

H.510: Child Tax Credit Further Discussion

Ways and Means Committee

Graham Campbell, Senior Fiscal Analyst, JFO

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JFO

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://ljfo.vermont.gov>

What's in H.510? A reminder...

- 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
- Updated estimate: \$58.8 million
 - An estimated 45,000 children would benefit



Incomes of Families with Young Children

- As noted in previous presentation, families with young children are concentrated between \$25,000 and \$200,000 in family income.
- Few families with very high income have young children

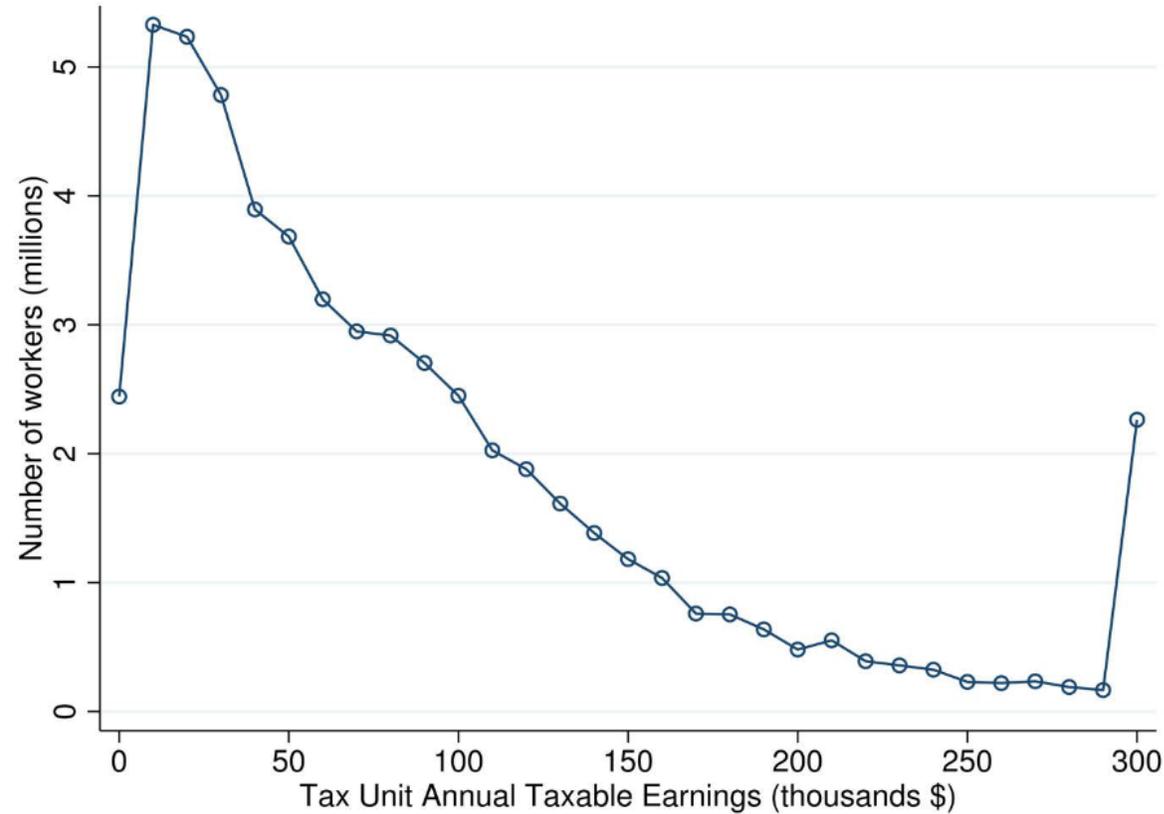
Estimates of Households With Children 6 and Under by Income Group (2019 Vermont ACS Estimates)			
Income Bracket	Share of Households with at least one child 6 and Under	Share of Households with 2 or more children six and under	Total Number of Children Six and Under
Negative	0.0%	0.00%	0
0 to \$25,000	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



Higher income, less kids

Figure A5. Number of Working Adults with Children, by Tax Unit Earnings



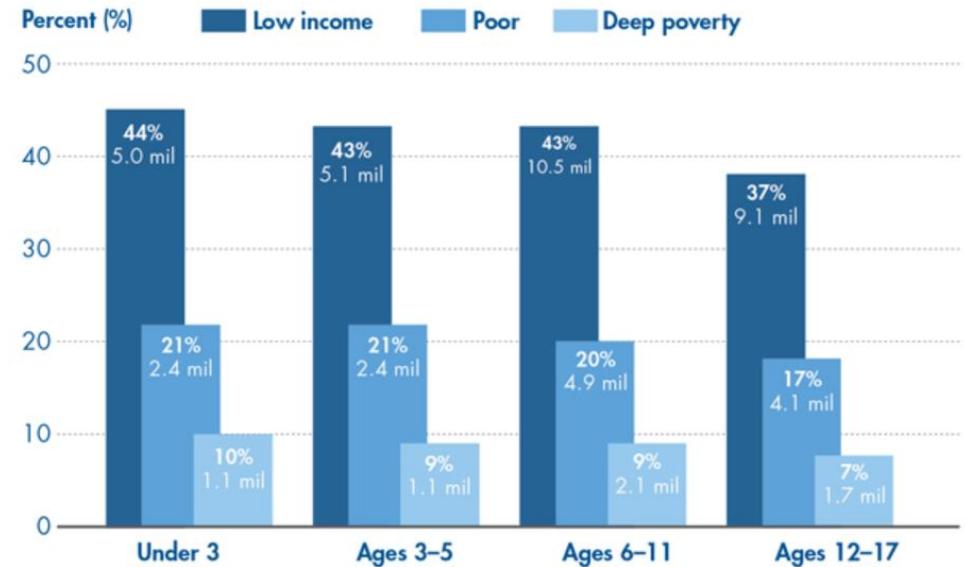
Source: Corinth, Meyer, Stadnicki & Wu (2021), based upon 2017 Current Population Survey



Other Salient Data

- Families with older children tend to have older parents
 - Older parents are more likely to have higher incomes (life cycle of income)
- There is a long-established link between young children and lower income:
 - Decreased employment amongst parents (mothers) of young children leads to lower income (parent trap).

