

Improving Family Economic Security: Families Emerging From Poverty

April 24, 2025



National Center for Children in Poverty

Bank Street Graduate School of Education

Agenda

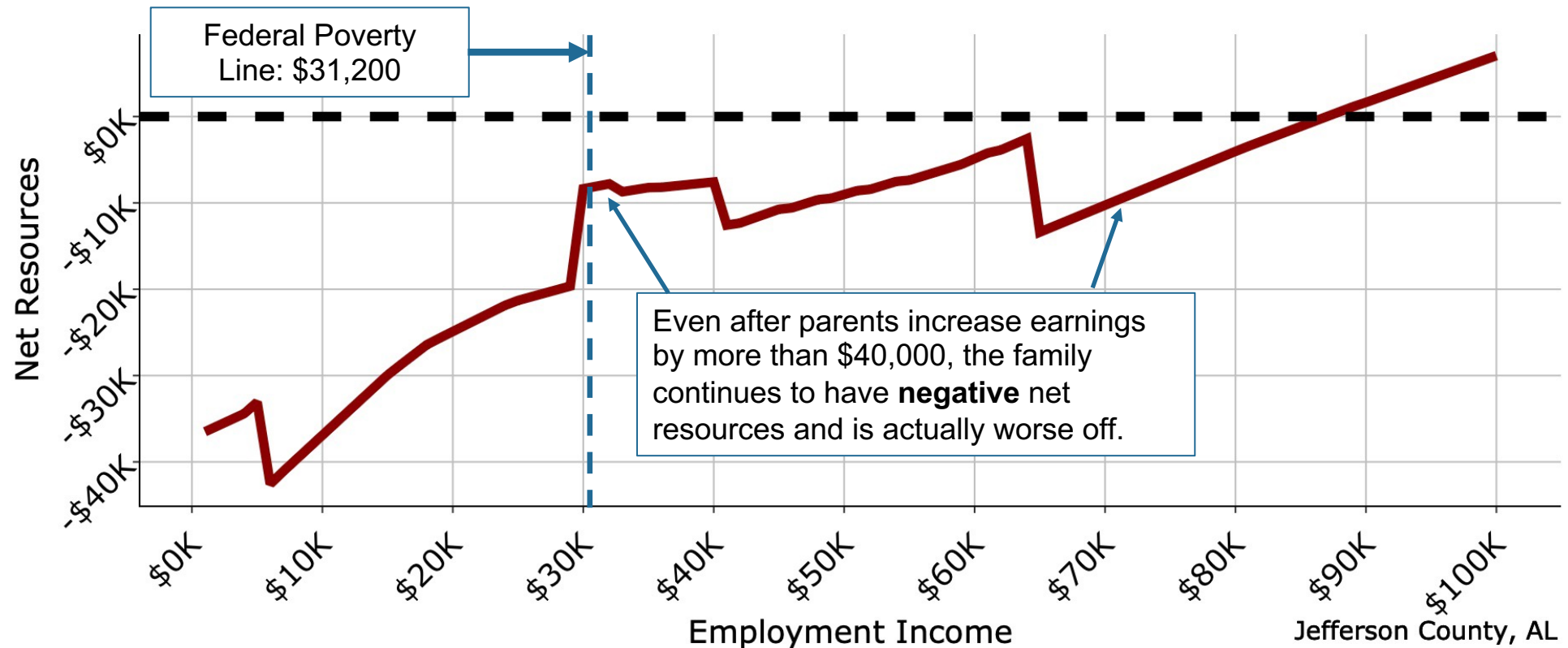
- Persistent Trend Across States: Stagnation of Net Resources for Families Emerging From Poverty
- Effective Marginal Tax Rates or EMTRs Across the Income Range (New Mexico)
- The Components of EMTRs Across the Income Range (New Mexico)
- Benefit Cliffs for a Family Emerging From Poverty in South Carolina
- Effective Marginal Tax Rates or EMTRs Across the Income Range (South Carolina)
- The Components of EMTRs Across the Income Range (South Carolina)
- Recommendations and Discussion



