Voices for Vermont's Children

Earned Income Tax Credit & Child Tax Credit

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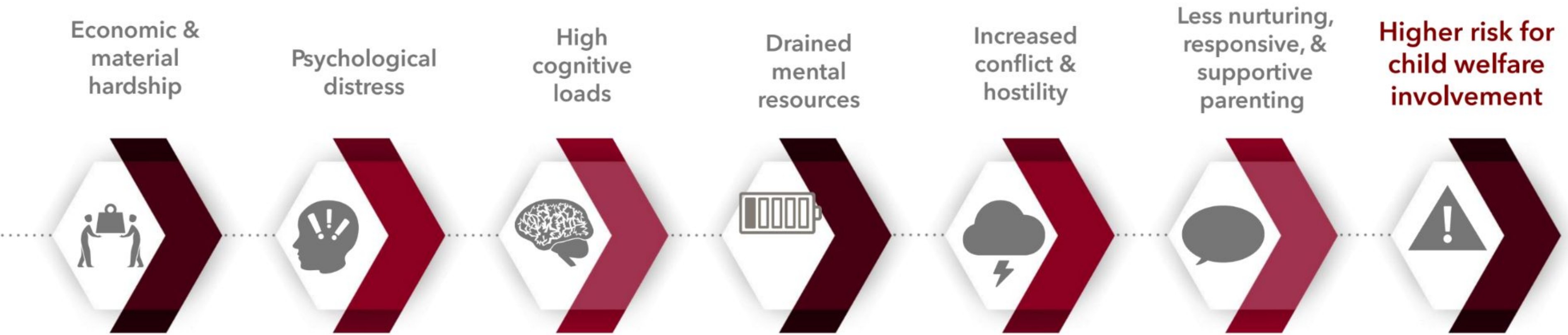
How Might Economic & Material Hardship Impact Parenting and Child Well-Being?

Family Stress Model



(Conger, 1994) (Neppl, 2016) (Duncan, 2014) (Mistry, 2002)

The Intersection of Family Economic Insecurity & Child Welfare Involvement

Most reliable **economic predictors of child welfare involvement**

- Income Loss
- Cumulative Material Hardship
- Housing Hardship

(Conrad-Hiebner, 2020 systematic review)

Strongest predictors of **investigated neglect reports**

- Food pantry use
- Cutting meals
- Short duration of residence
- Difficulty paying rent
- Utility shutoffs
- Inability to receive medical care for sick family member
- Public benefit receipt

(Slack, 2011 cross-study comparison)

nearly **85%**

of families investigated by child protective services have incomes below 200% of the federal poverty line

($49,720 for a family of 3 in 2023)

(Dolan, 2011 - *National Survey of Child & Adolescent Well-Being II Baseline Report*)
(HHS Poverty Guidelines, 2023)

almost 70%

of families with incomes below 200% of the federal poverty line report experiencing a **material hardship** in the past year
(difficulty paying for housing, utilities, food or medical care)

Of these families:
61% experienced a **financial shock** in the past year

(Urban Institute, 2018)

Effect of Material Hardship on Child Welfare Involvement

Experiencing any type of material hardship *(food, housing, utilities or medical)*

is **strongly associated with an elevated risk** for CPS involvement

If families experience **at least one** material hardship

- **Likelihood of being investigated for neglect <u>increases nearly 3x</u>**
- **Likelihood of being investigated for physical abuse <u>increases nearly 4x</u>**

If families experience **multiple types** of material hardship

- **Greater likelihood of being involved in a CPS investigation than families who experience a single type of material hardship**

If families experience multiple types of hardship **after** experiencing no hardships

- **Likelihood of being involved in a CPS investigation <u>increases 4x</u>**
- **Likelihood of being investigated for physical abuse <u>increases 7x</u>**

(Yang, 2015)

Economic Insecurity Is Widespread, But Families Move In and Out of Poverty

(Drake, 2014)
(Cellini, 2008)
(Mistry, 2002)
(Han, 2021)

Economic insecurity is widespread

Almost 50% of American families with young children are at risk of poverty before their child enters kindergarten

