



H.510 Testimony | Establishing a Refundable Child Tax Credit House Committee on Ways and Means | January 18, 2022

Submitted by: Michelle Fay, MPA

Thank you for the invitation to testify today. Voices for Vermont's children is an independent, nonpartisan, multi-issue child policy research and advocacy organization. I want to start by commending the sponsors of this bill for advancing a policy solution that has proven to be one of the best approaches to reduce child poverty, build family economic security, and mitigate historic inequity.

As a child policy organization, Voices continues to prioritize economic security and justice as the foundation upon which children's future outcomes are built. The United States is alone among similarly wealthy nations in not offering some form of permanent, recurring child allowance or benefit to help families avoid financial hardship. The federal expanded CTC provided us with a glimpse into what this sort of policy could yield in terms of reducing poverty and setting families on a path to economic security. While some of the data are still being analyzed, early indications are that the expanded CTC delivered on its promise. On its own, the CTC payment reduced monthly poverty rates by about 30%. While the payments proposed in H.510 are lower -, one would expect a proportionate impact.

Why it matters (Slide2)

Children who experience material hardship are more likely to have worse outcomes in both the short and long term, as compared to their more affluent peers. Studies of child allowances have found that even modest income transfers – similar to the proposed CTC— can improve:

- Child health & longevity
- Parent-child relationships
- Crime rates
- Graduation rates
- Future employment and earnings

What's more, [an analysis](#) by the Center on Poverty and Social Policy at Columbia University estimated that **the return on investment for the expanded federal CTC was 8:1.**

For too long we've relied upon individual families – and children themselves – to develop resilience in the face of staggering systemic inequity and hardship. Systemic problems demand systemic solutions; and H.510 is just that.

Voices for Vermont's Children strongly supports the proposal, and we appreciate the opportunity to share our thoughts and questions on the bill as introduced.

[Slide 3] First, I will highlight the aspect of the bill that we are most supportive of and urge the committee to maintain: the full refundability of the tax credit.

Equity demands a fully refundable CTC.

Due to historic inequities, women, Black and Latinx people, and people with disabilities make up a disproportionate share of the low-income population. A fully refundable CTC allows families to apply this family support where it's needed, according to their unique circumstances. Other households whose earnings are too low to trigger the tax credit without full refundability are often those who need the additional support the most: people with disabilities, retired grandparents caring for grandchildren, and people with very young children.ⁱ

Refundable Tax credits are powerful anti-poverty tools. The Center on Budget and Policy Priorities estimates that 87% of the anti-poverty impact of the now-ended expansion of the federal CTC was due to the full availability of the credit to low-income families.

Also – the flexibility offered by a refundable tax credit – especially distributed in advance payments – allows families to direct the funds where they need it most. For some it might be diapers, for others it might be having reliable transportation to bring their child to a quality early care and education program or health care appointments.

[Slide 4] How families use the CTC – most of it gets put right back in the economy and is spent on basic needs and debt reduction. Major impact on food insecurity.

[Slide 5] Speaking of basic needs – just want to briefly connect you with the interactive data visualization that lets you model different family configurations and expenses, drawn from the JFO Basic Needs budget report from last year.

[Slide 6] Considerations - aspects of the bill we would ideally like to see strengthened.

As Steph mentioned -we'd want to ensure that advance payments don't impact eligibility for safety net programs.

Age limit – I acknowledge that (as others have pointed out) young families are more economically precarious, and the impact of toxic stress from material deprivation can have an outsized impact on the health and development of young children. That said, the concept of a benefit cliff is a familiar one in the legislature, so we would caution the legislature to avoid creating any sudden loss of income for families in the design of this program. A tiered benefit (similar to the expanded

federal CTC which establishes a baseline for all children with an additional benefit for younger children) could help families maintain a secure economic foothold throughout their children's development.

Outreach to non-filers - to fully realize the potential of this program we recommend including guidance directing the Tax Department to conduct robust outreach to non-filers, possibly with the (funded) assistance of community partners who interact with this population.

ⁱ <https://itep.org/the-problems-with-returning-to-a-2000-non-refundable-child-tax-credit/>