

Vermont Child Tax Credit: A One-Year Lookback

House Ways and Means

Patrick Titterton, Senior Fiscal Analyst

January 4, 2024



JFO

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

Outline of talk

- Overview of the Vermont Child Tax Credit
- Statistical Summary of TY 2022 Results
- Income Distribution of Credit Recipients
- Distribution of Children Claimed by AGI Category
- Marital Status of CTC Claimants
- Overlapping Credits



Overview of the Vermont Child Tax Credit



Overview of the Vermont Child Tax Credit

- The VT CTC was established in Act 138 (2022) and made effective starting tax year 2022.
- Taxpayers with children under 5 and who have AGI below \$175,000 qualify for the CTC.
 - The \$175,000 threshold applies for all filing statuses.
- The CTC is *fully refundable*.
- Claimants receive \$1,000 per child if they have AGI below \$125,000.
- For AGI's above \$125,000 the credit is phased out at a rate of 2% per additional \$1,000 in AGI until it reaches \$0 at \$175,000.



Statistical Summary of TY 2022 Results



Statistical Summary of TY 2022 Results

- In tax year 2022:
 - **21,034 tax returns** claimed the CTC
 - **27,214 children** were claimed
 - CTC credit value to these filers totaled approximately **\$25.1 million**.
- CTC claimants filed their taxes and several ways:
 - 20,431 (97%) filed electronically and 603 (3%) submitted paper returns.
 - Of the electronic filers, 227 (1%) filed through the IRS Volunteer Income Tax Assistance (VITA), a free tax preparation program available to low-income, disabled or limited English proficiency filers.
 - Of the electronic filers, 8,387 (41%) filed using a paid provider meaning the majority either filed themselves or used another free provider.
 - The Tax Department outlines some of the free options here:
<https://tax.vermont.gov/individuals/free-tax-preparation-assistance>



Statistical Summary of TY 2022 Results

- **Key Findings:**

- Most Vermont CTC claimants were from low- and moderate-income households.
- Moderate- to higher-income household CTC claimants claimed more children on average.
- Married CTC claimants were more likely to be higher income, while single CTC claimants were more likely to be lower income.
- There was significant overlap between the CTC, EITC, and CDCC with many filers claimed two or all three.



