FPI
Fiscal Policy Institute

Hundreds of millions at stake for New York's working families: Current tax debate to determine future of key work-supporting tax credits

September 24, 2010

ARRA expansions of key tax credits for low- and moderate-income workers and their families are bringing over $600 million a year to eligible New Yorkers. These changes should be made permanent.

Executive Summary

Federal tax credits provide essential financial support to low- and moderate-income workers and their families as they strive to achieve economic security. Two of the most significant of these credits, the Earned Income Tax Credit (EITC)[1] and the Child Tax Credit (CTC),[2] were expanded in important ways by the American Recovery and Reinvestment Act (ARRA), which was signed into law by President Barack Obama on February 17, 2009. These enhancements to the CTC and the EITC will expire at the end of 2010 unless extended. This paper reviews the workings of these two credits, how they were changed by the ARRA, and why those changes should be made permanent.

The EITC and the CTC provide over $5 billion annually in reduced tax liability and refunds to low- and moderate-income workers in New York State and their families. The American Recovery and Reinvestment Act (ARRA) of 2009 expanded the eligibility and refundability of these two credits by providing increased marriage penalty relief and an expanded benefit for larger families through the EITC, and by increasing access by low and moderate income workers to a CTC refund (the Additional Child Tax Credit). These enhancements are temporary, however, and will expire at the end of 2010 unless continued by Congress.

As a result of the ARRA enhancements, over 48,000 additional New Yorkers are eligible for the EITC and almost 186,000 additional New Yorkers are eligible for the Child Tax Credit. Also, over 350,000 New York taxpayers are now eligible for an expanded EITC, and over 325,000 benefit from a larger CTC refund. This results in more than $600 million in additional tax relief annually for New York workers and their families—more than $200 million through the expansions to the EITC, and more than $400 million as a result of the enhancements to the CTC.

Working families with incomes between $10,000 and $20,000 stand to lose the most if these expansions are not continued. In New York State, these families would lose an average of $735 in Child Tax Credit benefits.

---

[1] This term is sometimes used interchangeably with Earned Income Credit or EIC in writings on tax credits.

[2] Except when indicated, the term Child Tax Credit (CTC) is used to refer to the combination of (1) the main part of the CTC which is not refundable and (2) the refundable portion of the CTC which is officially called the Additional Child Tax Credit.

The ARRA expansions of the EITC and the CTC should be made permanent for the following reasons:

- They promote work and parental responsibility by supplementing low- and moderate-income earners' wages and providing incentives to remain in the workforce.
- Needy families require financial support to meet the cost of life's necessities; by providing such support, the number of New Yorkers living in poverty is reduced.
- When low-income parents spend additional resources, including these enhanced tax credits, to meet their families' needs, they help to revitalize the New York and the national economies.
- Providing work-supporting assistance in this way is more efficient than doing so in other ways.
- The CTC enhancements and the increased EITC marriage relief are exempt from the federal budget's "pay-as-you-go" requirements.

How do working New Yorkers benefit from the CTC and the EITC?

The EITC was instituted by the Tax Reduction Act of 1975 as a way to offset the impact on low-income workers of the social security payroll taxes they pay over the course of the year. It is fully refundable. This means that any credit that remains after being used to pay any taxes owed is returned as a refund. Eligible workers whose income is too low to owe taxes can still file a claim and receive an EITC to supplement their earnings.

The Child Tax Credit (CTC) was enacted as part of the Taxpayer Relief Act of 1997 in recognition of the fact that the ability of families to pay taxes, at any given income level, is reduced as their size increases. It is currently worth up to a maximum of $1,000 per child under 17 years of age with no limits on the number of children.[3] It is made up of two components, a non-refundable credit and a refundable portion, also referred to respectively as the Child Tax Credit and the Additional Child Tax Credit.

The CTC is first applied to what the taxpayer owes in taxes. The refundable portion is then equal to the lesser of (1) the remaining "unused" credit or (2) 15 percent of income over a certain amount up to the limit of $1,000 per child.[4] Unlike the EITC, only those taxpayers whose earnings are above this threshold have access to a CTC refund and only those families who owe enough taxes receive the credit's full benefit. Also, the threshold used in calculating the CTC is indexed to inflation; therefore, this credit is limited overall both to families whose wages are above a certain level, and, keep up with inflation. The value of the credit phases out for high-income taxpayers.

---

[3] When the CTC was initially established in 1997, the maximum credit per child was set at $500 per child. This maximum was increased to $600 in 2001, and to $1,000 in 2003; and it is currently scheduled to revert to the $500 level in 2011.

