

H.510: VT CHILD TAX CREDIT

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Background and Context

- H.510 as introduced creates a new Vermont Child Tax Credit
 - *\$1200 per year for every qualifying child six years of age or younger*
 - *Half of the credit would be paid out in monthly installments. The remainder would be paid at filing*
 - *Phased out after \$200,000 single and \$400,000 married*
 - *Fully refundable*

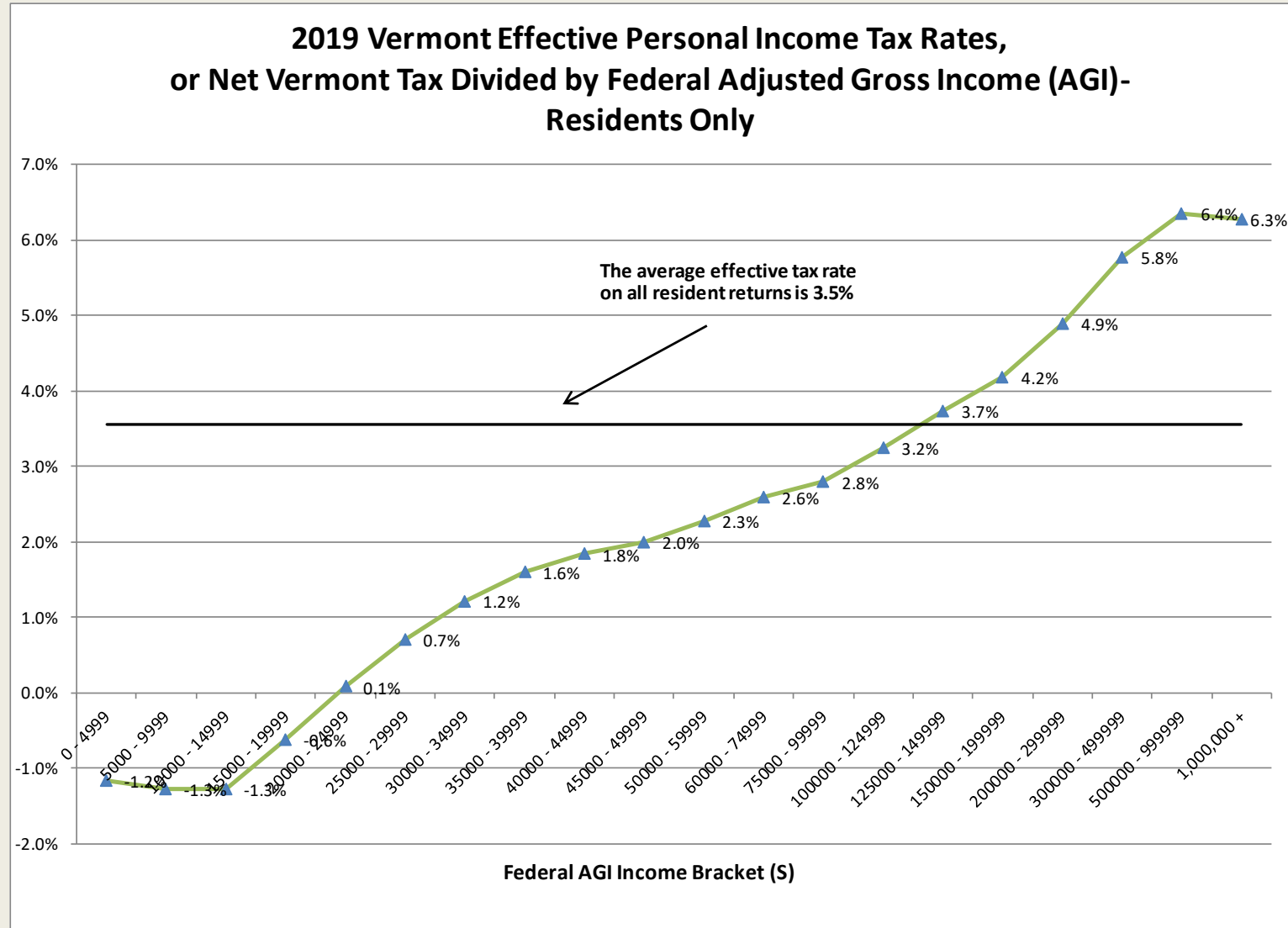


Context: Other State Child Tax Credits

State Child Tax Credits and Personal Exemptions				
State	How much?	Who gets it?	Refundable?	State Personal Exemption
Colorado	Depends upon income and status: 30% of Federal CTC for incomes \$25,000 or below (\$35,000 MFJ) 15% of Federal CTC for incomes up to \$50,000 (\$60,000 MFJ) 5% of Federal CTC for incomes up to \$75,000 (\$85,000 MFJ)	Only for children under 6	Yes	None, but income tax starts with FTI, so used to include Federal personal exemption
California	\$1,000 to each qualifying family with earnings under \$25,000, reduced credit of less than \$1,000 to each qualifying family with earnings between \$25,000 to \$30,000.	Only for children under 6 and parents must qualify for EIC	Yes	\$124 for singles, \$244 for couples
Maryland	\$500 per child	Parents AGI must be less than \$6000	Yes	\$3200, phases out if AGI is greater than \$100,000 (\$150,000 MFJ). Phased out completely after \$150,000
New York	The greater of \$100 child or 33% of Federal CTC	Children over 4, all NY taxpayers with qualifying children	Yes	No personal exemption for taxpayer, but \$1000 for each dependent
Idaho	\$205 per qualifying child	Qualifying child is same as Federal CTC	No	None, but income tax starts with FTI, so used to include Federal personal exemption
Maine	\$300 per qualifying child	Qualifying child is same as Federal CTC. Eligible for residents, nonresidents and part-time residents (apportioned)	No	\$4300 per taxpayer and dependents. Additional amounts for blind or over 65.
Oklahoma	5% of the Federal CTC	Qualifying child is same as Federal CTC	No	\$1000 for taxpayer, spouse. Additional exemption for over 65.



Context: Vermont's Income Tax System



Context: Current Vermont Tax Credits

- EITC is Vermont's largest, most generous tax credit by a wide margin:
 - *Roughly \$27-30 million per year*
 - *~40,000 tax returns receive it, average credit \$689 per return*
- Vermont Charitable Contributions Tax Credit: 5% on up to \$20,000 in contributions.
 - *\$9.3 million in FY2019*
 - *90,973 tax returns, roughly \$100 per return*
 - Wide distribution of recipients, but bulk comes up upper-middle and high(ish) income taxpayers.
 - *Nonrefundable*



