

Improving Family Economic Security: State-Level EITCs and CTCs

January 21st, 2026



National Center for Children in Poverty

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Today's Agenda

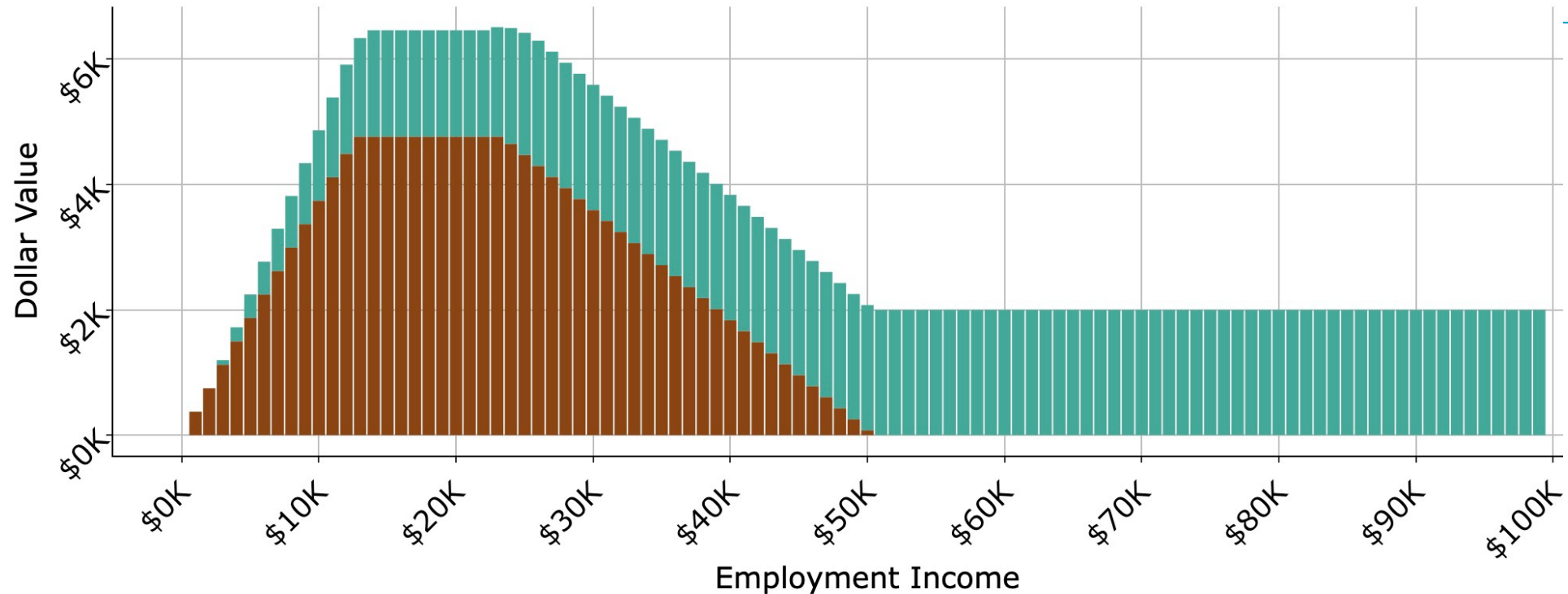
- A. The design of federal and state-level Earned Income Tax Credits (EITCs)**
- B. The design of federal and state-level Child Tax Credits (CTCs)**
- C. Overview of evidence in support of poverty reduction through tax credits**
- D. State-by-state overview of state-level credits today**
- E. Advocacy issues relevant to tax credits in 2026**

What Does “Refundable” Mean?

- A refundable tax credit can reduce a tax debt to \$0 and then produce, with the unspent amount, a cash refund. EXAMPLE: Federal EITC
- A nonrefundable tax credit only helps those who owe tax. It can reduce their tax debt to \$0, but any unused portion of the nonrefundable credit is lost. EXAMPLE: Federal Child and Dependent Care Tax Credit
- A partially refundable tax credit is designed so that a portion of it is nonrefundable (and can be used to reduce a tax debt), and another portion is refundable. EXAMPLE: Current Federal CTC
- “Refundable without respect to income” describes tax credits that can be provided to families with no income. EXAMPLE: Expanded Federal CTC of 2021

PUBLIC ASSISTANCE BY EMPLOYMENT INCOME

The chart below shows the dollar value and composition of public assistance at different income levels. As income increases, the value of each selected public assistance program changes. For some programs, the value of public assistance gradually phases out, while for others the loss is sudden.