[4] United States Department of the Treasury, Internal Revenue Service (IRS), *Understanding Taxes, Module 8: Claiming Child Tax Credit and Additional Child Tax Credit* at http://www.irs.gov/app/understandingTaxes/hows/tax_tutorials/mod08/tt_mod08_16.jsp. Also, if a filer's income is under the threshold for eligibility for the Additional Child Tax Credit, that filer may be able to claim the amount of social security taxes paid during the year as an Additional Child Tax Credit. This amount is reduced by any EITC received by the filer. IRS, Publication 972, *Child Tax Credit*, http://www.irs.gov/pub/irs-pdf/p972.pdf.

Over $5 billion a year in reduced taxes and refunds for New York's low- and moderate-income workers and their families

In 2008, the Internal Revenue Service processed EITC claims on 1.62 million returns from New York State and 84 percent of these claims, almost 1.37 million, generated refunds.[5] See Table 1, Individual Income Tax Return Data for New York State. These claims resulted in over $3.24 billion of reduced tax liability and refunds for New York filers with most of this amount—$2.68 billion—coming in the form of refunds which low-income earners in the state were able to use to support themselves and their families. Approximately 1.35 million returns from New York State in 2008 requested the non-refundable Child Tax Credit (CTC) representing almost $1.6 billion in reduced taxes for these filers.[6] These statistics do not include data on the refundable portion of the CTC—the Additional Child Tax Credit—claimed and received by New Yorkers.

Figures for the previous year are very similar to those for 2008. There were 5,000 more claims for the EITC in New York State in 2007 but $100 million less in total refunds and reduced tax liability for this credit. Again, 84 percent of such returns, or close to 1.37 million, resulted in $2.62 billion in refunds. There were 40,000 more claims for the non-refundable portion of the CTC resulting in $60 million more in reduced tax liability compared to 2007.[7] Finally, approximate figures indicate 850,000 claims in 2007 for the refundable portion of the CTC, or, the Additional Child Tax Credit, resulting in $818 million in refunds for New York residents (such data is not available for 2008).[8] When the amounts for reduced tax liability and refunds are added up for both credits in 2007, they total a little over $5.6 billion.

Except for a decrease in 2008, claims for the EITC grew steadily from 1.31 million in 1999 to 1.62 million in 2008. This mirrors the trend in total federal returns from New York State, which grew to 9.2 million in 2008 from 8.4 million in 1999. The number of returns claiming the Child Tax Credit steadily decreased, however, from 1.54 million in 1999 to 1.35 million in 2008. These figures are for the number of EITC and CTC claims that were actually filed, which is less than the number of New York residents who are eligible for these tax credits.

The vast majority of claims for the EITC and the CTC come from low-income earners as they struggle to meet their families' needs. Almost all of the returns from New York State that include the federal Earned Income Tax Credit are from filers earning $30,000 or less (96 percent in 2003). And almost half, or 46 percent, of the total claims for the Child Tax Credit in 2008 came from filers with under $50,000 in earnings for the year. Along with taxpayers earning $50,000 to

---

[5] Internal Revenue Service, *Statistics of Income: Table 2. Individual Income and Tax Data, by State and Size of Adjusted Gross Income, Tax Year 2008*, http://www.irs.gov/taxstats/article/0,,id=171535,00.html. Other years of data are available at this site. The IRS refers to non-refundable and refundable portions of the Earned Income [Tax] Credit. The non-refundable portion is that part that reduces income taxes owed and other related taxes to zero. The refundable portion is that part of the EITC in excess of the filer's liability. "The refundable portion of the 'earned income credit' equals 'total income tax' minus the 'earned income credit'. If the result is negative, this amount is considered the refundable portion." (Footnotes in *Table 2*.)

[6] Ibid.

[7] Internal Revenue Service, *Statistics of Income: Table 2*, http://www.irs.gov/taxstats/article/0,,id=171535,00.html.

[8] The Brookings Institution, *EITC Interactive* (uses data from the Internal Revenue Service) at http://www.brookings.edu/projects/EITC.aspx.

under $75,000, these two groups represent two thirds of the total number of returns from New York State receiving the Child Tax Credit.[9]

How did the 2009 American Recovery and Reinvestment Act enhance the CTC and the EITC?

The Great Recession increased financial pressures on working families and existing safety nets. The American Recovery and Reinvestment Act, signed into law by President Obama on February 17, 2009, improved the EITC and CTC through expansions to eligibility and refundability. However, the ARRA made these enhancements available for only two years—2009 and 2010. The President's 2010-2011 budget proposes to make permanent the ARRA improvements to the Earned Income Tax Credit and the Child Tax Credit.