Income Distribution of Credit Recipients



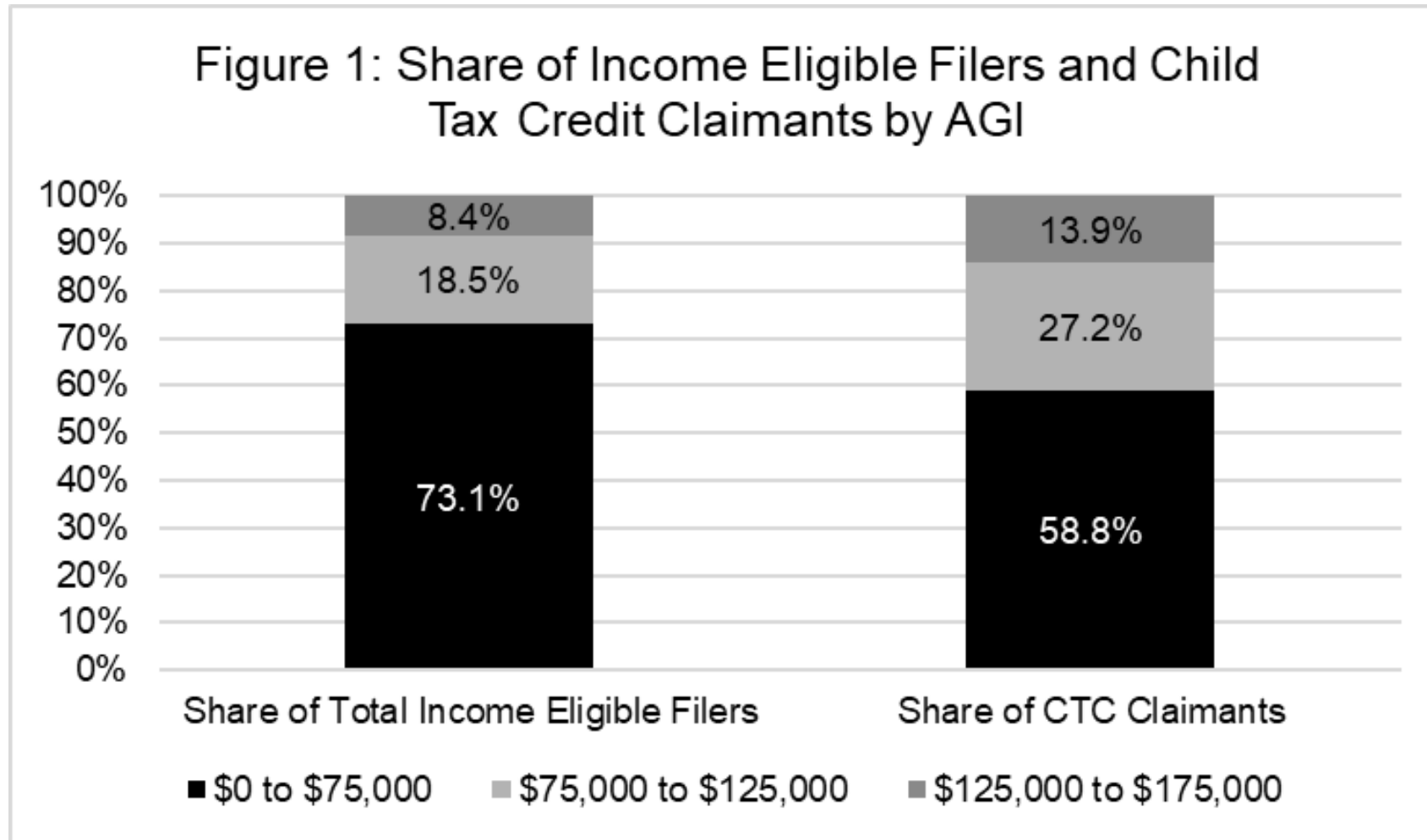
Income Distribution of Credit Recipients

- Approximately 92% (303,015) of VT taxpayers are *income eligible* for the CTC, although many don't have age eligible children.
- Those with lower income make up the majority of CTC claimants, but as income increases filers are more likely to be eligible and claim the CTC.
- 128 claimants reported negative income and 61 claimants reported exactly zero income.

Income	Total Income Eligible Filers	CTC Claimants	Share of Filers in AGI Group that Claimed the CTC
\$0 to \$75,000	221,373	12,375	5.6%
\$75,000 to \$125,000	56,209	5,726	10.2%
\$125,000 to \$175,000	25,433	2,933	11.5%
Total	303,015	21,034	6.9%

