rising inflation!

3.) Automate payments.

- Using information gathered from the Federal and/or Connecticut Individual Income Tax Return, the Connecticut Department of Revenue Services (DRS) would have access to the necessary data to determine eligibility for each child in a household: household income, residency status, Social Security/Individual Taxpayer Identification Numbers (ITIN), relationship type, date of birth.
- The Connecticut Department of Revenue Services, a powerful partner in the 2022 Child Tax Rebate effort, can leverage its infrastructure to provide direct deposits to eligible families, when possible, and automatically mail paper checks to other households.”

4.) Expand access to more Connecticut families.

- Families who do not have a tax filing requirement are at-risk of missing out on a Connecticut Child Tax Credit without an easy means to apply. The simple, online application implemented in support of the 2022 Child Tax Rebate could be leveraged to provide an easy pathway for these households to apply and for DRS to determine eligibility.
- Many hard-working Connecticut families have children with residency status, but parents who do not have a means or requirement to file taxes. Recently, Maine has begun to provide certain stimulus and other credits to their immigrant community who are unable to procure an ITIN because they do not have a federal filing requirement. Connecticut can join other states that are looking to follow Maine’s lead.

CONNECTICUT CHILD TAX CREDIT RECOMMENDATIONS



OPPORTUNITIES

Establishing a Connecticut Child Tax Credit is good for businesses, workers, and the entire community.

Support local economies. Child Tax Credits have a multiplier effect on the finances of households and communities. For every CTC dollar a recipient earns, they return \$1.38 to the economy, supporting not only their families but also their local economies and communities².

The flexible income from tax credits can be pivotal for low-income households, who rarely have the opportunity to receive a lump sum of money. Research demonstrates that low-income households consistently spend the majority of these funds to cover debts, such as back-due utility payments, meet basic needs, or invest in improving their housing, health care, or nutrition.

An immediate investment in families = an investment in Connecticut's financial workforce.

Connecticut lawmakers have taken great strides to achieve greater fiscal responsibility. Investing in the Connecticut Child Tax Credit is part of the solution to achieve stability and long term growth. Middle-income families drive the Connecticut economy and the Connecticut workforce. The CT CTC provides families an incentive to stay in Connecticut or relocate to Connecticut.

This is critical because the population of Connecticut is aging faster than the nation as a whole: the most recent census report showed that between 2000 and 2022, our state population 65 years of age or older grew by 4.2 percent, while our working-age population (people between 20 and 49) fell by 5.6 percent.³ With our economy facing more than 100,000 job openings unfilled as of early 2023, Connecticut needs more working-age residents. It's a top priority for our business community and for our state to fill those jobs. The CT CTC is an opportunity for the state to partner with our private sector to retain and attract talent to meet the workforce demands of today and to support the wellbeing of children who are the workforce of the future.

"With three children I was able to receive the maximum rebate of \$750. I used it to catch up on all the bills I was behind on, and to buy food for my family." – Elizabeth, Hamden

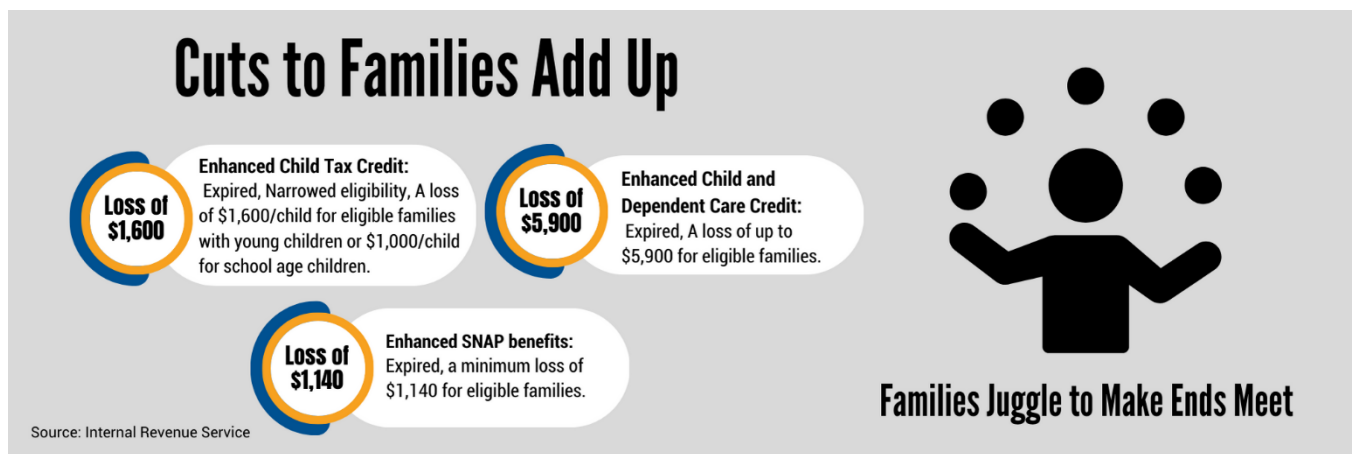
² Moody Analytics estimate of financial multiplier