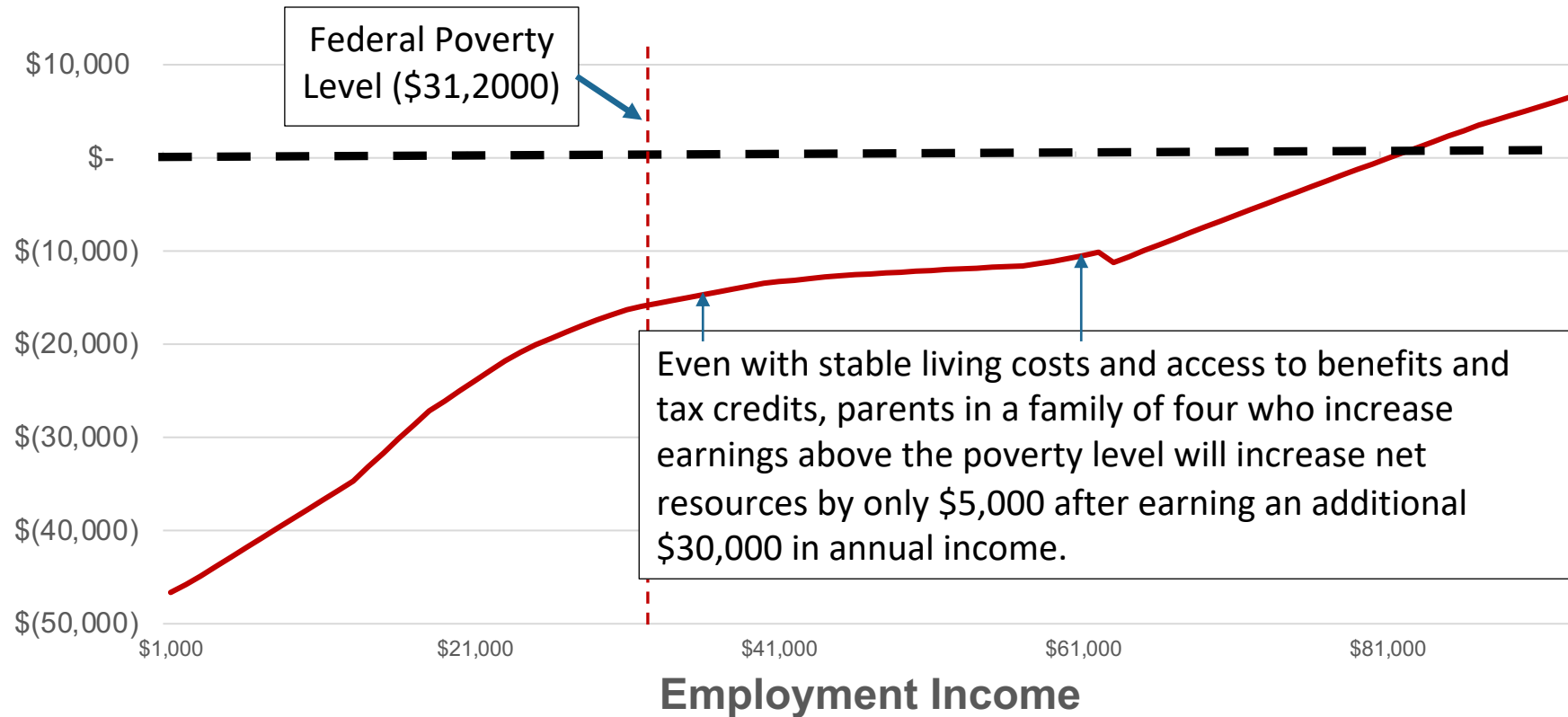
National Center for Children in Poverty

Bank Street Graduate School of Education

Stagnation in Net Resources for a Two-Parent Alabama Family with Two Children



Introducing Effective Marginal Tax Rates (EMTRs) for a New Mexico Family of Four



Introducing EMTRs: Because Benefit Cliffs Are *Not* the Only Challenge

EMTR =

Effective Marginal Tax Rates =

Decreases in Benefit Amounts + Fluctuations in Tax Credits + **Tax Rates**

IMTR =

Implicit Marginal Tax Rates =

Decreases in Benefit Amounts + Fluctuations in Tax Credits

How Do Effective Marginal Tax Rates (EMTRs) Affect Families?

Nationally, households with children earning between 100% and 125% FPL face *average* EMTRs of up to 51%. This means that across the U.S., for every additional wage dollar earned, parents see only about 49 cents in increased net resources, on average, in that income range.

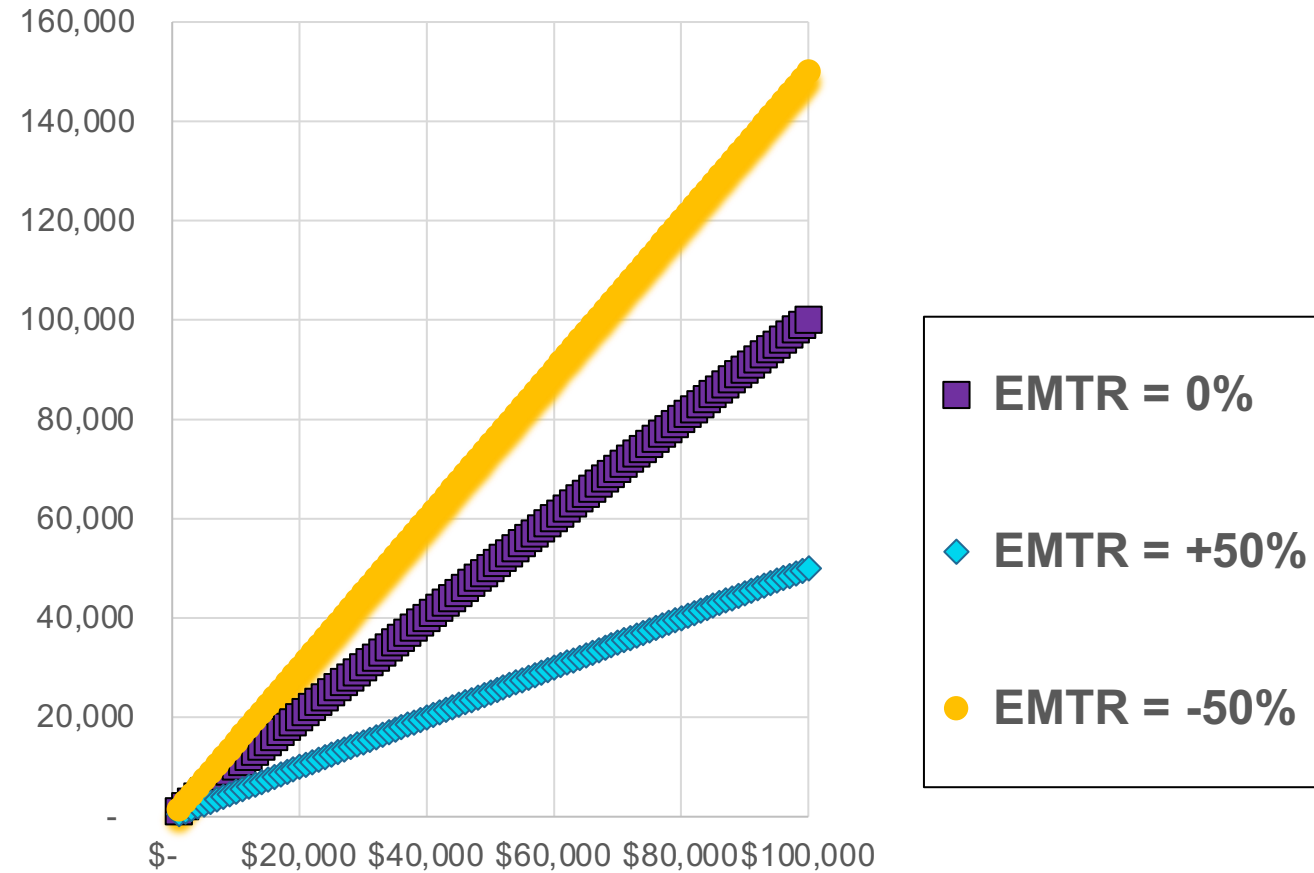
Using the Federal Reserve Bank of Atlanta's simulator, it is possible to calculate EMTRs for each additional \$1,000 of earnings across the entire income range.