Adams County

Program: CTC EITC

The Design of Federal and State-Level Earned Income Tax Credits (EITCs)



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Federal Earned Income Tax Credits (EITCs)

- Fully refundable for families earning income, starting at very low income levels
- Increase steeply for families with income below poverty level
- Scaled for family size and structure (do not increase for families with more than three children)
- Maximum amount of the credit is significant enough to be of real value to families (peaking at \$8,046 for 3 or more children)
- The maximum amount is available to families who are married and filing jointly at somewhat higher income levels than others



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Federal EITC Requirements

Under federal requirements for EITCs for tax year 2025, to be eligible, parents claiming 2 children as dependents must:

- Have worked and earned income less than \$64,430 if filing jointly (or less than \$57,310 if filing as single, head of household, married filing separately or widowed) with two children (see next slide for other family sizes).
- Have investment income or savings below \$11,950 (asset limit)
- Have been a U.S. citizen or **a resident alien** throughout the year with a valid Social Security Number (SSN) for the full tax year.



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More on EITC Income Limits

# of Children	Filing as single, head of household, widowed, etc.	Filing as married filing jointly
One	\$50,434	\$57,554
Two	\$57,310	\$64,675
Three or more	\$61,555	\$68,675

Phase-In of the Federal EITCs

The credits “phase in” at a steep rate as parents earn more, is fully refundable, and the maximum amount is higher for families with more than one child.

- For a family with one child, the EITC amount increases to \$4,328 when income reaches \$13,000.
- For a family with two children, the EITC amount increases to a maximum amount of \$7,152 when income reaches \$18,000.
- For a family with three children, the EITC amount increases to a maximum amount of \$8,046 when income reaches \$18,000.



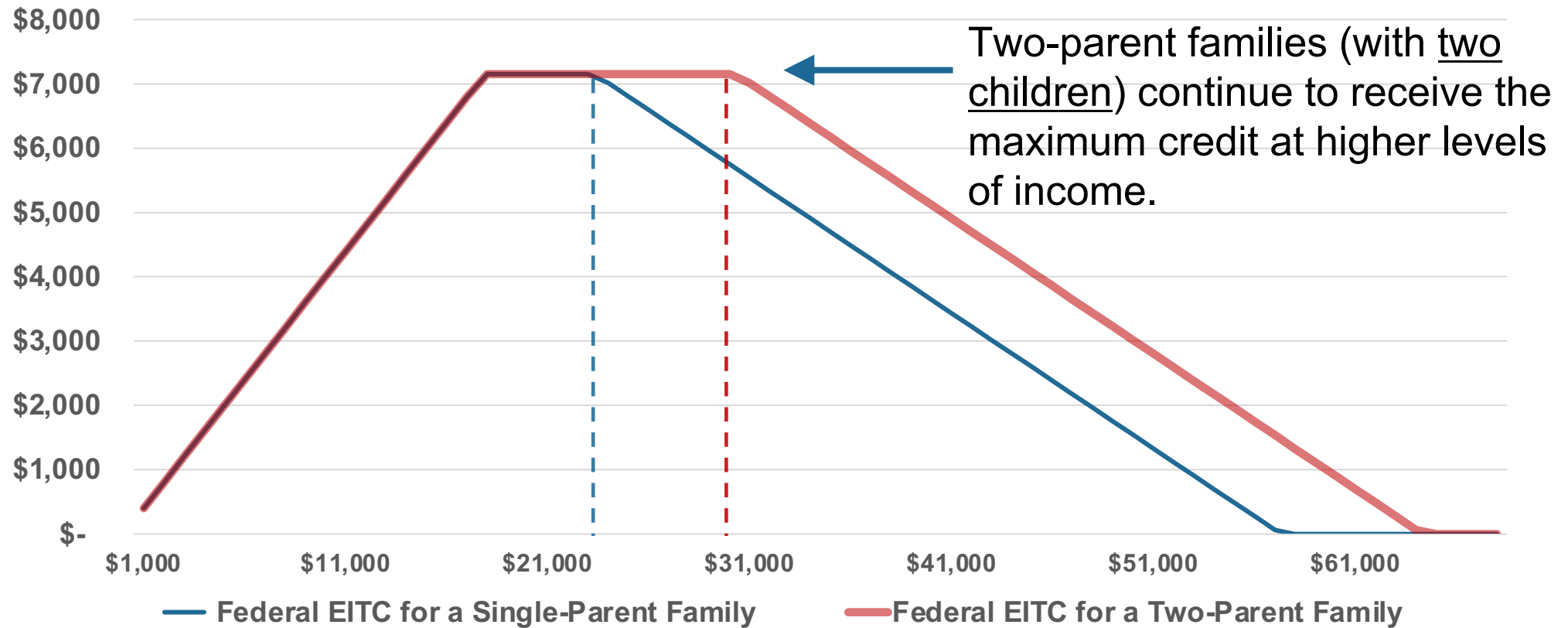
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Phase-Out of Federal EITCs

- The credits “phase out” as parents earn more, so that the maximum amount gradually tapers to \$0.
- The phase-out works differently for married parents than for single parents, because married filers continue to receive the maximum credit at a higher income level than single filers.
- As an example, a two-parent family with two children will no longer receive the federal EITC when earning \$62,000, while a single-parent family with two children will no longer receive the EITC when earning \$58,000. (See illustration on next slide.)