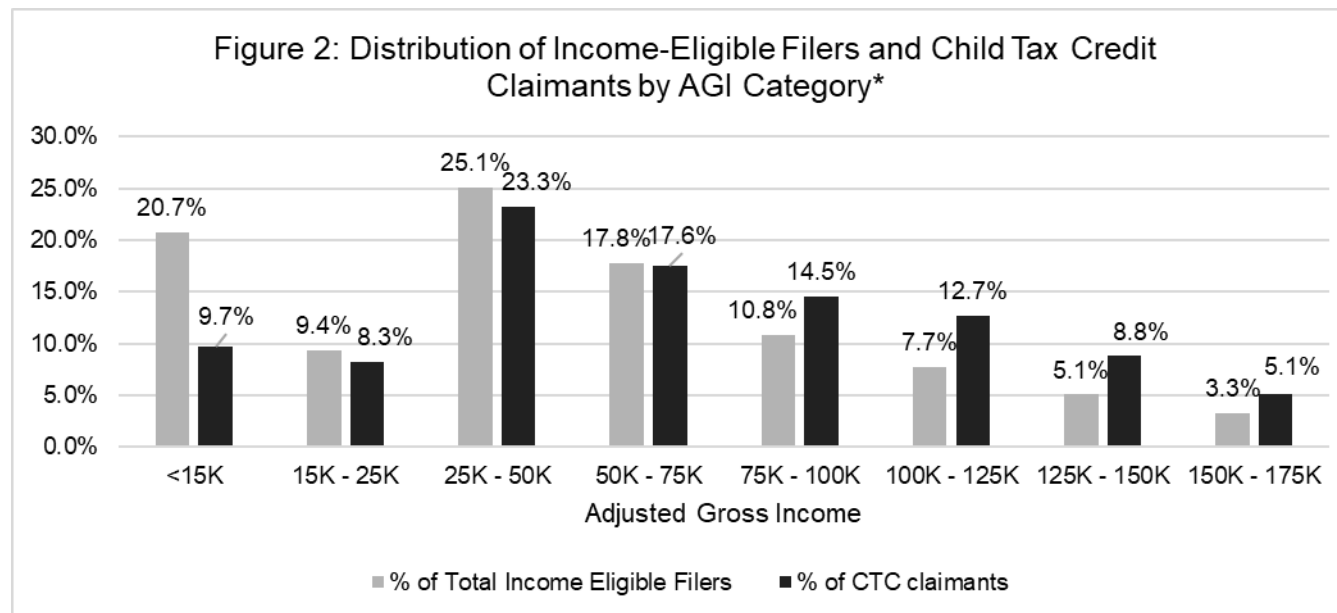


Income Distribution of Credit Recipients



Income Distribution of Credit Recipients

- Claimants with lower income claim the CTC at lower rates than those with higher income.
- This indicates that lower income households are less likely to have age eligible children.
- However, there is likely a cohort of eligible households that either don't file taxes or do not know that they are eligible and can claim the CTC.