More than 50% of all Americans will spend a year in poverty *(by age 65)*

84% of all Black Americans will spend a year in poverty *(by age 65)*

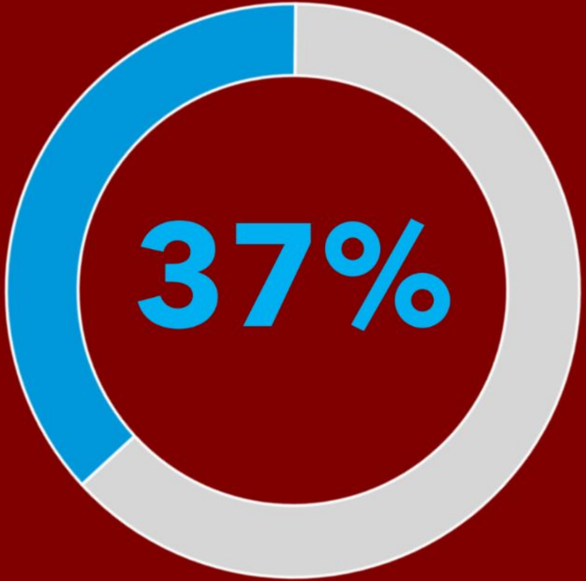
Families move in and out of poverty over time

Almost 50% of those who become poor are out of poverty a year later

But more than 50% of those who previously left poverty will return to poverty within 5 years

THE VOLATILITY AND TURBULENCE CREATED BY ENTERING & LEAVING POVERTY MAY CREATE SERIOUS STRESS FOR PARENTS AND IMPACT PARENTING

The Buffer is Thin



of U.S. adults don't have $400 in the bank to cover an unexpected expense

(Federal Reserve, 2020)

Family Protective Factors

CENTER FOR THE STUDY OF SOCIAL POLICY'S strengthening families™ A PROTECTIVE FACTORS FRAMEWORK

Parental resilience

Social connections

Knowledge of parenting and child development

Concrete support in times of need

Social and emotional competence of children

Some examples of concrete supports that have evidence behind them in reducing child maltreatment.

- Medicaid Expansion & Continuity of Benefits
- Permanent Housing Subsidies
- Paid Family Leave
- Child Care Subsidies
- Supplemental Nutrition Assistance Program
- Minimum Wage
- Earned Income Tax Credit & Child Tax Credits
- Child Support Payments/Reach Up

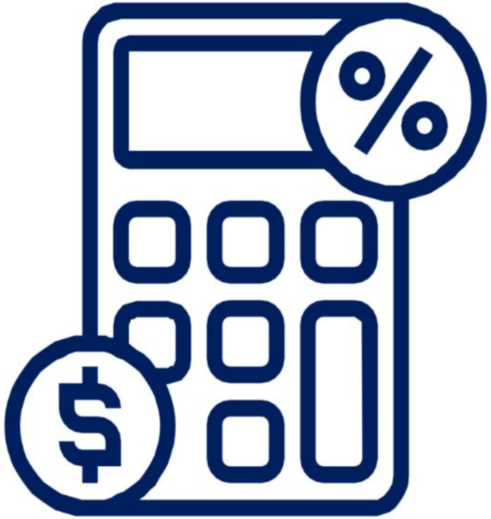
Earned Income Tax Credit

The Earned Income Tax Credit (EITC or EIC) is a benefit for working people with low to moderate incomes. To qualify, you must meet certain requirements for the federal EITC and file a Form 1040, U.S. Individual Income Tax Return, even if you do not owe any tax or are not required to file. EITC is a refundable credit that may reduce the amount of tax you owe or give you a refund.

To qualify for EITC, you must have earned income from working for someone or from running or owning a business or farm, and meet basic rules on income, a qualifying child, age, etc.

If you qualify for federal EITC and are a full or part-year resident of the State of Vermont, you also qualify for Vermont EITC. Vermont EITC is 38% of the federal amount.