EITC Phase-Out Varies by Family Structure



Overview: Provisions of State-Level EITCs

- These credits provide an additional amount to families with children, in most cases “pegged” to the federal tax credit at all income levels, ranging from 4.5% to 70% or even higher.
- Like the federal tax credits, these state-level credits provide a more generous credit for families with two or three children than for families with one child.
- A few are nonrefundable.

Benefits of a state-level EITC

- Much like the federal EITC, these credits increase financial stability for low-income families and promote economic mobility by incentivizing increased earnings for parents at the lower end of the income scale.
- States that offer state-level EITCs have seen increased take-up of the federal EITC.
- Can help to counter regressive state income taxes.

EITC Take-Up Is an Important Issue

- **Almost 1 in 5 eligible households did not claim their federal EITC as recently as 2022**, leaving billions of dollars “on the table.” This is not an automatically provided refund – parents must file for it. Efforts have been strong in some states to promote take-up.
- Even if your state doesn’t offer a state EITC, making sure that families are claiming the federal EITC can be highly effective for economic security.
- If state EITCs are implemented, “marketing them” is important, so that reductions in poverty are experienced as fully as possible.



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Recent policy innovations in state-level EITCs

- **Age Enhancement:** Several states offering a state-level credit to those who are just 18 or 19, a few offering them to those above 65. (Currently the federal EITC is available to those without children who are between 25 and 65.)
- **Local EITCs:** These are available only to families in a particular city or county and provide larger credits. A low-income worker in Montgomery County, Maryland, can receive a combined refundable state and local boost worth 70 percent of the federal EITC for families with children.

The Design of Federal and State-Level Child Tax Credits (CTCs)



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Federal Child Tax Credit Determined (in part) by Family Earnings

For every \$100 earned above \$2,500*, a family with a single child receives \$15 in the refundable CTC.

Example: A parent with \$3,500 in earnings receives \$150 ($\$3,500 - \$2,500 = \$1,000$; $\$1,000 * 15\% = \150). As family income increases:

- The full amount (for tax year 2025) has increased to \$2,200 for families with higher incomes, from \$2,000 (in tax year 2024). When earning \$28,700, a single-parent family would be eligible for that amount.
- The **refundable amount of the credit** remains \$1,700.

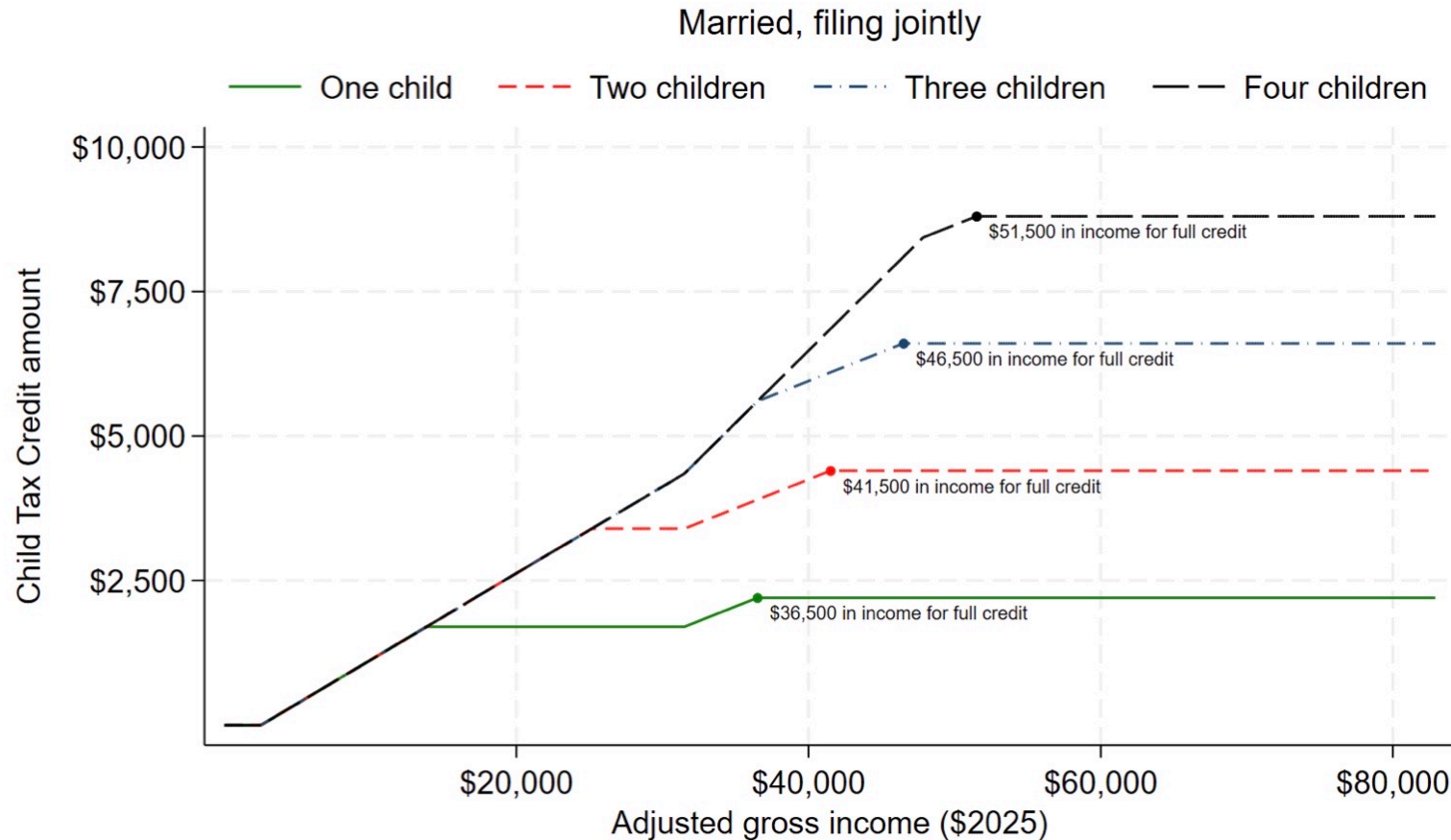
There is no cap on children; however, taxpayers with multiple children must phase in the credit amount one child at a time.