³<https://usafacts.org/data/topics/people-society/population-and-demographics/our-changing-population/state/connecticut?endDate=2021-01-01&startDate=2000-01-01>

Expiring Federal Benefits Increase Stress on Our Families. Connecticut families’ budgets are further stretched given substantial recent reductions in federal benefits. From July to December 2021, the Enhanced Federal Child Tax Credit (now expired) provided most low- and middle-income households with children with monthly payments of \$300 per child under the age of six, and \$250 per child between the ages of six and 17⁴. More than 600,000 Connecticut children are impacted by this federal benefit cut, with 80,000 Connecticut children now at risk of poverty. At the same time, the enhanced Federal Child and Dependent Care Credit has expired: this benefit provided a fully refundable tax credit in 2021 of up to \$3,600 for eligible families with one child, and over \$7,000 for eligible families with two children. Most recently, the passing of the Federal Consolidated Appropriations Act of 2023 ends enhanced Supplemental Nutrition Assistance Program (SNAP) benefits in February 2023. This creates an additional cost-burden, a minimum of \$95/month, to nearly 370,000 people in Connecticut⁵.

As many of the estimated 300,000 families targeted for the CT CTC file their 2022 taxes, they may be surprised to see that – without these federal benefits – their **federal tax refunds will shrink considerably in 2023**. The nearly 40% of Connecticut families who are earning at or below a survival budget do not have the savings or the available flexible income to absorb the loss of tax refund income they may have anticipated. Connecticut cannot replace the benefits provided by Federal credits, but we can help offset the impact of their reduction for families who are not financially positioned to absorb the loss of federal support while they face rapidly escalating costs for their basic needs.

It’s time for Connecticut to join with other states to **invest in what works to support families now and to invest in Connecticut’s future** by creating a permanent, fully refundable Child Tax Credit.



⁴ U.S. Department of Treasury, 2021

⁵CT Office of Legislative Research, SNAP Enrollment by Town, 2022

RESIDENT TESTIMONIALS

“I am a single mom with two children; my son is 11 and my daughter is 9. They both attend public school and we rent a townhouse in New Haven. I work full time as a clinical case supervisor for a nonprofit. The Child Tax Rebate came at a time when my kids and their schools were still dealing with COVID protocols. With the \$500 I received, I was able to afford to pack healthy lunches for my kids because they weren’t getting those at school and my kids have food allergies. I was also able to buy masks and COVID-related supplies, like wipes and hand sanitizer and extra school supplies that their schools weren’t providing.

The cost of living has increased dramatically, but income is slow to increase. With the price of gas and eggs costing \$8 a dozen, not to mention the continuous need for PPE now with the flu and RSV – it is increasingly difficult to make ends meet and purchase the things my kids need.” – **Krystal Williams, 34, New Haven**

“I work full time as a senior product manager for a rug company. I am the only provider for my family of three – I receive no additional support. Because of my income I don’t qualify for any additional assistance. Because I work full time, I have to pay for my seven-year-old to attend an after-school program. And because I can’t afford daycare, my four-year-old has to be watched by his grandmother and doesn’t receive the valuable socialization that he needs.

The Child Tax Rebate was very helpful, thank you – I really appreciate it. With three children I was able to receive the maximum rebate of \$750. I used it to catch up on all the bills I was behind on and to buy food for my family.” – **Elizabeth Parrish, 38, Norwalk**

“The cost of living has increased dramatically, but income is slow to increase.”

– **Krystal Williams,**

“My name is Candice Concepcion. I am 35 years old, and I live in Hamden. I am a single mom with four children: my oldest is 18 and in college, and my others are 9, 8 and 3 years old. All four of us live in an apartment. I work as a recovery assistant and work with former substance abuse clients. Since the pandemic and with the rising cost of rent, I have a hard time making ends meet.

The Child Tax Rebate came at a really crucial time. I was having to choose between paying the rent and having a place and space for me and my children to live and paying the bills. I was behind paying the bills and I was getting really worried. With three children I was able to receive the maximum \$750 rebate. That extra money helped me pay my electric bill and my internet bill. It also helped us avoid eviction. Families like mine really need help right now and need resources that we can rely on so that we can cover the rent, pay the bills and buy school supplies and school uniforms.” – **Candice Concepcion, 35, Hamden**

“Since the pandemic and with the rising cost of rent, I have a hard time making ends meet.”

– **Candice Concepcion**

“My two children and I moved here from Mississippi a year ago because I wanted a better life for my children; my son is 10 and my daughter is 9. We live with my aunt – there are a total of five of us in her home. My aunt is helping me out because I have no place else to go and I don’t have enough money to buy or rent a place of my own. I have a learning disability, but I’m proud to say that I’ll be starting community college in February. I would love to have a career as a counselor.

The child tax rebate was a god send. That \$500 was necessary to buy food, help out with the groceries and buy my kids what they needed for school. Thank you for the rebate – it really helped my kids. I wish we could count on something like that every year!” – **Valerie Chance, 32, Bridgeport**