Earned Income Tax Credit (EITC)



- EITC is associated with significant reductions in CPS involvement, particularly for single-parent households & larger families
- A $1000 increase in income via EITC is associated with **8-10% reduction in CPS involvement** for low-income single-mother households

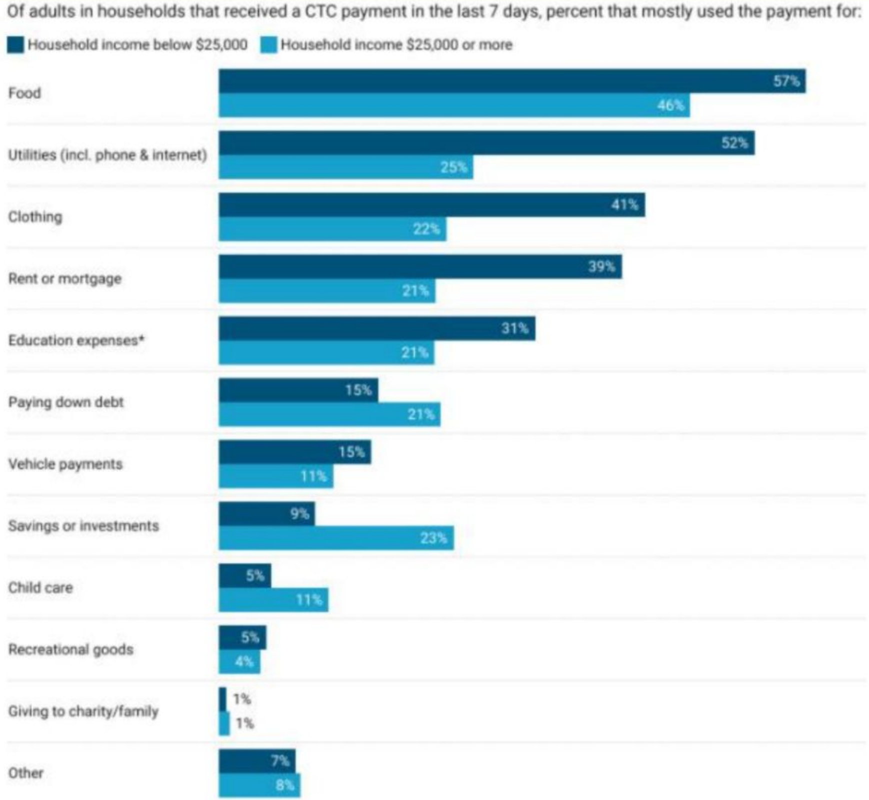
(Berger, 2017)

Child Tax Credit

The Vermont Child Tax Credit provides financial support to full and part-year resident Vermont families with young children. This credit of $1,000 per eligible child is fully refundable and phases out as Adjusted Gross Income (AGI) increases.

Credit is available for each child on the tax return who is five years old or younger at the close of the tax year.

How Did Families Spend Their Expanded Monthly Child Tax Credit (CTC) Cash Payments?