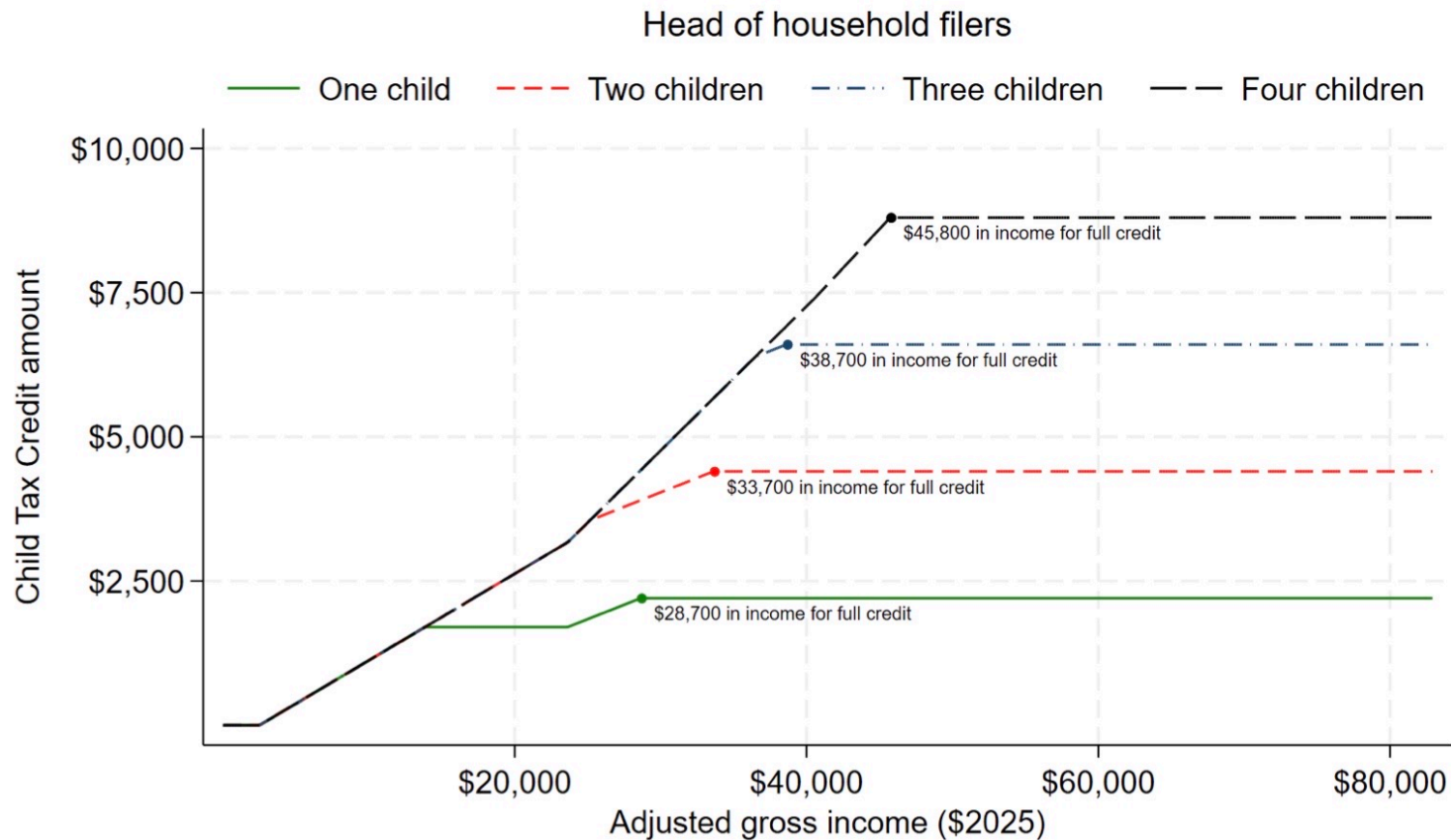
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Amount of Child Tax Credit Is Also Determined by Family Structure and Size