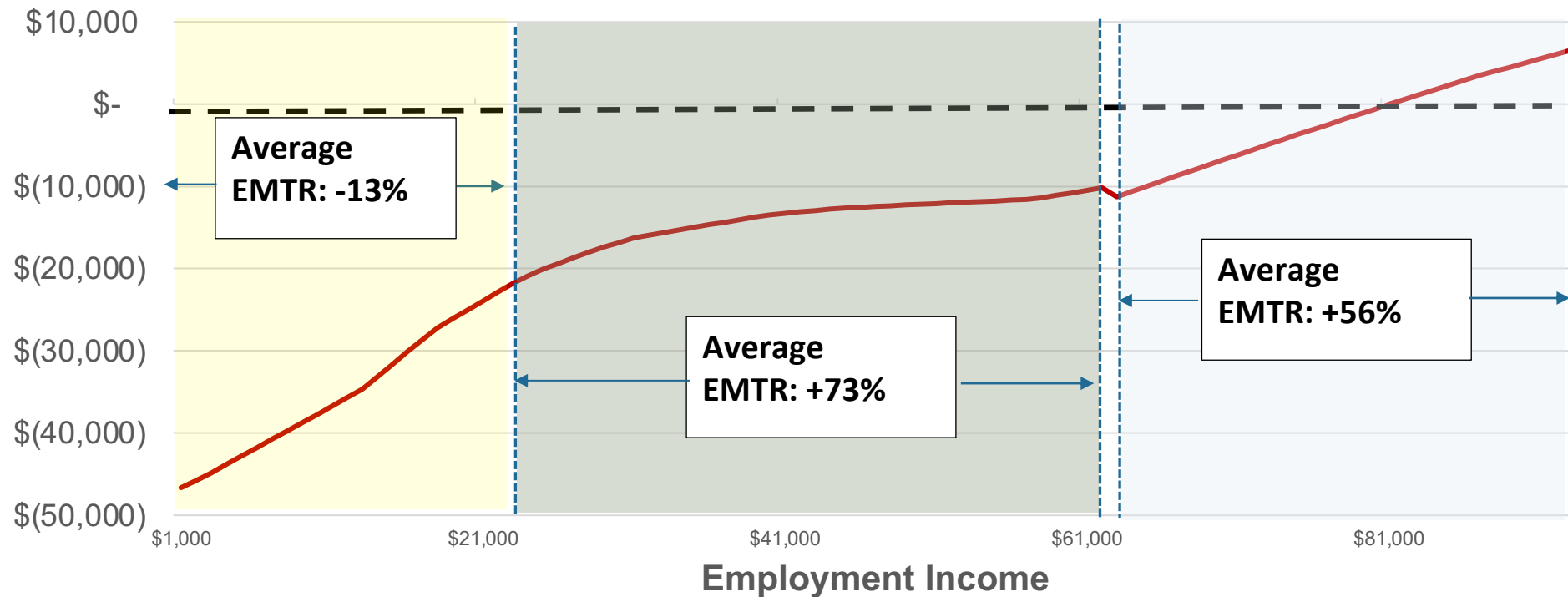
National Center for Children in Poverty

Bank Street Graduate School of Education

EMTRs' Varying Effects on Net Resources



Shifting EMTRs Across the Income Range for a Family of Four in New Mexico



The Components of EMTRs

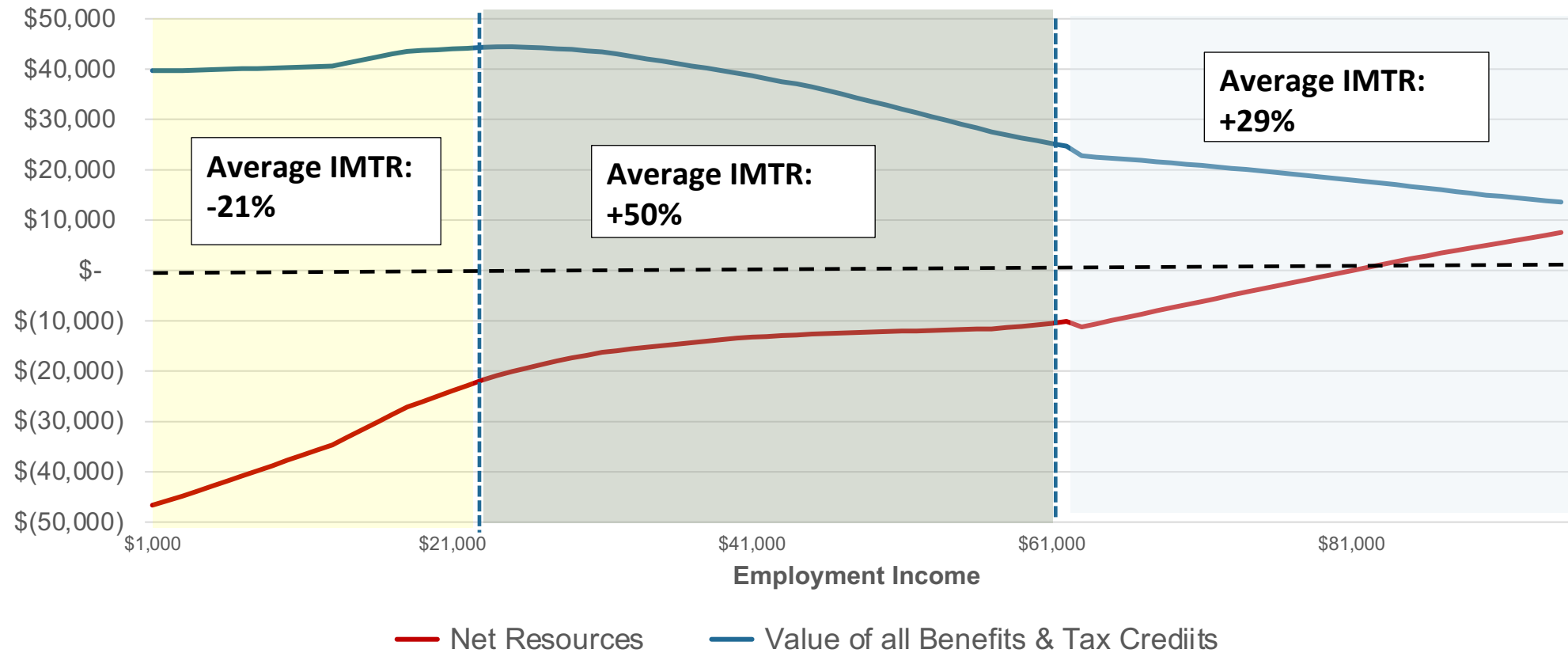
EMTR =