Expanded EITC benefits are now available

The EITC is determined by applying a fixed rate or percentage to income starting from the first dollar earned until the maximum credit is reached. This rate is based on the filer's status as a single or married (filing jointly) taxpayer with: 1) no children, 2) one child, or 3) two or more children. The credit then stays constant as earnings continue to go up until a "phase-out" point is reached where the credit begins to decrease for each additional dollar earned until it eventually disappears.[10]

The ARRA made two temporary enhancements in the workings of the EITC. One of these enhancements involved the provision of additional benefits for families with more than two children. The other reduced the "marriage penalty" that is inherent in the structure of the EITC.

Additional EITC benefits for larger families

The ARRA created a new EITC category with an increased credit for parents with three or more children. This resulted from two improvements. First, the rate at which families with three or more children earn the EITC in 2009 and 2010 (until the maximum credit is reached) was increased to 45 percent of earnings compared to the rate of 40 percent for families with two children. The result of this change was that in 2009 these families had access to a maximum EITC of $629 more than the maximum available to families with two children (a $5,657 maximum EITC compared to $5,028).

Second, the maximum income in 2009 and 2010 for access to the EITC before it phases out completely is almost $3,000 higher for families with three or more children than for families with two children. For example, the highest income that a single parent with three or more children could have in 2009 and still have access to the EITC was $43,279 compared to $40,295 for a single parent with two children.

[9] Internal Revenue Service, *Statistics of Income: Table 2*, http://www.irs.gov/taxstats/article/0,,id=171535,00.html.
[10] Maag, Elaine and Adam Carasso, Tax Policy Center, *Taxation and the Family: What is the Earned Income Tax Credit?*, February 5, 2010 (last updated), http://www.taxpolicycenter.org/briefing-book/key-elements/family/eitc.cfm.

This expansion acknowledges that it costs more to bring up and support larger families compared to smaller families especially since increases in the cost of living have a greater impact on larger families. Also, the wages of these families are not necessarily higher than those for smaller families and do not always go up when the cost of living does. And since many public assistance benefits and tax provisions are based on family size or number of dependents, this expansion provides consistency in the basis upon which governments supplement the resources of low-income families. It also ensures that parents with three or more children will earn more by working than by receiving public assistance thus providing an incentive for these parents to remain in the workplace.

Without this new category, the maximum credit for families with three or more children would have been $5,028 in 2009 and $5,036 in 2010. However, because of the ARRA, families of this size had access to up to $5,657 in 2009 and $5,666 in 2010. See Table 2 for the EITC rates, maximum income allowed and credits available prior to the ARRA (in this table, 2008) and during the years provided for in the ARRA (2009 and 2010).

Marriage penalty relief results in higher EITC benefits

The second temporary EITC expansion provided by the ARRA is referred to as marriage penalty relief because it increases **by** $2,000 the upper limit of combined income that married parents may have and still be eligible for the EITC. Provisions for marriage penalty relief were initially instituted in 2001 by the Economic Growth and Tax Relief Reconciliation Act of 2001. The 2009 ARRA increased the difference in the maximum income for EITC eligibility between single and married taxpayers to $5,000. However, all marriage penalty relief will expire at the end of 2010 unless extended by Congress.[11]

The highest income that a single parent with one child could have and still be eligible for a federal EITC in 2008 was $33,995; the maximum earnings for two married people filing jointly and with one child to be eligible was $36,995, only $3,000 more than for the single parent. For 2009 and 2010, however, this difference or "relief" was increased to $5,000. The maximum income for a single parent with one child to be eligible for the credit in 2009 was $35,463 while for married parents it was $40,463; without the expansion provided for in the ARRA, the income limit for EITC eligibility for the married taxpayers would have been $38,463. See Table 2 for more information.

A lower threshold increases the refundable portion of the Child Tax Credit

As noted earlier, the refundable portion of the CTC, or Additional Child Tax Credit, is calculated at 15 percent of income above a threshold amount. In 2008, this threshold was $8,500 and would have been $12,550 in 2009 and approximately $12,600 in 2010.[12] However, the ARRA lowered

[11] Americans for Responsible Taxes, *Fact Sheet: Refundable Tax Credits* at www.responsibletaxes.org.
[12] Fair Taxes for All, *Working Family Tax Credits* at http://www.fairtaxesforall.org/ctceitc.html. The Emergency Economic Stabilization Act of 2008, Energy Improvement and Extension Act of 2008, and Tax Extenders and the Alternative Minimum Tax Relief Act of 2008 (Public Law 110–343) changed the 2008 income threshold for access to the refundable portion of the CTC to $8,500. Previous law set it at $12,050. Staff of the Joint Committee on Taxation, *General Explanation of Tax Legislation Enacted in the 110th Congress*, March 2009, pp. 443-444, at http://www.jct.gov/publications.html?func=startdown&id=1990.

these threshold amounts to $3,000 thereby providing access to the refundable portion of the credit for taxpayers with incomes between $3,000 and $12,550 or $12,600 in 2009 and 2010, respectively. This change also provided a larger credit for those who would have been eligible for some credit even without this expansion. See Table 3, Federal Child Tax Credit, 2000-2012.