“Head of Household” Filers May Claim Full Credit Amount At Lower Income Levels



What the CTC Phase-In and Guidelines Mean for Low-Income Families

Remember, taxpayers with multiple children must “phase in” the credit amount one child at a time.

- A two-parent, two-child family needs to earn \$41,500 in 2025 to qualify for the full refund of \$4,400 (or \$2,200/child)).
- Two adults working full time at the federal minimum wage take home \$25,375 in earnings and therefore would not qualify for the full refund at any family size.



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State-level CTCs Are Sometimes Designed to Complement the Federal CTC and Reduce Poverty Levels

Policy Provision:	Intended Outcome:
Fully refundable	The full amount of the credit can be refunded to families who do not have tax liabilities, regardless of their income.
Available without minimum income requirement	Families with low income, or no income, are eligible to receive the credit. (Requires full refundability.)
Size of the credit	More generous credits are more effective in reducing child poverty.
Maximum credit amount per child rather than per household	Equitable support for larger families.
Advance payments*	Smaller monthly or quarterly cash payments; helpful in meeting basic needs and alleviating family stress.

Minnesota's Child Tax Credit

In 2023, Governor Tim Walz signed into law the state's CTC, which provides as much as **\$1,750/child** for every child under 18. For families with just one child*:

- This is available for single-parent families earning from \$0 to about \$50,000, with a steep phase-out beginning when income reaches \$31,950.
- This is available for married parents filing jointly earning from \$0 to about \$55,000, with a steep phase-out beginning when income reaches \$37,910.



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Are tax credits considered “income” in eligibility tests for safety net programs (like TANF or SNAP)?

This is an important question particularly if advance payments (monthly or quarterly) payments are considered. For example:

- The federal USDA has counted state advance payments of refundable tax credits as income for SNAP, which can reduce the amount of support people receive from that program. Likewise, they can be counted as income for Medicaid eligibility.
- States can exempt advance payments of tax credits from TANF eligibility.

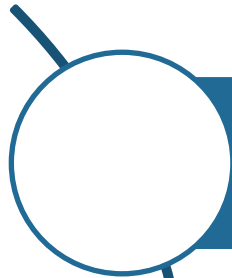
Overview of Evidence in Support of Poverty Reduction Through State-Level Tax Credits



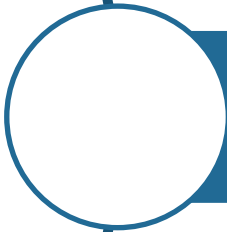
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EITCs Positively Affect Child Outcomes Throughout Life



Economic stability and mobility reduce parental stress, which has positive effects on children's early development, from before birth.



Growing up with more financial resources improves children's environments so that they are likelier to reach developmental milestones.



Improved environments and early development lead to higher levels of educational attainment and increased earnings in adulthood.

Evidence of improved child welfare resulting from EITC and CTC is abundant.

- Most studies focus on either EITC or CTC, sometimes analyzing on differences between states, sometimes temporary amount increases, sometimes on the number and timing of incidents reported in the days immediately following payouts. (See references.)
- One study, analyzing state-level data on tax refunds (including both **CTC and EITC**) found that **for each additional \$1,000 in per-child refunds, state maltreatment report rates fell by an estimated ~5 %** in the period of, and weeks following, refunds.