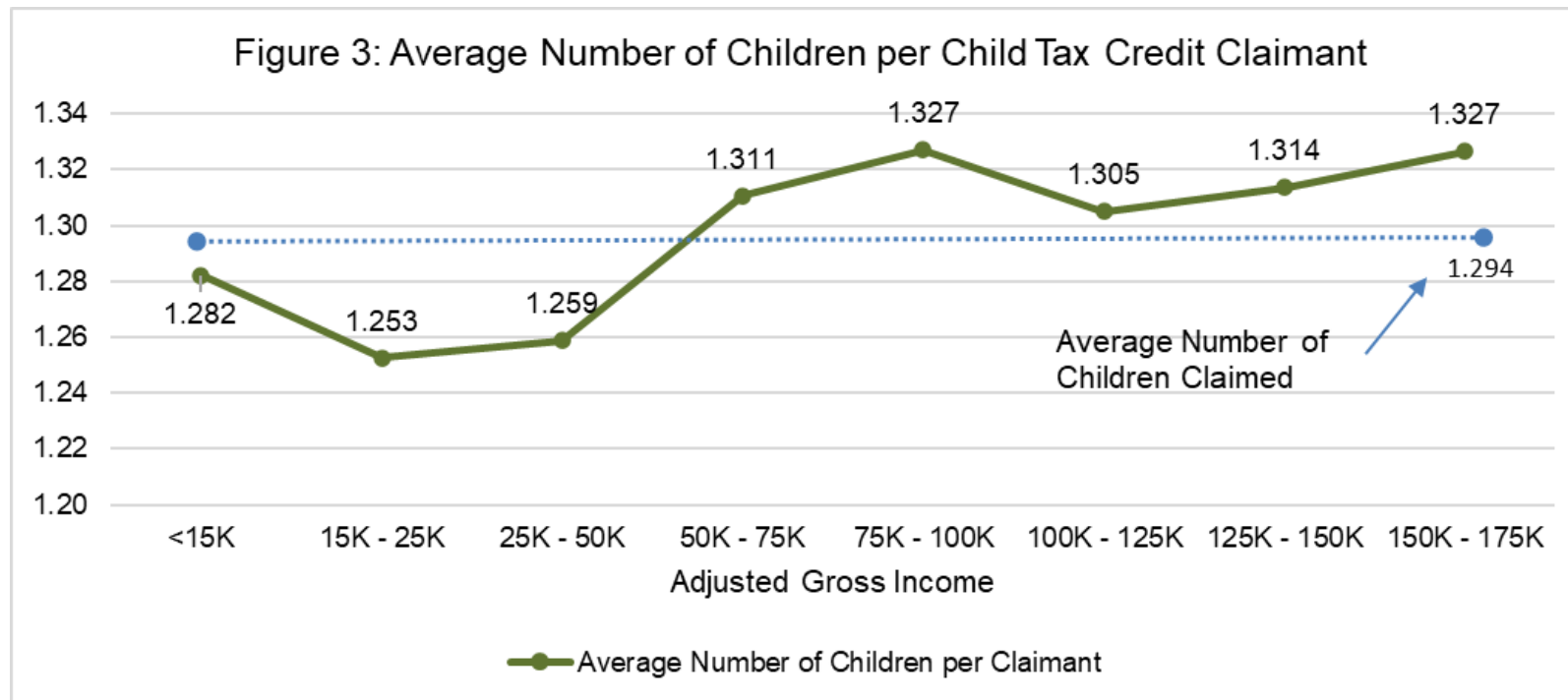


Distribution of Children Claimed by AGI Category