Without the ARRA's temporary expansions, a family with two children and $7,500 in earnings in 2009 and 2010 would not have access to any CTC. However, because the ARRA lowered the threshold to $3,000, this family now has access to a $675 credit in those two calendar years. A family with $15,000 in earnings has access to a Child Tax Credit of $1,800 in 2009 and 2010 instead of $368 and $360 for these two years respectively without the ARRA. See Table 4 for more examples of refundable Child Tax Credit amounts available with and without the ARRA's temporary expansion.

How many children and families in New York State do the ARRA's temporary provisions affect and how many dollars do they bring in to the state?

Thousands of taxpayers in New York State were newly eligible for one or both of these two credits in 2009 due to expansions made by the ARRA. Over 48,000 additional filers became eligible for the EITC and almost 186,000 more filers became eligible for a CTC refund.[13] The first group can be further broken down into almost 12,700 potential new filers for the third tier of the EITC and almost 40,600 newly-eligible filers due to the expansion in marriage penalty relief.[14] The first EITC sub-group is made up of those whose total earnings would have made them ineligible prior to the ARRA given the income limit for families with two or more children and the second is made up of those filers whose incomes were beyond the limit for access to the credit regardless of family size. See Table 5, Impacts of the ARRA Expansions to the EITC and the CTC.

Many New Yorkers became eligible for bigger credits as a result of the ARRA expansions. Over 350,000 filers are now eligible for an expanded EITC and over 325,000 taxpayers are eligible for a larger CTC.[15] The ARRA broadened the CTC's role as an important mechanism for providing financial support to very low-income families. Conversely, the expiration of the lower $3,000 income threshold for access to the refundable portion would have significant negative effects across the state and country. Using the Brookings Metro Tax Model, Elizabeth Kneebone has

[13] Kneebone, Elizabeth, The Brookings Institution, *Expanding the Earned Income Tax Credit-State Benefits* (table), http://www.brookings.edu/~/media/Files/rc/speeches/2009/1021_eitc_kneebone/1021_eitc_resource_2.pdf, and Kneebone, Elizabeth, The Brookings Institution, *The Child Tax Credit after ARRA: How Would Expiration Affect Metropolitan Areas?*, July 8, 2010, http://www.brookings.edu/papers/2010/0708_child_tax_credit_kneebone.aspx. EITC estimates are based on 2007 American Community Survey (ACS) data and CTC estimates are based on 2008 ACS data; both sets of estimates are based on tax year 2009 tax law and result from use of the Brookings Metro Tax Model. For more information on this model, see http://www.brookings.edu/~/media/Files/rc/reports/2008/05_metro_raise_berube/metroraise_technicalappendix.pdf.
[14] An overlap of 4,890 between these two groups exists.
[15] Kneebone, *The Child Tax Credit after ARRA: How Would Expiration Affect Metropolitan Areas?* The first number includes an overlap of 59,450 since there are 203,972 New Yorkers eligible for a larger EITC due to the new third tier and 208,904 residents eligible for a larger EITC because of the expanded marriage penalty relief.

estimated that nationwide, almost 8.9 million working families would be affected including 3.2 million families who would lose access to any credit at all.[16]

In New York State, over a half million families would be affected by the expiration of these expansions. Nearly 186,000 would lose eligibility for any CTC, while more than 325,000 would receive smaller credits. Families with incomes under $30,000 would experience the greatest financial loss if the $3,000 income threshold were to expire, and families whose incomes are between $10,000 and $20,000 would bear most of the total decline in CTC amounts received. The average credit for these families would drop by $753 across the country and $760 in metropolitan areas. In New York State, families with incomes in this range would lose an average $735 in their Child Tax Credit.[17]

This impact would be felt the most in the metropolitan New York-northern New Jersey-Long Island area where the average drop in credit amount would be $747, $12 more than the average loss in New York State. This is a significant proportion of the annual income of families who earn $10,000 to $20,000 and its loss would have a substantial effect on these workers. This average decline is also $100 more than the average loss in CTC amount that would occur for similar families in Albany and Buffalo where the cost of living is lower than in New York City.

Overall, more than a half billion in additional benefits has been made available to New Yorkers by the ARRA expansions to the EITC and the CTC. This includes first-time credits for newly eligible filers and increased credits for currently eligible filers. With both EITC expansions working together, $204.3 million new dollars may be accessed by state residents—$1.7 million more for eligible filers than if the two expansions were working separately.[18] This is due to the increased income limits provided by both provisions working together for married taxpayers with three or more children before the EITC phases out completely. It is important to remember that these figures are based on eligible filers, rather than on the people who actually file.