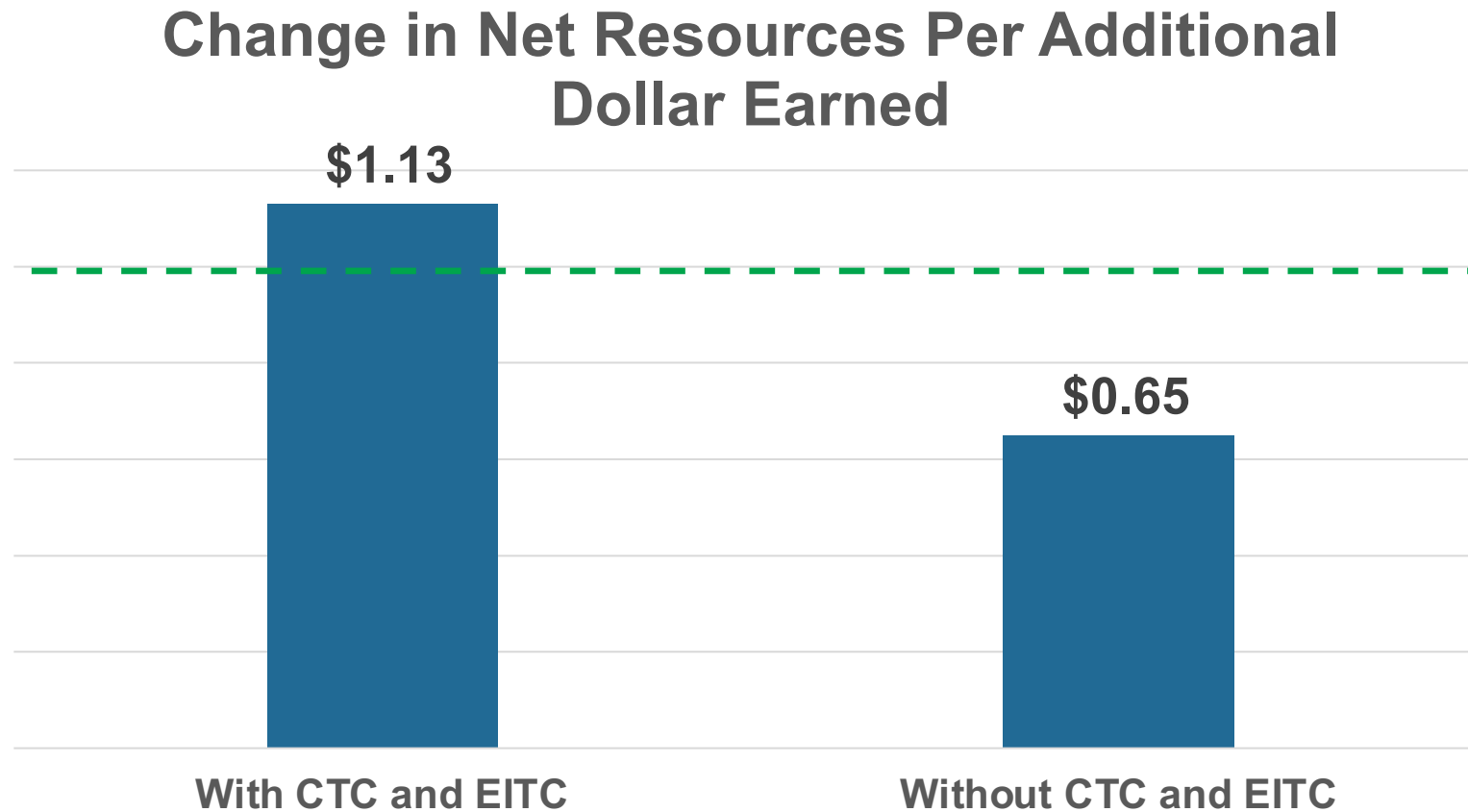
EITC as a Support of Food Security

- In a 2024 study of a sample of 153,683 households with children and limited parent educational attainment across 50 states from 2001 through 2022, it was found that states that implemented more generous refundable EITCs (>25% of the federal credit) saw a [10.4% drop in food insecurity](#) among households with children led by parents with low educational attainment.
- Larger food insecurity reductions occurred among single-parent and non-Hispanic Black households.

Tax-Related Benefits of Tax Credits

- Both the CTC and the EITC can each incentivize work participation for low-income earners.
- As earnings increase for parents, these credits can soften the impact of higher taxes.
- The credits can also reduce the negative effects of benefit cliffs and high effective marginal tax rates resulting from the loss of benefits like cash assistance, SNAP, childcare subsidies, and housing vouchers.

The EITC and CTC Soften the Impact of Reduced Benefits and Increasing Taxes



State-by-State Overview of State-Level Credits Today



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State	State-Level EITC	R?	State-Level CTC	R?
Alabama	N/A	N/A	N/A	N/A
Alaska	N/A	N/A	N/A	N/A
Arizona	N/A	N/A	Dependent tax credits: \$100/child under 17 and \$25/dependent 17 and older	No
Arkansas	N/A	N/A		No
California	Yes. Varied income levels and phase-out.	Yes	Up to \$1,189 per family for those eligible for the CalEITC with a child under 6.	Yes
Colorado	Yes. Up to 50% of Federal. Will be 25% in 2026.	Yes	Up to \$1,200/child under 6. Maximum AGI threshold is \$77,000 for single filers, \$87,000 for joint filers. No requirement to earn income.	Yes
Connecticut	Yes. 40% of Federal	Yes	N/A	N/A