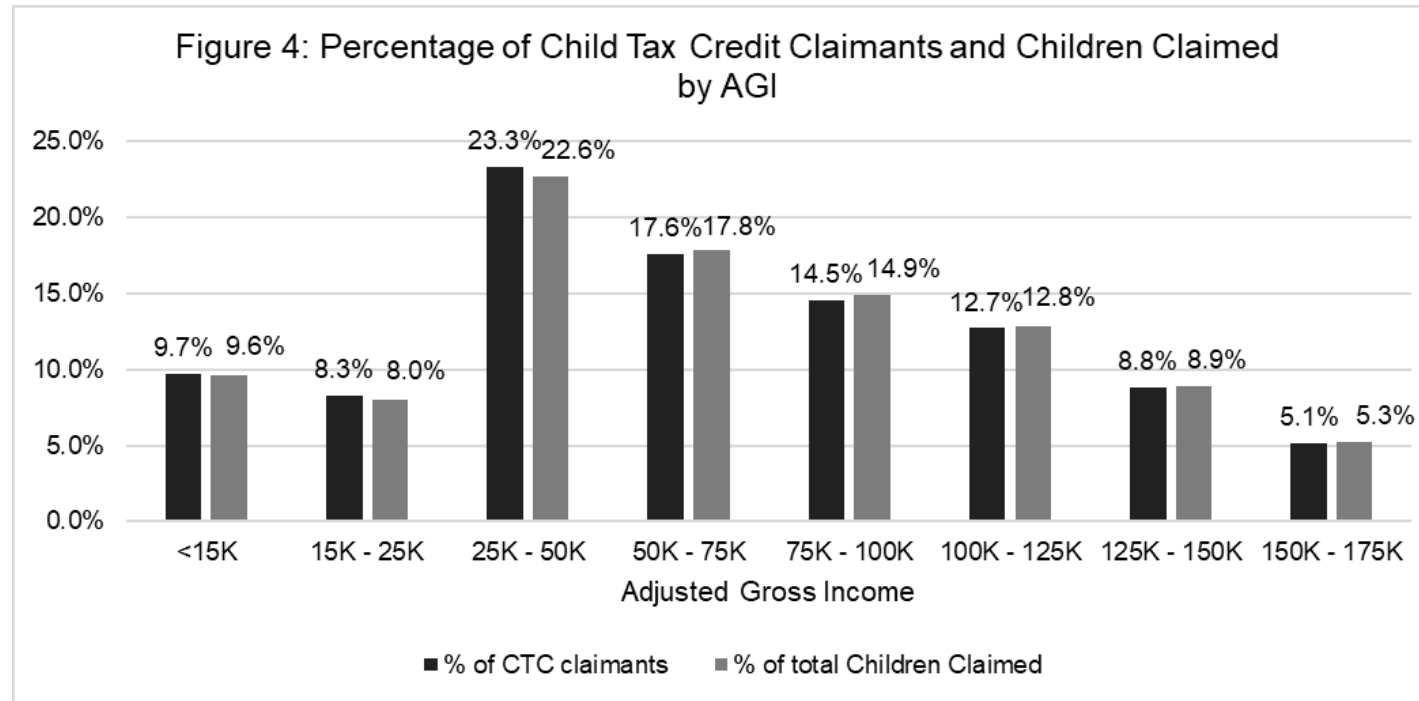
Distribution of Children Claimed by AGI Category