Decreases in Benefit Amounts + Fluctuations in Tax Credits + **Tax Rates**

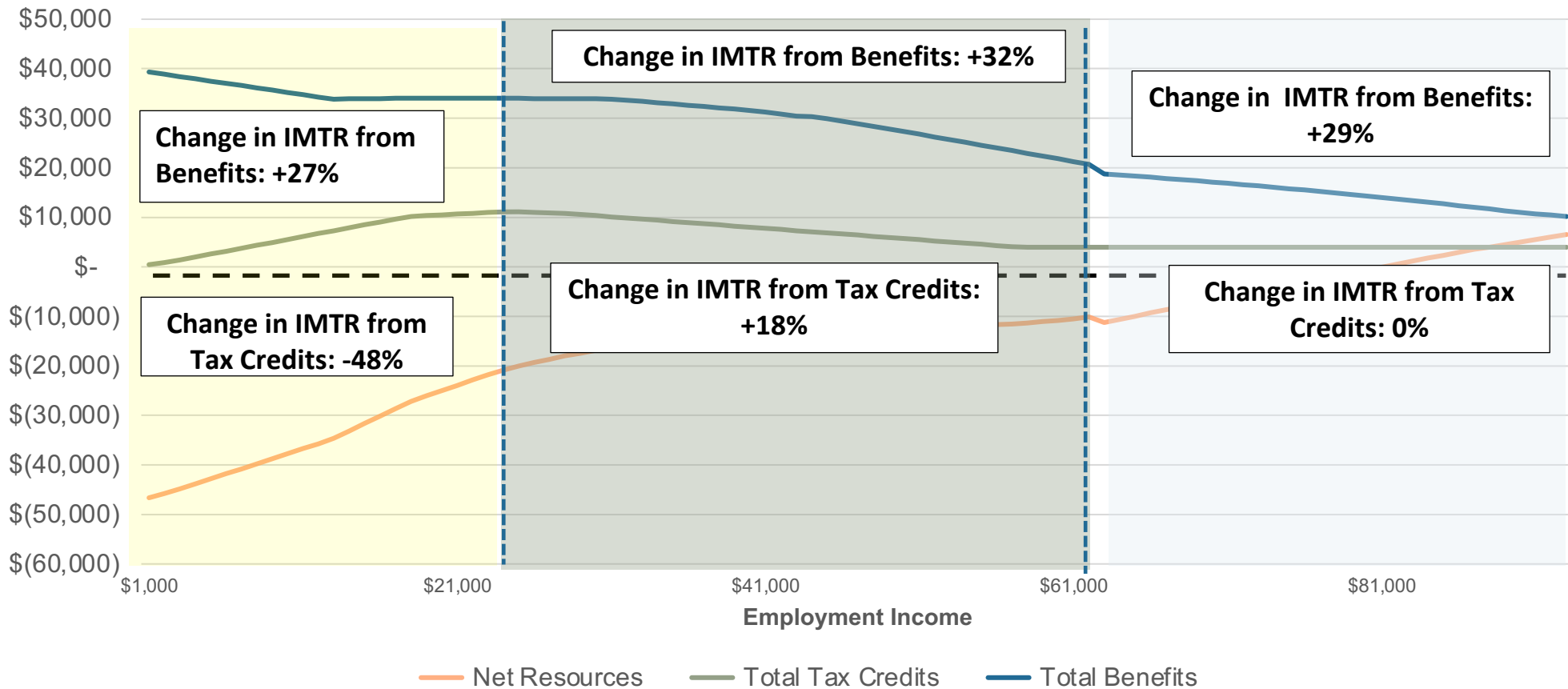
IMTR =

Decreases in Benefit Amounts + Fluctuations in Tax Credits

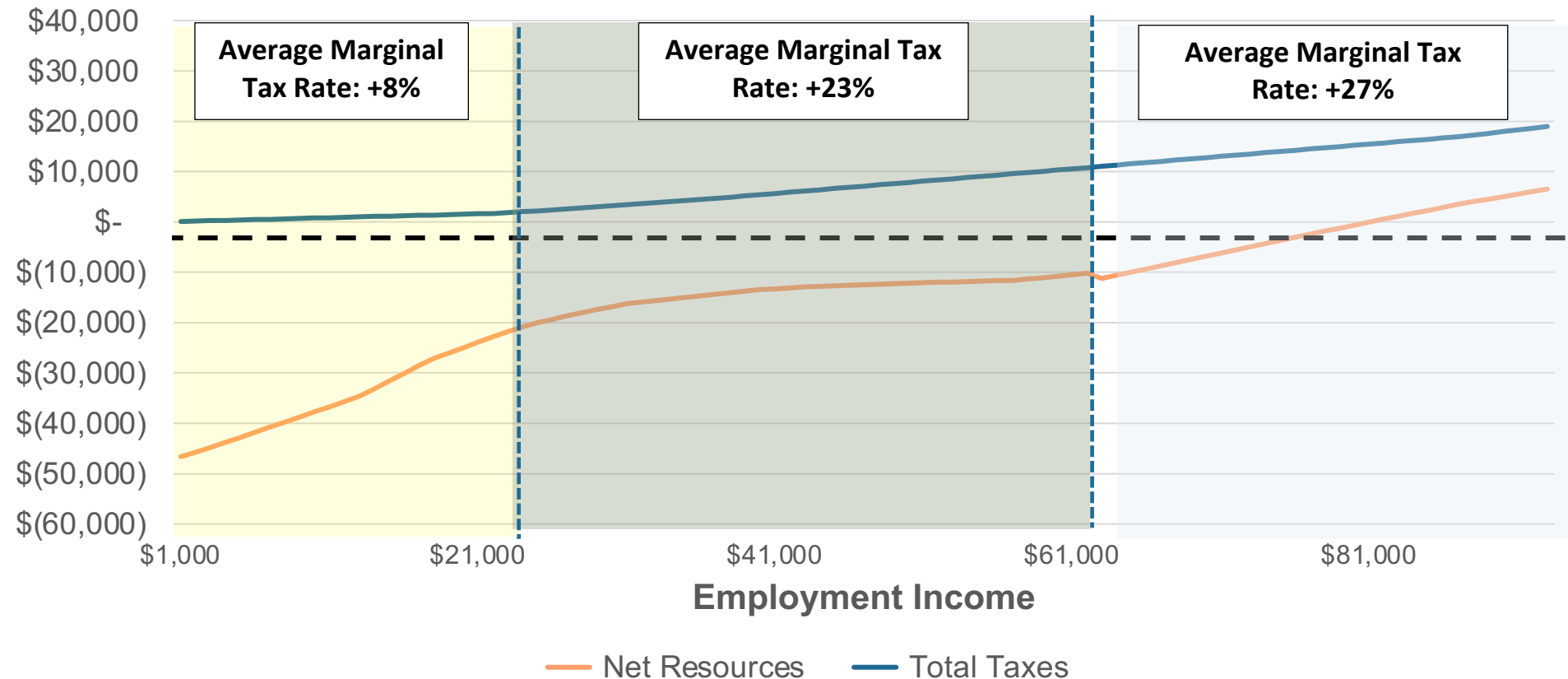
IMTR: Value of All Supports Against Net Resources as Income Increases for a New Mexico Family