State	Earned Income Tax Credit	R?	State-Level Child Tax Credit	R?
Delaware	Offers choice of 4.5% or 20% of federal EITC, with 20% being nonrefundable.	4.5 % only	N/A	N/A
District of Columbia	Yes. 85% for those with children; 100% for those without children.	Yes	No. DC's CTC was unfunded, although it would have provided \$20/child under 6.	N/A
Florida	N/A	N/A	N/A	N/A
Georgia	N/A	N/A	\$250/child for children under 6.	N
Hawaii	Yes. 40% of Federal	Yes	N/A	N/A
Idaho	N/A	N/A	No. The Idaho CTC (a flat \$205) expired at the end of 2025 and is no longer active.	N/A
Illinois	Yes. 28% of federal EITC for those with children under 12, 20% for others.	Yes	N/A	N/A

State	Earned Income Tax Credit	R?	State-Level Child Tax Credit	R?
Indiana	Yes. 10% of Federal	Yes	\$500 newborns only	Y
Iowa	Yes. 15% of federal	Yes	N/A	N/A
Kansas	Yes 17% of Federal	Yes	N/A	N/A
Kentucky	N/A	N/A	N/A	N/A
Louisiana	Yes. 5% of Federal	Yes	N/A	N/A

State	Earned Income Tax Credit	R?	State-Level Child Tax Credit	R?
Maine	Yes. 25% of federal for those with dependent children; 50% for all other eligible filers.	Yes	\$315/child six and older; \$630 for children under 6.	Yes
Maryland	Offers choice of 45% or 50% of federal to families with dependent children; 100% for all other eligible filers.	Yes 45%	Up to \$500/child under 6 or a child between 6 and 17 with a disability. Targets low-income families.	
Massachusetts	Yes. 40% of federal.	Yes	N/A	N/A
Michigan	Yes. 30% of federal	Yes	N/A	N/A
Minnesota	Yes. Structure varies from federal.	Yes	Up to \$1,750 per child under 17, with no cap on the number of children. Targets low-income families with no income requirement.	Yes
Mississippi	N/A	N/A	N/A	N/A
Missouri	Yes. Either 10% or 20% of federal, depending on state revenue levels.	No.	N/A	N/A

State	Earned Income Tax Credit	R?	State-Level Child Tax Credit	R?
Montana	Yes. 20% of federal.	Yes	N/A	N/A
Nebraska	Yes. 10% of federal.	Yes	N/A	N/A
Nevada	N/A	N/A	N/A	N/A
New Hampshire	N/A	N/A	N/A	N/A
New Jersey	Yes. 40% of federal.	Yes	Up to \$1,000 for children under 5, depending on income level.	Yes
New Mexico	Yes. 25% of federal	Yes	Up to \$600/child under 17, depending on income level.	Yes
New York	Yes. 30% of federal.	Yes	\$500/child aged 4 and over; \$1000/child under 4. No phase-in, no income required.	Yes
North Carolina	N/A	N/A	N/A	N/A
North Dakota	N/A	N/A	N/A	N/A
Ohio	Yes. 30% of federal.	No	N/A	N/A

State	Earned Income Tax Credit	R?	State-Level Child Tax Credit	R?
Oklahoma ("coupled" with federal)	Yes. 5% of federal.	Yes	5% of federal CTC if family qualifies for federal	No
Oregon	Yes. 12% of federal for families with children under the age of 3. 9% of federal for others with children over 3.	Yes	\$1,050 per child under 6, for up to five children. Fully refundable for families earning <\$26,500, Partially refundable for those earning <\$31,550.	
Pennsylvania	Yes. 10% of federal EITC.	Yes	N/A	N/A
Rhode Island	Yes. 16% of federal EITC.	Yes	N/A	N/A
South Carolina	125% of federal EITC	No	N/A	N/A
South Dakota	N/A	N/A	N/A	N/A
Tennessee	N/A	N/A	N/A	N/A
Texas	N/A	N/A	N/A	N/A
Utah ("coupled" with federal)	Yes. 20% of federal EITC.	No.	\$1,000 for each child under 6.	No.

State	Earned Income Tax Credit	R?	State-Level Child Tax Credit	R?
Vermont	Yes. 38% of Federal EITC for those with children; 100% for those with no children.	Yes	\$1,0000 for children under 7.	Y
Virginia	20% of federal EITC	Yes	N/A	N/A
Washington	Flat amount: \$345/person up to maximum \$1,365 for family. Requires eligibility for federal EITC.	Yes	N/A	N/A
West Virginia	N/A	N/A	N/A	N/A
Wisconsin	4% of federal EITC for one child; 11% for two children; 34% for three or more children.	Yes	N/A	N/A
Wyoming	N/A	N/A	N/A	N/A

Example of an Outlier: Colorado's Family Affordability Tax Credit (FATC)

Enacted by House Bill 24-1311 in 2024, the FATC is a poverty reduction measure that can provide lower-income families with a refundable credit as high as \$3,273 per child under 6 and as high as \$2,455 per child between 6 and 16.

