



20 February 2024

TO: House and Senate Appropriations Committees

RE: H.701 - Anti-Poverty Tax Credits for a Strong Vermont

FROM: Julie Lowell of Public Assets Institute on behalf of the Earned Income Tax Credit and Child Tax Credit Coalition

Dear Members of the Appropriations Committees,

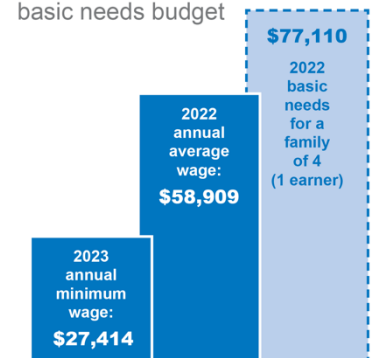
The Earned Income Tax Credit and Child Tax Credit Coalition is writing to **support House Bill 701, an act that would increase the Vermont Earned Income Tax Credit and expand access to the Vermont Earned Income Tax Credit and Child Tax Credit.** This bill would provide over 45,000 Vermont families already receiving anti-poverty tax credits with additional support to help them meet their basic needs. It would also provide additional support to residents in Vermont without Social Security numbers or Individual Taxpayer Identification Numbers, who were newly eligible for the credits in tax year 2024.

Anti-poverty tax credits increase financial stability for Vermont families so they can begin to meet their basic needs, live with dignity, and build stronger communities. The Child Tax Credit (CTC) and Earned Income Tax Credit (EITC) help the Vermont families with the lowest incomes bridge the widening gap between income and expenses by putting cash in their pockets when they file their taxes. During the pandemic, temporarily expanded federal tax credits helped bring 10,000 people in Vermont out of poverty. Unfortunately, these credits have since ended, leaving many Vermonters worse off.

Increasing Vermont tax credits, and expanding access to them, helps people cover their basic living needs. While the CTC and the EITC help lift many families above the poverty level, they are still well short of the \$70,000-plus per year needed to meet their basic needs as determined by Vermont’s Basic Needs Budget and Livable Wage report. Families with children six and older don’t get the state CTC, so they have still fewer resources. Filers without children receive a maximum combined federal and state EITC of \$828—not enough.

Average Vermont wages don't meet families' basic needs

Annual wages and 2022 basic needs budget



Data sources: Joint Fiscal Office, Vermont Department of Labor ©2023 Public Assets Institute

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Passage of H.701 would give qualifying families with one child up to \$679 more when they file their taxes, and families without children up to \$372 more. This credit will help families living on the edge better make ends meet, allowing them to direct financial resources to the areas they most need and that will best help their family.

In addition to passage of H.701, the Earned Income Tax Credit and Child Tax Credit Coalition advocates for broadened eligibility and increased accessibility to the credits so that all Vermont residents can benefit from the credits they qualify for. Learn more at TaxCreditsVT.org.

Sincerely,

Vermont Earned Income Tax Credit and Child Tax Credit Coalition

Current Vermont tax credits

Vermont Child Tax Credit

- Started in tax year 2022
- \$1,000 annually per child under 6
- Full credit with income \$0-\$125,000, partial credit up to \$175,000
- Fully refundable; available to all residents

Vermont's Earned Income Tax Credit

- Increased to 38% of federal EITC in 2022
- Adjusts for earnings and number of children
- Credit phases in for workers with low and moderate earnings
- Fully refundable; available to all residents