- Lower income claimants tended to claim fewer children than the average, but the difference across income categories was not significant.



Distribution of Children Claimed by AGI Category

- All income cohorts up to \$50,000 in income claimed relatively slightly fewer children than their share of CTC claimants.
- All cohorts above \$50,000 claimed relatively slightly more children.



Marital Status of CTC Claimants

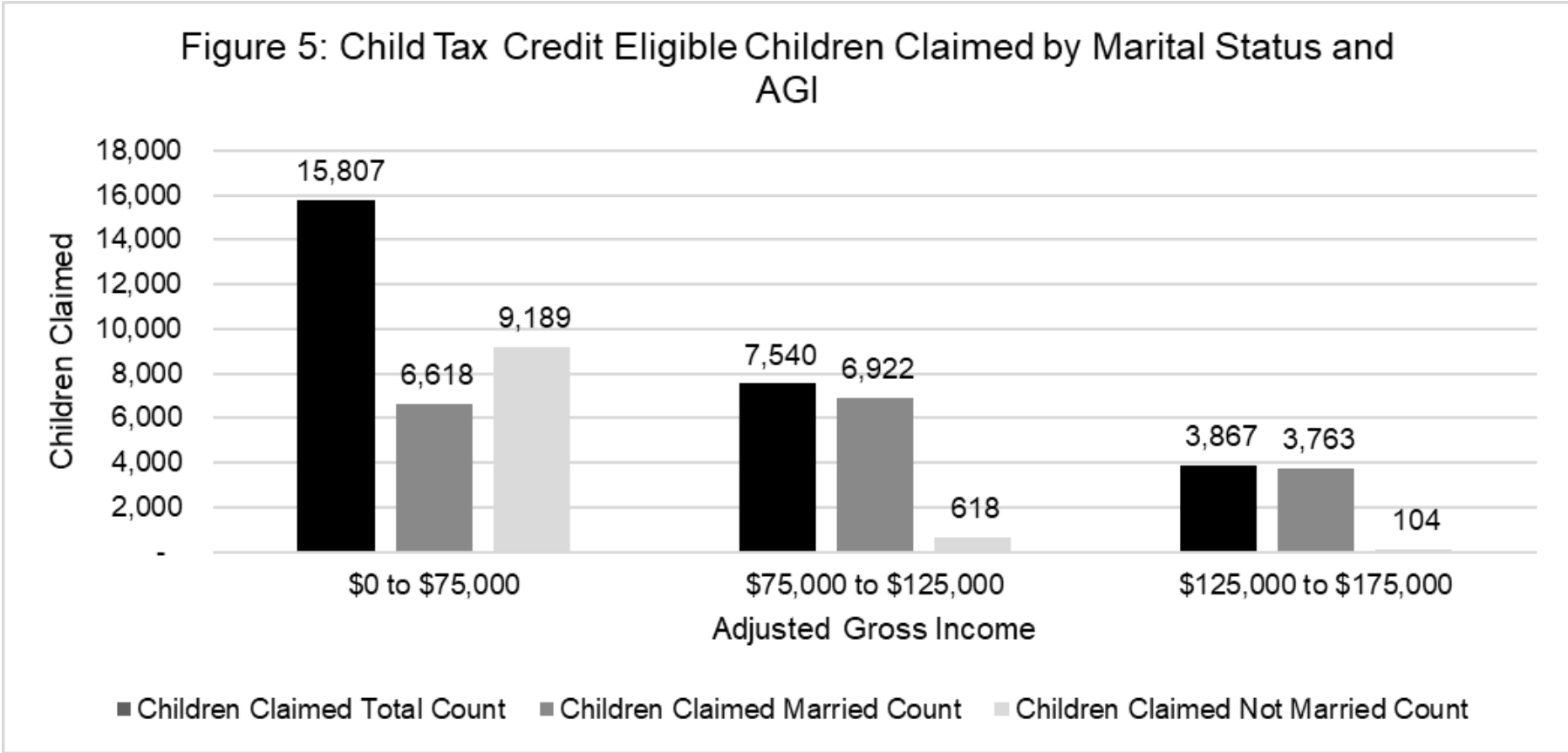


Marital Status of CTC Claimants

- Of the 27,214 children claimed by CTC recipients:
 - 63.6% (17,303) were claimed by married filers.
 - 36.4% (9,911) were claimed by single filers.
- The distribution of children claimed across income categories is very different depending on marital status.
 - Lower income single filers were more likely to claim children than higher income single filers.
 - Higher income married filers were more likely to claim children than lower income married filers.



Marital Status of CTC Claimants



Overlapping Credits



Overlapping Credits

- Many CTC claimants are eligible for other credits such as the Earned Income Tax Credit (EITC) and the Child and Dependent Care Credit (CDCC).
- Among the 21,034 CTC claimants:
 - 8,060 or 38.3% also received the EITC.
 - 6,006 or 28.6% also received the CDCC.
 - 987 or 4.7% received all three credits.



Overlapping Credits - EITC

- In tax year 2022, 32,911 total filers claimed the EITC and received approximately \$24.4 million from the credit.
 - Among EITC recipients, 20,829 claimed at least one eligible dependent and received approximately \$22.7 million, although many were over the age of 5 and therefore not eligible for the CTC.
 - CTC claimants made up 24.5% of total EITC claimants and claimed \$9.2 million or 37.9% of the total EITC received.
 - CTC claimants made up 38.7% of EITC claimants that claimed at least one dependent and claimed 40.6% of the EITC received by this cohort.



Overlapping Credits - CDCC

- The distribution of CTC claimants who also received the CDCC does not mirror that of the EITC claimants.
- The CDCC has a broader income eligibility criteria and a filer must also have CDCC eligible expenses to qualify.
 - CTC claimants earning \$75,000 or less, 15.9% also claimed the CDCC.
 - Those earning more than \$75,000 and \$125,000 or less, 42.2% also claimed the CDCC.
 - Those earning more than \$125,000 and \$175,000 or less, 55.3% also claimed the CDCC.



Overlapping Credits

- The average total credit amount for the 987 CTC claimants who received all three credits was approximately \$2,495.
- Those who received all three credits received approximately \$2.5 million from the three combined.

Income	Child Tax Credit		EITC		CDCC		All Three	
	Count	Value	Count	Value	Count	Value	Count	Value*
\$0 to \$75,000	12,375	\$15,568,312	8,060	\$9,237,302	1,970	\$819,346	987	\$2,462,839
\$75,000 to \$125,000	5,726	\$7,366,506	-	-	2,414	\$1,173,704	-	-
\$125,000 to \$175,000	2,933	\$2,179,401	-	-	1,622	\$797,374	-	-
Total	21,034	\$25,114,219	8,060	\$9,237,302	6,006	\$2,790,424	987	\$2,462,839

*The value column for “All Three” refers to the total combined value of all three credits. Other value columns refer to the value of the corresponding credit only.