H.510: Impacts

- Preliminary cost estimate in FY2033: \$58.7 million
- An estimated 51,000 children would benefit in 2022
 - Of which, 47,300 would be full-time Vermont children
- Exact impacts on income groups is unknown because information on taxpayers who have children in this specific age group does not exist
- **However, H.510 will likely make the income tax code significantly more progressive by reducing tax liabilities for lower, middle, and upper middle-income taxpayers**



H.510: Impacts on the tax distribution

- Progressivity increase is the result of two factors:
- 1) A flat \$1200 credit will benefit taxpayers with lower incomes more than higher incomes.
 - *\$1200 reduction for a \$50,000 taxpayer is a 2.4% reduction, while the same credit is a 1.2% reduction for a \$100,000 taxpayer*



H.510: Impacts on the tax distribution

- 2) Taxpayers with children are less likely to be in the highest income groups.
 - Based upon data from the Census and existing Federal CTC:
 - Families tend to lie in the middle of the income distribution: 65th to 10th percentiles

Income Bracket	Share of Households with at least one child 6 and Under	Share of Households with 2 or more children six and under	Total Number of Children Six and Under
Negative	0.0%	0.00%	0
0 to \$25,000	8.3%	2.20%	5,914
\$25,000 to \$50,000	10.9%	2.26%	8,973
\$50,000 to \$75,000	9.1%	4.08%	5,805
\$75,000 to \$100,000	13.9%	3.78%	5,567
\$100,000 to \$200,000	16.9%	6.81%	12,241
\$200,000 to \$300,000	4.1%	2.51%	658
\$300,000+	6.1%	0.00%	390

Source: 2019 ACS Estimates for Vermont

Income Level	% of All Taxpayers	% of Taxpayers who Receive the Child Credit	Child Tax Credit as % of After-Tax Income	Average Child Credit per Taxpayer
Less than \$10,000	2.4	47.8	3.5	\$250
\$10,000-\$20,000	8.5	68.0	4.8	\$850
\$20,000-\$30,000	10.4	84.8	5.7	\$1,520
\$30,000-\$40,000	8.6	90.8	6.2	\$2,160
\$40,000-\$50,000	6.9	94.3	5.7	\$2,450
\$50,000-\$75,000	13.6	96.4	5.0	\$2,790
\$75,000-\$100,000	9.7	98.8	3.9	\$2,980
\$100,000-\$200,000	23.7	99.5	2.6	\$3,040
\$200,000-\$500,000	13.2	98.2	1.2	\$2,790
More than \$500,000	2.5	26.9	0.1	\$649
All	100	90.2	2.2	\$2,370

Source: Congressional Research Service

H.510: Impacts

- **Perspective on scale: \$58.7 million Vermont CTC**
 - Total Federal EITC in 2019 was \$78.7 million
 - Total Federal CTC in 2019 was \$146 million but that includes all children under 17
 - If passed, VT CTC would be greater than VT's CCFAP program (~\$56.7M overall in FY2022, but half of funding came from Feds in FY21)
 - Would be larger than the sum of all of Vermont's income tax credits combined
 - Would be significantly larger than any other state CTC