Figure 4: Percentage of children in low-income and poor families by age, 2016



Source: National Center for Children in Poverty

	No Children	Young Children	Older Children
<i>Adults Age 18-64</i>	<i>No children under 18 at home</i>	<i>Youngest child under age 5</i>	<i>Youngest child age 5-17</i>
Population	127.7 million	26.8 million	41.8 million
Median age	47.0	33.0	43.0
Median household income	\$53,003	\$59,271	\$71,049
Labor force participation rate	72.3%	77.0%	82.3%
Unemployment rate	7.4%	6.1%	5.0%
Mean weekly hours worked (among workers)	38.7	39.7	40.2
Poverty rate	12.7%	19.2%	12.4%

Source: Demos, ACS 2015

Lessons from the Federal CTC

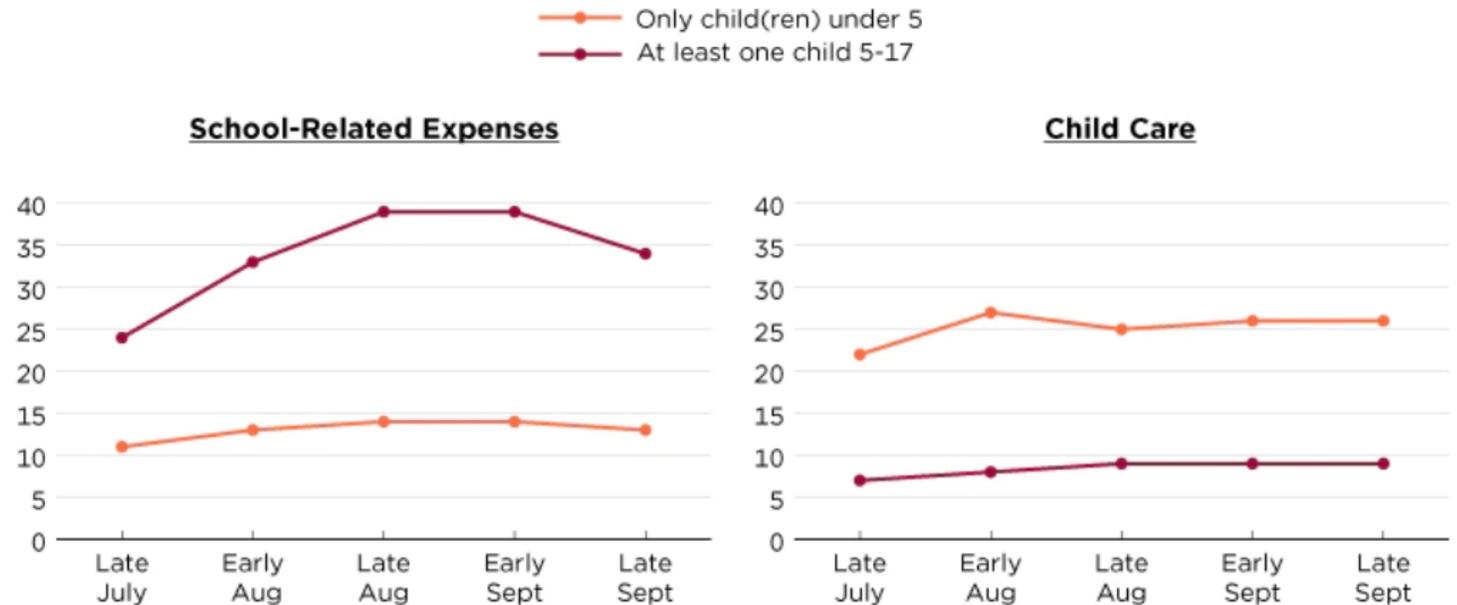
- As a reminder:
 - The Federal Child Tax Credit was greatly expanded for tax year 2021, with advance payments of up to \$300 a month for young children.
- Early results show that this expansion and monthly payments greatly reduced child poverty:
 - Parolin, Collyer, Curran, Wimer (2021) found that 6 million children were brought out of poverty in July 2021 alone (a drop of 40%).
 - Shafer, Gutiérrez, Ettinger de Cuba, Bovell-Ammon, Raifman (2022) found there was a 26% reduction in food insecurity amongst households receiving the monthly payments
 - Arcs and Werner (2021) estimate that a permanent expansion would reduce by 5.9 percentage points, from 14.2 to 8.4 percent (4.3 million children)
- One study (Corinth, Meyer, Stadnicki & Wu 2021) estimated small labor force decline due to poorer mothers choosing to stay home as a result of the credit, but also significant drops in child poverty.



Lessons from the Federal CTC

- According to the Census:
 - 1 in 4 families used advanced CTC payments to pay for childcare
 - Especially true for families with young children
 - 40% reported using CTC payments to pay off debts.
 - From late July through September, 50% CTC recipients reported spending at least part of it on food and about 4 in 10 on rent, mortgage or utilities.

Use of the Child Tax Credit in 2021 Varied by Age of Children
(In percent)



Source: U.S. Census Bureau, Household Pulse Survey, Weeks 34-38, Weighted Public-use data.