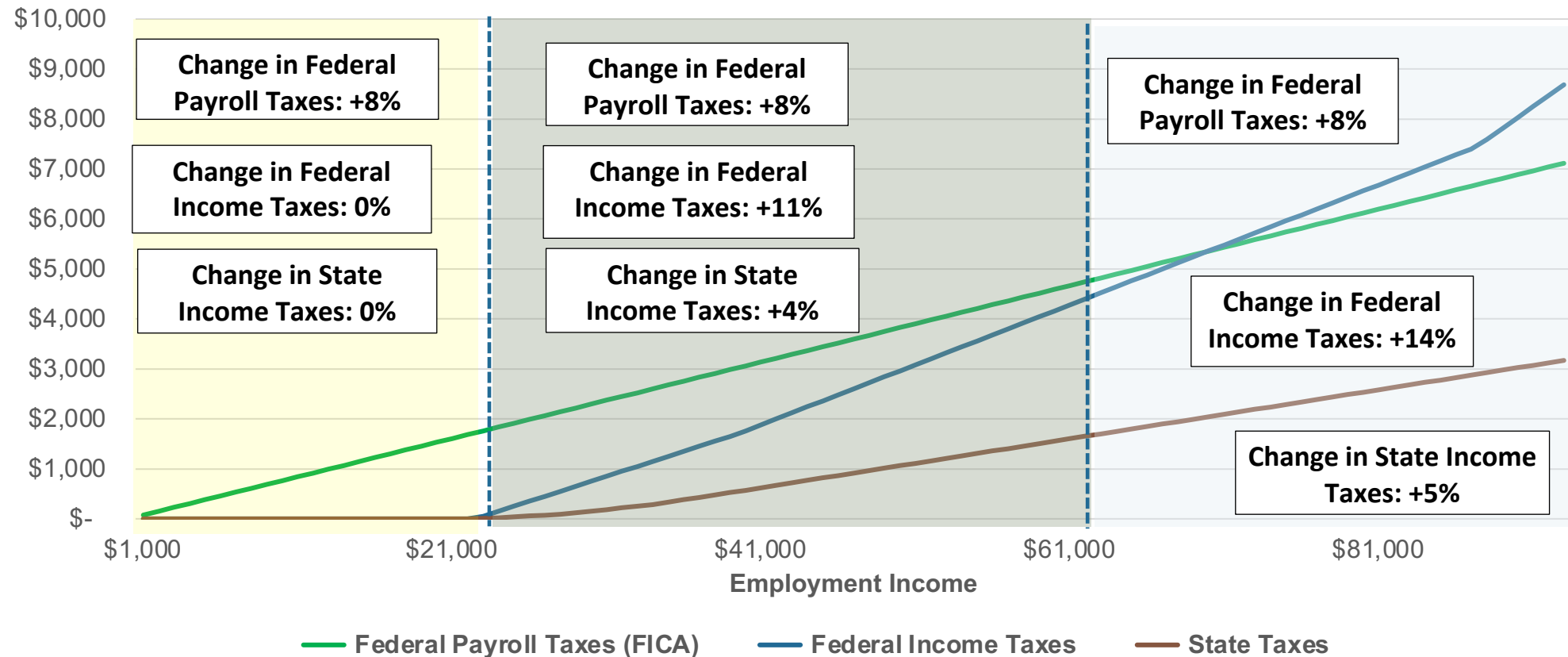
IMTR Components: Average Marginal Changes in Benefits and Tax Credits, Separately, for a New Mexico Family



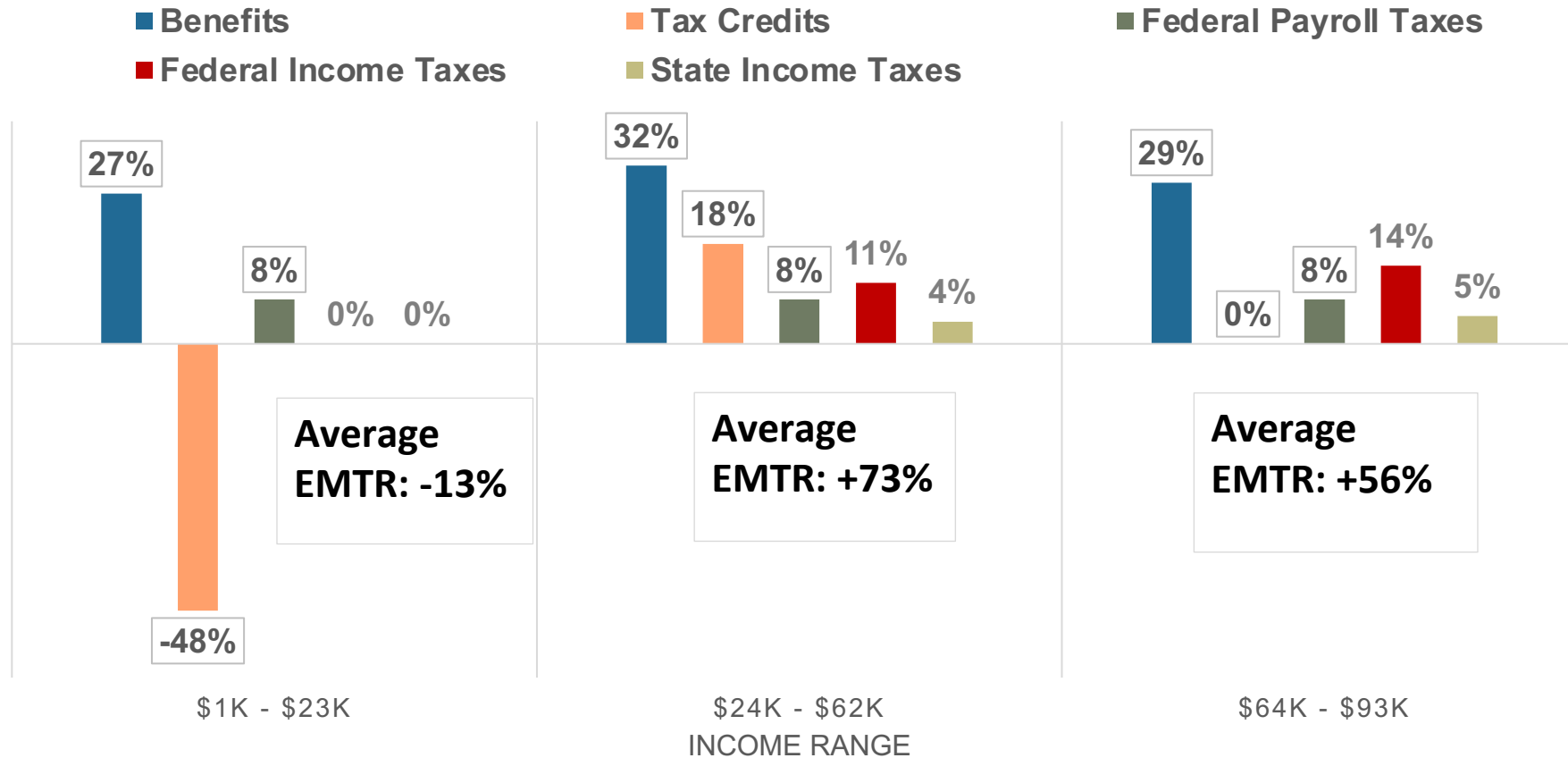
Taxes vs. Net Resources as Income Increases for a New Mexico Family