Data collected from July 21 – August 2, 2021

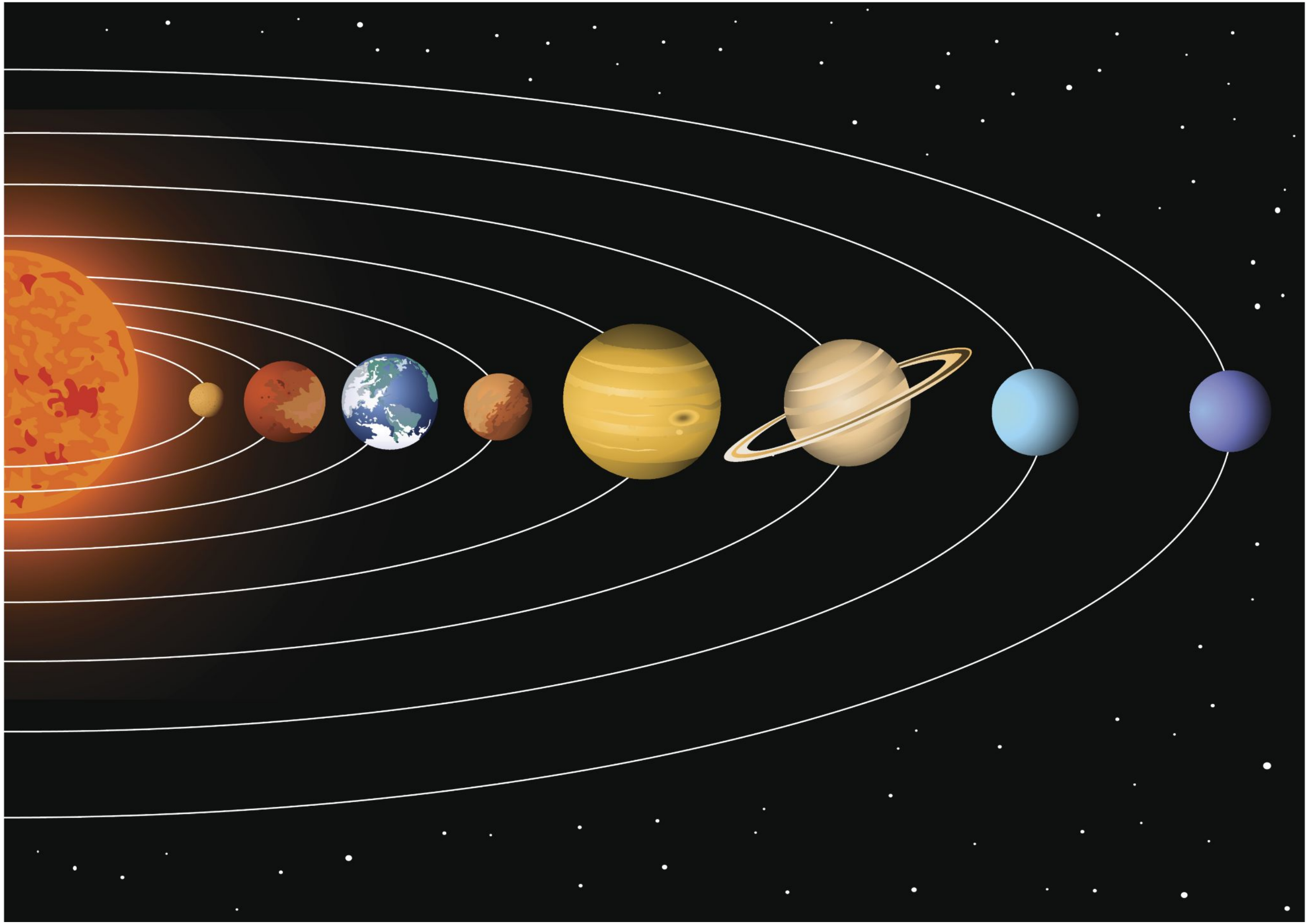
Families with incomes below $25,000 were more likely than other families to spend their CTC payments on **basic needs:**

- ✓ Food
- ✓ Utilities
- ✓ Clothing
- ✓ Housing

(CBPP, 2021 - analysis of U.S. Census Bureau's Household Pulse Survey data)

Themes from families living in VT….

- Our safety net does not meet basic needs. It is impossible to save on Reach Up. One time cash payments are critical to filling in the gaps in my budget. If my windshield cracks, I need to repair it to get my car inspected. Without transportation, I can't get to work or bring my kids to school. My budget is tight. Without wiggle room it is easy to lose everything. It has happened more than once.
- When I miss work because one of my kids is sick, I do not get paid. I need to work, but my children are my number one priority. Having a small buffer allows me to do both.
- Not having enough money is stressful, especially as a parent. Every little bit helps. Tax credits are nice because they don't have the same stigma as other programs that I've used.   Taking advantage of a tax credit is celebrated - it means you are good at doing your taxes. I sometimes feel judged when I use other public welfare programs.



Benefits of a universal or broad benefit:

- easy to administer
- far reaching
- more support
- less stigma

Benefits of a targeted benefit:

- high impact for the investment
- increases equity

There are predictable patterns of financial stress - we have the opportunity to target relief to support stability.   We see this with targeted support for new parents, first time home buyers, or people attending college, or elders.

Financial incentives are also used to promote more environmentally sustainable practices/purchases.

Transition age youth (and people over 65) are not eligible for the EITC.

This is particularly problematic for young people who have experienced foster care.   They typically enter the workforce earlier and experience higher rates of poverty than their peers.   The state has taken responsibility for these young people - it is not acceptable to exit them from state care to homelessness. While tax credits will not be enough to create stability - it is one tool that could help.

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