In New York, the lowering of the threshold to $3,000 for access to a CTC refund (the Additional Child Tax Credit) has twice the impact of the ARRA expansions to the EITC; over $400 million more dollars are available to eligible filers in the state from the CTC expansion. This represents over 40 percent of total Additional Child Tax Credits, or CTC refunds, available to eligible New York filers (approximately $1.1 billion).[19] Specifically, ARRA expansions to these two credits result in a total of $617.2 million new dollars for eligible New York filers. Again, these figures must be viewed distinctly from amounts claimed through actual returns which are smaller than the total potential universe of eligible filers.

---

[16] Ibid.

[17] Kneebone, *The Child Tax Credit after ARRA: How Would Expiration Affect Metropolitan Areas?*

[18] Kneebone, Elizabeth, The Brookings Institution, *Expanding the Earned Income Tax Credit-State Benefits* (table) at http://www.brookings.edu/~/media/Files/rc/speeches/2009/1021_eitc_kneebone/1021_eitc_resource_2.pdf. The expansion to marriage penalty relief alone would generate $90.5 million more dollars and the new third tier working on its own would result in an additional $112.1 million; therefore, the total impact of the two working separately would be $202.6 million.

[19] The Brookings Institution, *Brookings Metro Tax Model*. For more information on this model, see http://www.brookings.edu/~/media/Files/rc/reports/2008/05_metro_raise_berube/metroraise_technicalappendix.pdf.

Why should the ARRA's expansions to the EITC and CTC be made permanent?

The most straightforward and convincing argument for making the ARRA's expansions permanent is that these credits promote work and parental responsibility. They are vital for parents who are raising children, and the more these parents work and earn, the larger their credits until a maximum amount is reached. The ARRA's extensions to the EITC and CTC solidify and expand the role these credits play in supplementing low-income parents' income so that it pays to remain in the workforce.

As shown above, large numbers of filers across the state and country affected by the Recovery Act's expansions to the EITC and the CTC are composed of lower and moderate-income earners. Because they are working in an economy that is recovering slowly from the Great Recession, they are still striving for economic security. Therefore, making these expansions permanent is essential for these filers to meet their families' needs. This includes their use of annual refunds to make larger necessary payments or purchases, such as security deposits for rental housing or down payments on vehicles, that support New York's and the nation's economy.

This kind of support is efficient because it bypasses the start-up time and costs of other forms of stimulus or aid.[20] And since the New York State EITC is a fixed percentage, 30 percent, of the federal EITC, any expansion on the federal level results in expansions on the state level, thereby directing more funds to where they are needed—to parents who are willing to work hard to meet their family responsibilities.[21] In so doing, poverty is reduced among a group of workers that struggle to make ends meet.

State and local governments are still under pressure as the recovery of their revenues lags behind the gradual economic recovery. The federal government, on the other hand is responsible for overall macroeconomic management; and, it can and should run budget deficits in bad times. In this context, it is appropriate that the extensions of the CTC improvement and the increased EITC marriage penalty relief are exempt from the federal budget process's "pay-as-you-go" requirements (PAYGO). This means that the cost of making these improvements to the CTC and the EITC permanent does not need to be made up by some combination of revenue increases and/or expenditure reductions. The new EITC tier for families with three or more children, however, is not exempt from PAYGO; therefore, offsets need to be provided to make this improvement permanent too.

Previous expansions to these credits have been made under both Republican and Democratic administrations. At this time, it is important for Congress to support low- and moderate-income working families by making the temporary expansions of the CTC and the EITC permanent. As parents benefitting from these credit expansions work and use these additional resources to meet their families' needs, they will be helping to strengthen and to secure the nation's economic

---

[20] From Cassidy, Michael and Laura Goren, The Commonwealth Institute, *An Overview of the Recovery Act's Direct Aid Impact in Virginia*; June 2010, http://act.virginiainterfaithcenter.org/site/DocServer/ARRAVirginiaimpactv6lowres.pdf.

[21] Johnson, Nicholas and Erica Williams, State Fiscal Project, Center on Budget and Policy Priorities, *Low-Income Families on the Frontlines of the State Fiscal Crisis* at Spotlight on Poverty and Opportunity, http://www.spotlightonpoverty.org/ExclusiveCommentary.aspx?id=ee768ac5-e2c1-46ba-b26f-724cb16bad89.

recovery. This fall, with federal tax policy at a crossroads, Congress should not miss the opportunity to strengthen both the economy and families' economic security by making the ARRA's expansions to the EITC and the CTC permanent.