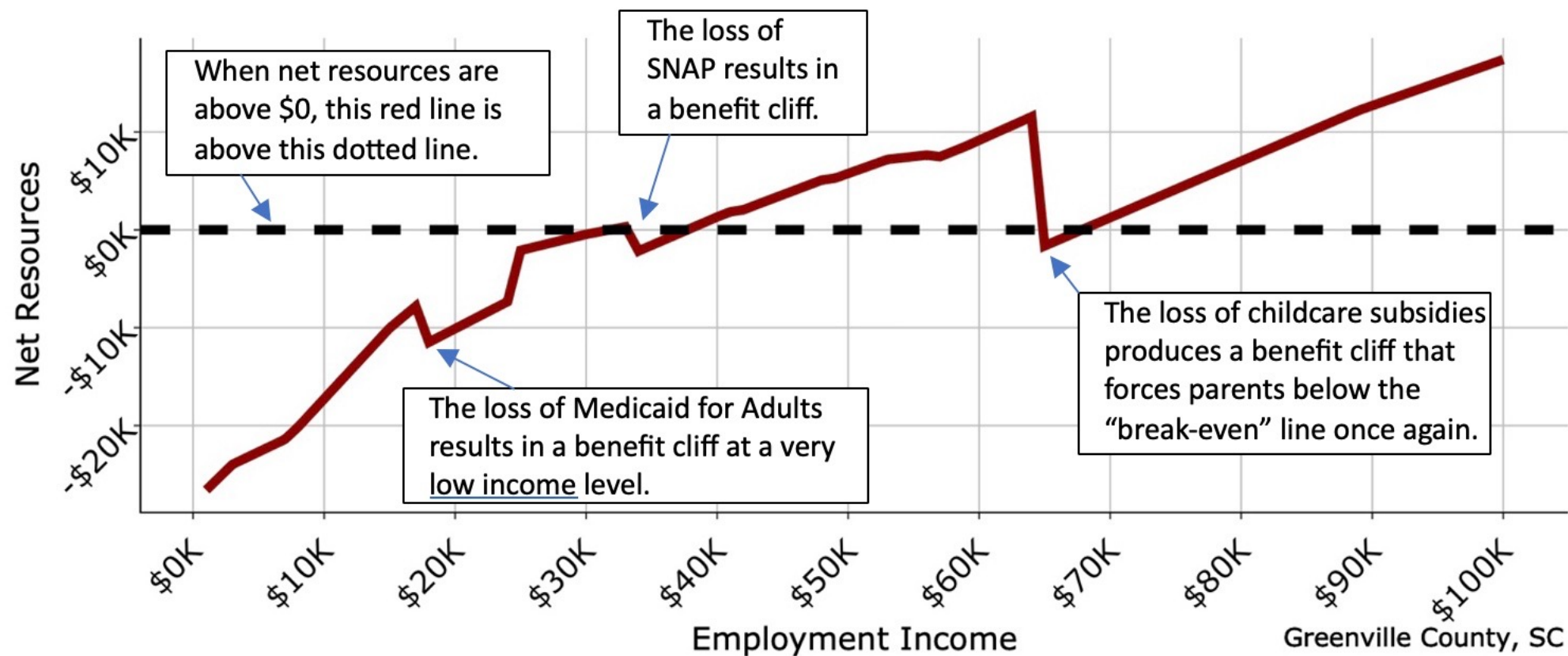
Marginal Changes in Federal Payroll, Federal Income, and State Income Taxes for a New Mexico Family



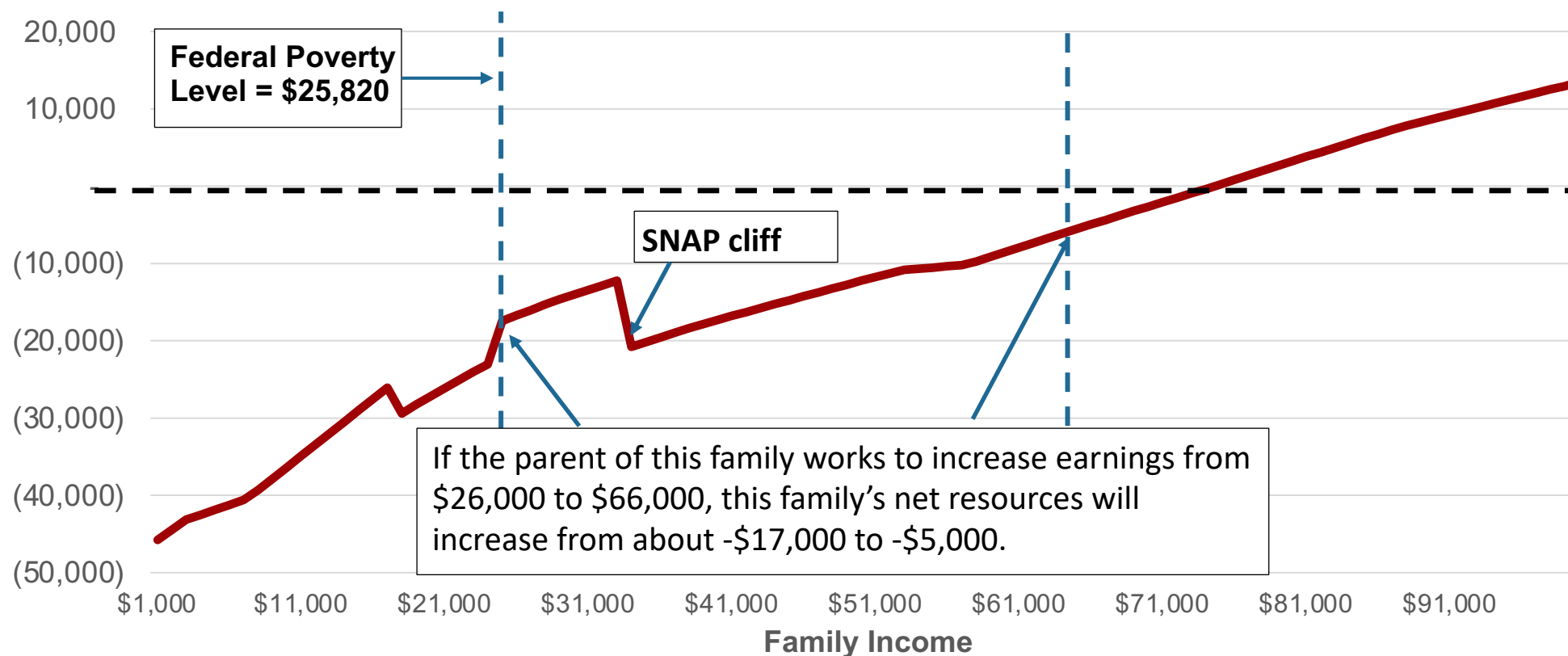
Marginal Changes Across Income Ranges for a New Mexico Family