AGI Limits		
Tax Year	Single Filers	Joint Filers
2024	\$85,000	\$95,000
2025	\$85,000	\$96,000

Advocacy Issues Relevant to Tax Credits in 2026



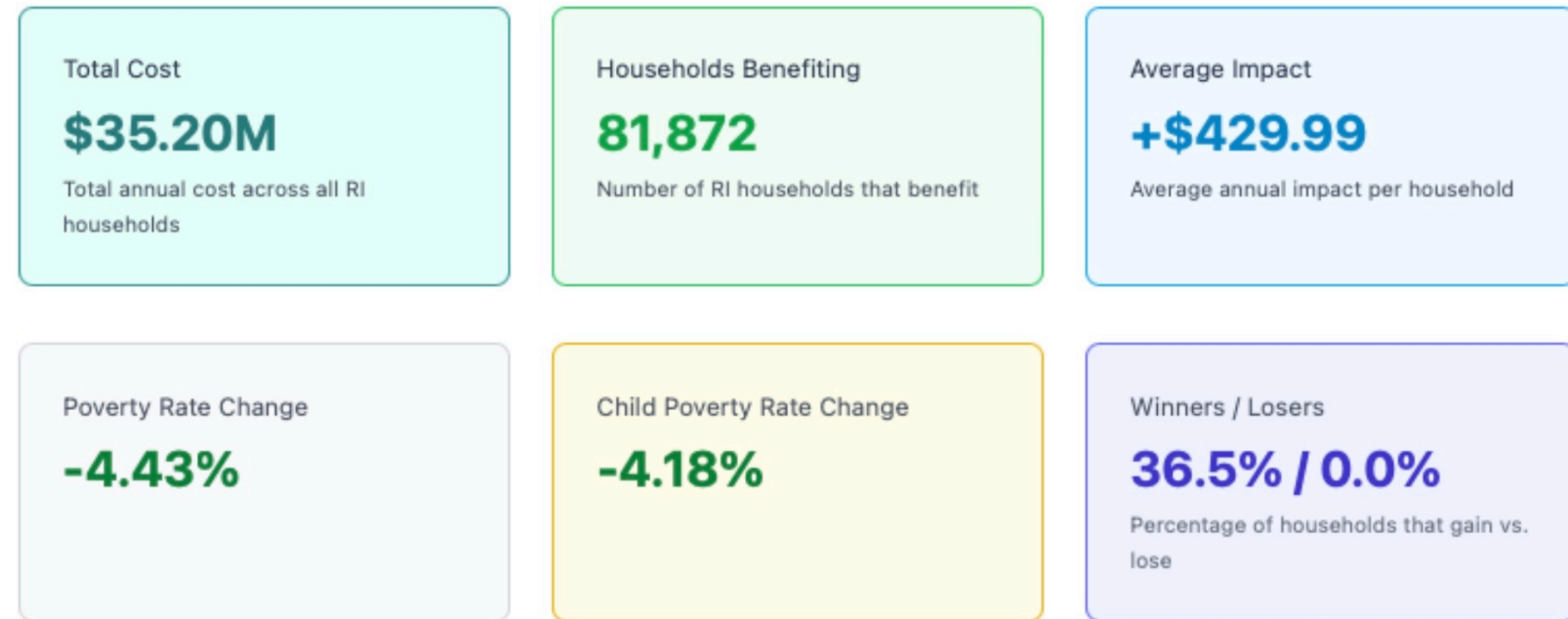
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Current Proposal in Rhode Island to “Swap” Child Exemptions For Refundable CTCs

A fully refundable \$325/child tax credit with no phase-in would replace a potential \$305/child exemption that is worth less at lower income levels.

Figure 2: Statewide impact analysis



Creation of (Nonrefundable) CTC in Georgia

Georgia legislated a state-level CTC for a flat amount, \$250/child, in 2025.

Georgia enacts child tax credit increase and extra \$250 for children under 6



Potential Contractions in Response to H.R. 1

- Under its TABOR laws, Colorado must follow revenue- and population-based formulas that produce a certain surplus. This surplus typically funds “temporary” tax credits, which the law itself can reduce, restructure, or suspend. There is concern in recent months about potential revenue shortfalls triggered by H.R. 1 and other events, with Democrats proposing a ballot measure to loosen TABOR’s guidelines.
- Some are cautioning that the Family Affordability Tax Credit will be suspended.

Colorado	Yes. Up to 50% of Federal. Will be 25% in 2026.	Yes	Up to \$1,200/child under 6. Maximum AGI threshold is \$77,000 for single filers, \$87,000 for joint filers. No requirement to earn income.	Yes
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Thank you for listening, and thank you for the work you do.

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