For more information, contact Carolyn Boldiston, Senior Fiscal Policy Analyst, at boldiston@fiscalpolicy.org.

The Fiscal Policy Institute (www.fiscalpolicy.org) is an independent, nonpartisan, nonprofit research and education organization committed to improving public policies and private practices to better the economic and social conditions of all New Yorkers. Founded in 1991, FPI works to create a strong economy in which prosperity is broadly shared.

Sources and Additional Readings

Americans for Responsible Taxes

- *Fact Sheet: Refundable Tax Credits* at www.responsibletaxes.org.

The Brookings Institution

- EITC Interactive at http://www.brookings.edu/projects/EITC.aspx.
- Kneebone, Elizabeth,
    - *Expanding the Earned Income Tax Credit-State Benefits* (table) at http://www.brookings.edu/~/media/Files/rc/speeches/2009/1021_eitc_kneebone/1021_eitc_resource_2.pdf.
    - *The Child Tax Credit after ARRA: How Would Expiration Affect Metropolitan Areas?*, July 8, 2010 at http://www.brookings.edu/papers/2010/0708_child_tax_credit_kneebone.aspx.
- *Metro Tax Model*. For more information, see http://www.brookings.edu/~/media/Files/rc/reports/2008/05_metro_raise_berube/metroraise_technicalappendix.pdf.

Center on Budget and Policy Priorities

- Aron-Dine, Aviva, *Improving the Refundable Child Tax Credit: an Important Step toward Reducing Child Poverty*, Revised May 19, 2008, http://www.cbpp.org/cms/index.cfm?fa=view&id=766.
- Johnson, Nicholas and Erica Williams, State Fiscal Project, *Low-Income Families on the Frontlines of the State Fiscal Crisis*, posted June 21, 2010 at Spotlight on Poverty and Opportunity, http://www.spotlightonpoverty.org/ExclusiveCommentary.aspx?id=ee768ac5-e2c1-46ba-b26f-724cb16bad89.
- *Policy Basics: The Child Tax Credit;* updated November 11, 2009.
- *Policy Basics: The Earned Income Tax Credit*, updated December 4, 2009.

The Commonwealth Institute

- Cassidy, Michael and Laura Goren, *An Overview of the Recovery Act's Direct Aid Impact in Virginia*; June 2010 at http://act.virginiainterfaithcenter.org/site/DocServer/ARRAVirginiaimpactv6lowres.pdf.

Fair Taxes for All

- *Working Family Tax Credits* at http://www.fairtaxesforall.org/ctceitc.html.

National Women's Law Center

- *Family Tax Credits in the American Recovery and Reinvestment Act of 2009* at http://www.nwlc.org/resource/family-tax-credits-american-recovery-and-reinvestment-act-2009-0.

Tax Policy Center

- *Earned Income Tax Credit Parameters, 1975-2010* at http://www.taxpolicycenter.org/taxfacts/displayafact.cfm?Docid=36.
- Esenwein, Gregg A. (Congressional Research Service, Library of Congress), *Child Tax Credit* in the Urban Institute and Brookings Institution/Tax Policy Center, *Tax Topics* series at http://www.taxpolicycenter.org/taxtopics/encyclopedia/Child-Tax-Credit.cfm. Originally published in the NTA Encyclopedia of Taxation and Tax Policy, Second Edition, edited by Joseph J. Cordes, Robert D. Ebel, and Jane G. Gravelle.
- Forman, Jonathon Barry (University of Oklahoma, College of Law), *Earned Income Tax Credit* in the Urban Institute and Brookings Institution/Tax Policy Center, *Tax Topics* series at http://www.taxpolicycenter.org/taxtopics/encyclopedia/EITC.cfm. Originally published in the NTA Encyclopedia of Taxation and Tax Policy, Second Edition, edited by Joseph J. Cordes, Robert D. Ebel, and Jane G. Gravelle.
- Maag, Elaine and Adam Carasso, *Taxation and the Family: What is the Earned Income Tax Credit?*, February 5, 2010 (last updated) at http://www.taxpolicycenter.org/briefing-book/key-elements/family/eitc.cfm.
- *Tax Facts: Child-Related Tax Credits, 2000-2012* at http://www.taxpolicycenter.org/taxfacts/displayafact.cfm?Docid=580.

United States Congress, Joint Committee on Taxation

- Staff of the Joint Committee on Taxation, *General Explanation of Tax Legislation Enacted in the 110th Congress*, March 2009, pp. 443-444, http://www.jct.gov/publications.html?func=startdown&id=1990.