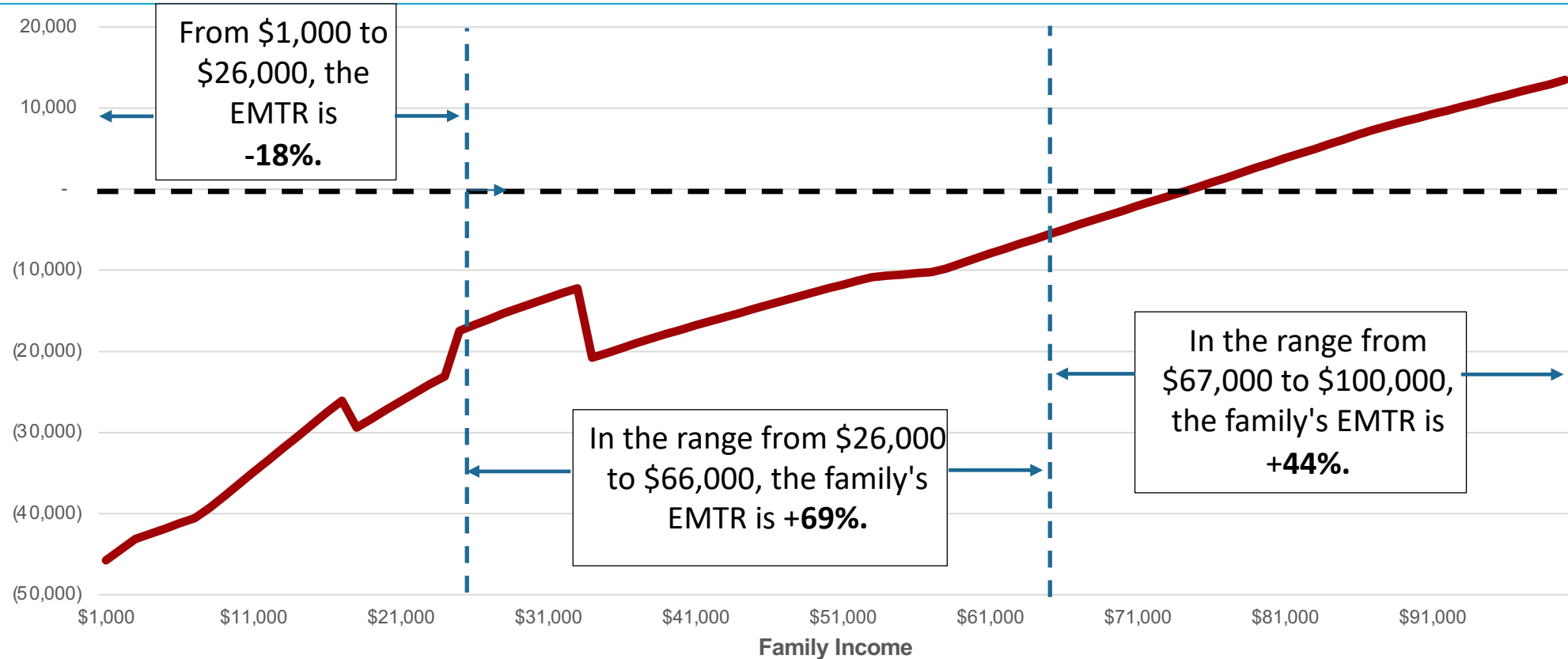
Benefit Cliffs and Net Resources for a Single-Parent Family with Two Children in Greenville, South Carolina



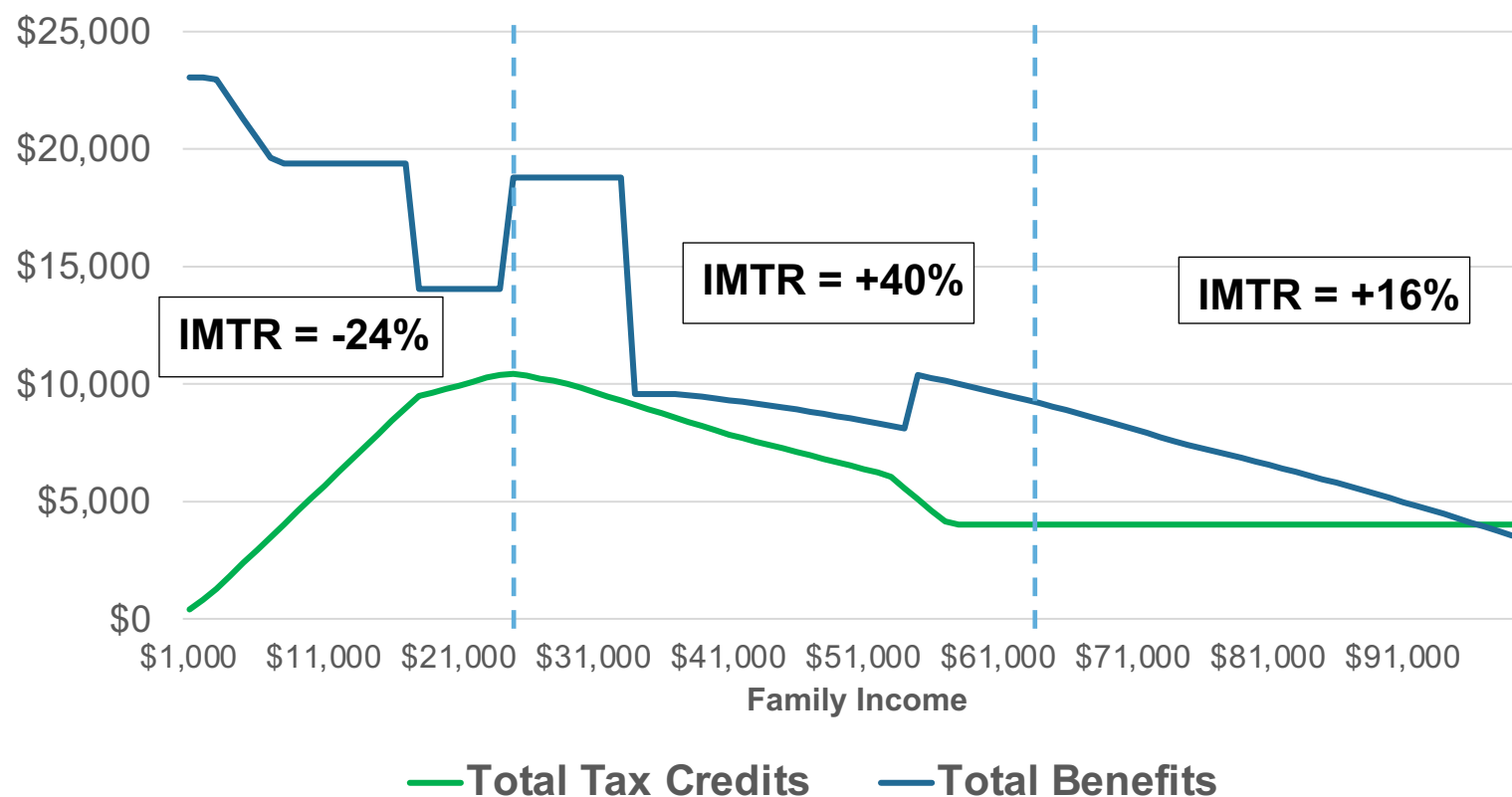
Net Resources for a Single-Parent Family with Two Children in Greenville, South Carolina (Without Childcare Subsidies)



EMTRs and Net Resources Across the Income Range For a Single-Parent Family with Two Children in Greenville, South Carolina



Supports from Benefit Programs and Tax Credits for a Single-Parent Family with Two Children in Greenville, South Carolina



Potential Recommendations

- **Modify the state EITC:** Extend it to families earning higher incomes, possibly expanding it for families at lower income levels as well. (States do not need to file waivers or otherwise request permission to create a state-level EITC that differs from the federal EITC in either income rules or phase-out structure.)
- **Create a separate state tax credit:** Introduction of a new tax credit specifically for families in the “plateau” income range could counteract the reduction in EITC benefits and help boost net resources.
- **Extend the federal EITC to higher income levels:** A higher income threshold for EITC eligibility would provide continued support as families gain financial stability. In New Mexico, this would also alter eligibility for the state EITC (currently 10% of the federal credit).

Potential Recommendations, part 2

- **Reassess federal and state tax rates:** Consider tax policy adjustments to reduce the burden on families as they transition out of poverty, particularly at the federal level.
- **Facilitate pathways to higher earnings:** Policies that promote job opportunities with wages of at least \$25 per hour would allow two full-time earners working 35 hours per week to surpass the \$80,000 annual income threshold. Federally funded job programs should assist participants in achieving long-term employment with wages that support their self-sufficiency; such programs could be monitored and outcomes improved. Wage supplementation strategies could also be piloted.



National Center for Children in Poverty

Bank Street Graduate School of Education

Advocacy Issues

- **Especially in some states, proposals related to tax structures (federal and state) can “play into the wrong hands.”** NCCP doesn’t recommend getting rid of state income tax where it exists, by any means, nor would we want a “flat tax.” We support consideration of a more generous, redistributive structure, with support from careful analysis of state revenue and the actual, current distribution of taxpayer contributions across the range of income.
- **Similarly, the effects of benefit cliffs and/or EMTRs can be used (by some) to justify diminishing benefit generosity and access.** It is important, when sharing the material in this presentation (or material developed specifically for your state), to emphasize the significance of the heavy dashed horizontal line – **that because of the very high costs today of essential goods like housing, healthcare, and food, families with net resources below this line experience material hardships.** These hardships place their members at risk for food insecurity, homelessness, debt, and suboptimal childhood development outcomes, to name a few.



National Center for Children in Poverty

Bank Street Graduate School of Education

Related and Alternative Advocacy Points

- Emphasizing the plateau in net resources as a barrier to full workforce participation, and therefore to the economic health of the state as a whole, may be more effective in some contexts than emphasizing the jeopardy in which it places families.
- In 2023, the American Compass also published findings on a [“Cost of Thriving” Index](#) that supports the inordinate challenges for many parents of earning enough for families’ basic living.
- It was not long ago that those from both parties in Congress [were working together in various ways against income inequality](#). There may be helpful ways to renew concerns around stagnation using some of this material.

Discussion

Q. Any questions about what was presented here?

Q. Do we have other ideas about policy recommendations or remedies for low-income families as they emerge from poverty?

Thank you for listening, and thank you for the work you do.

Acknowledgements: **Mandy Ableidinger** and the Alliance for Early Success. Also **Sheila Smith**, along with **Maribel Granjas**, **Dan Ferguson**, and **Lauren Hecht** of NCCP.

Karen Chatfield, Director of Family Economic Security

kchatfield@bankstreet.edu

References

Chien, N., & Macartney, S. (2019). What happens when people increase their earnings? effective marginal tax rates for low-income households. *Washington, DC: Office of the Assistant Secretary for Planning and Evaluation, US Department of Health and Human Services.*

Dolan, E. (2020, July 7). *New research revives debate over a poverty trap.* Niskanen Center. <https://www.niskanencenter.org/new-research-revives-debate-over-a-poverty-trap/>

Ilin, E., Ruder, A., & Terry, E. (2020). Do Marginal Tax Rates Inhibit Career Progression?.

Ilin, E., & Sanchez, A. (2023). Mitigating Benefits Cliffs for Low-Income Families: District of Columbia Career Mobility Action Plan as a Case Study. *FRB Atlanta Community and Economic Development Discussion Paper*, (1).

McCabe, J., & Pelletier, J. (2024, September). *Family benefits in America: 2023 report card.* Niskanen Center. <https://www.niskanencenter.org/wp-content/uploads/2024/10/McCabe-Pelletier-2024-Family-Benefits-in-America-2023-Report-Card.pdf>

Steuerle, C. E. (2012, June 27). *Marginal tax rates, work, and the nation's real tax system.* Urban Institute. <https://www.urban.org/sites/default/files/publication/26056/901508-Marginal-Tax-Rates-Work-and-the-Nation-s-Real-Tax-System.PDF>



National Center for Children in Poverty

Bank Street Graduate School of Education