United States Department of the Treasury, Internal Revenue Service

- EITC Income Limits, Maximum Credit Amounts and Tax Law Updates, http://www.irs.gov/individuals/article/0,,id=215763,00.html (2008); http://www.irs.gov/individuals/article/0,,id=150513,00.html (2009); http://www.irs.gov/individuals/article/0,,id=215766,00.html (2010).
- Publication 972*: Child Tax Credit* at http://www.irs.gov/pub/irs-pdf/p972.pdf.
- Statistics of Income: *Table 2. Individual Income and Tax Data, by State and Size of Adjusted Gross Income*, at http://www.irs.gov/taxstats/article/0,,id=171535,00.html.
- *Understanding Taxes, Module 8: Claiming Child Tax Credit and Additional Child Tax Credit* at http://www.irs.gov/app/understandingTaxes/hows/tax_tutorials/mod08/tt_mod08_16.jsp.

Individual Income Tax Return Data for New York State

Dollar amounts in thousands

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total Number of Returns	8,417,974	8,577,496	8,667,488	8,613,811	8,589,932	8,625,432	8,715,913	8,964,337	9,919,336	9,203,531
Child Tax Credit										
Number of returns	1,540,203	1,554,668	1,555,233	1,517,662	1,477,624	1,473,089	1,434,100	1,399,134	1,389,387	1,348,991
Amount in dollars	$1,128,653	$1,134,152	$1,290,804	$1,234,270	$1,287,005	$1,809,677	$1,745,504	$1,683,586	$1,656,341	$1,596,402
Earned Income Tax Credit (EITC)										
Number of returns [1]	1,307,617	1,326,071	1,382,687	1,478,526	1,496,689	1,506,529	1,527,318	1,548,208	1,626,782	1,622,113
Amount in dollars	$2,107,211	$2,202,718	$2,360,294	$2,565,960	$2,601,465	$2,672,975	$2,774,885	$2,902,778	$3,142,063	$3,241,226
EITC Refunds										
Number of returns	1,067,101	1,082,582	1,147,947	1,248,048	1,265,023	1,279,244	1,293,286	1,309,011	1,369,431	1,368,800
Amount in dollars	$1,742,694	$1,800,770	$1,943,383	$2,148,026	$2,181,059	$2,247,853	$2,341,964	$2,441,113	$2,623,278	$2,683,133

[1] Represents returns that resulted in either reduced tax liability or refunds, or both.
Source: Internal Revenue Service, *Statistics of Income: Table 2. Individual Income and Tax Data, by State And Size of Adjusted Gross Income*, at http://www.irs.gov/taxstats/article/0,,id=171535,00.html.

Table 1

Federal Earned Income Tax Credit

Taxpayers	2008				2009				2010			
	Rates for calculating credit amount	Eligible income for maximum credit	Maximum credit	Maximum income for access to some EITC	Rates for calculating credit amount	Eligible income for maximum credit	Maximum credit	Maximum income for access to some EITC	Rates for calculating credit amount	Eligible income for maximum credit	Maximum credit	Maximum income for access to some EITC
Single												
With no children	7.65%	$5,720-$7,160	$438	$12,880	7.65%	$5,970-$7,470	$457	$13,440	7.65%	$5,980-$7,480	$457	$13,460
With one child	34%	$8,580-$15,740	$2,917	$33,995	34%	$8,950-$16,420	$3,043	$35,463	34%	$8,970-$16,450	$3,050	$35,535
With two chldren	40%	$12,060-$15,740	$4,824	$38,646	40%	$12,570-$16,420	$5,028	$40,295	40%	$12,590-$16,450	$5,036	$40,363
With three children	NA	NA	NA	NA	45%	$12,570-$16,420	$5,657	$43,279	45%	$12,590-$16,450	$5,666	$43,352
Married filing Jointly												
With no children	7.65%	$5,720-$10,160	$438	$15,880	7.65%	$5,970-$12,470	$457	$18,440	7.65%	$5,980-$12,490	$457	$18,470
With one child	34%	$8,580-$18,740	$2,917	$36,995	34%	$8,950-$21,420	$3,043	$40,463	34%	$8,970-$21,460	$3,050	$40,545
With two chldren	40%	$12,060-$18,740	$4,824	$41,646	40%	$12,570-$21,420	$5,028	$45,295	40%	$12,590-$21,460	$5,036	$45,373
With three children	NA	NA	NA	NA	45%	$12,570-$21,420	$5,657	$48,279	45%	$12,590-$21,460	$5,666	$48,362

Note: Income is adjusted gross income. Multiplying the first amount in the "Eligible income" column by the credit rate will give the maximum credit; a phase-out rate is used to determine the EITC amount for taxpayers with incomes above the top of the income range for the maximum credit.

Sources: For 2008, http://www.irs.gov/individuals/article/0,,id=215763,00.html. For 2009, http://www.irs.gov/individuals/article/0,,id=150513,00.html. For 2010, http://www.irs.gov/individuals/article/0,,id=215766,00.html. Also, Tax Policy Center, Earned Income Tax Credit Parameters, 1975-2010 at http://www.taxpolicycenter.org/taxfacts/displayafact.cfm?Docid=36; and Maag, Elaine and Adam Carasso, Tax Policy Center, Taxation and the Family: What is the Earned Income Tax Credit?, February 5, 2010 (last updated) at http://www.taxpolicycenter.org/briefing-book/key-elements/family/eitc.cfm.

Federal Child Tax Credit, 2000-2012

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Maximum credit per child	$500	$600		$1,000								$500	
Refundable?	No [1]	Up to 10 percent of earnings over:			Up to 15 percent of earnings over:							No [1]	
		$10,000	$10,350	$10,500	$10,750	$11,000	$11,300	$11,750	$8,500	$3,000	$3,000		

[1] Prior to 2001, the credit was only refundable for a family with three or more children to the extent that the employee share of Social Security taxes plus individual income taxes exceeded its Earned Income Tax Credit up to the amount of the full child credit. Unless the enactments of 2001 through 2009 are extended, the rules in effect in 2000 will take effect again in 2011.

Sources: Tax Policy Center, http://www.taxpolicycenter.org/taxfacts/displayafact.cfm?Docid=580.

Table 3

The maximum refundable portion of the federal Child Tax Credit [1] for a family with two children, with and without the ARRA

	2008	2009		2010	
Total Income	Pre-ARRA	Without ARRA	With ARRA	Without ARRA	With ARRA
$3,000	$0	$0	$0	$0	$0
$3,500	$0	$0	$75	$0	$75
$5,000	$0	$0	$300	$0	$300
$7,500	$0	$0	$675	$0	$675
$10,000	$225	$0	$1,050	$0	$1,050
$12,500	$600	$0	$1,425	$0	$1,425
$14,500	$900	$293	$1,725	$285	$1,725
$15,000	$975	$368	$1,800	$360	$1,800
$16,250	$1,163	$555	$1,988	$548	$1,988
$17,500	$1,350	$743	$2,000	$735	$2,000

[1] The refundable portion of the Child Tax Credit is officially referred to as the "Additional Child Tax Credit" (ACTC).

Note: In all the years covered by this table, the CTC was $1,000 per child. In 2008, the income threshold for calculating the maximum refundable portion of a taxpayer's CTC was $8,500. This threshold was scheduled to jump to $12,550 in 2009 and to be indexed to inflation in subsequent years. The ARRA lowered this threshold to $3,000 for 2009 and 2010.

Impact of the ARRA Expansions of the Earned Income Tax Credit and the Child Tax Credit

EARNED INCOME TAX CREDIT: NEW YORK STATE

	Newly eligible filers	Filers eligible for a bigger credit	Total number of filers impacted by the ARRA	Additional benefits (in millions)
Marriage Penalty Relief	40,597	208,904	249,501	$90.5
Third Tier	12,683	203,972	216,655	$112.1
Combined [1]	48,390	353,426	401,816	$204.3

CHILD TAX CREDIT

	Number of families who will lose eligibility if the ARRA expansion expires	Number of families who will have smaller credits if the ARRA expansion expires	Total number of families impacted if the ARRA expansion expires	Decline in average credit for families with incomes between $10,000 and $20,000
State				
Connecticut	30,806	40,767	71,573	$692
Massachusetts	46,614	78,829	125,443	$651
New Jersey	63,939	120,037	183,976	$716
New York	185,989	326,436	512,425	$735
Pennsylvania	118,560	161,606	280,166	$688
Vermont	5,811	8,970	14,781	$641
Metropolitan Area				
Albany-Schenectady-Troy	6,675	8,174	14,849	$632
Buffalo-Niagara Falls	14,020	16,261	30,281	$633
New York-northern New Jersey-Long Island	150,970	313,702	464,672	$747
Poughkeepsie-Newburgh-Middletown	4,141	9,189	13,330	$684
Rochester	11,563	14,748	26,311	$663
Syracuse	8,487	8,204	16,691	$699
Total amount to be lost in New York State				**$412.9 million**

[1] The total number of filers benefiting from the ARRA's EITC expansions is less than the sum of the number of filers benefiting from each of the two expansions individually since some filers benefit from both expansions. The total value of the additional benefits is slightly greater than the sum of the additional benefits attributable to the two expansions individually.

[2] The estimates for this metropolitan statistical area include impacts for some New Jersey and Pennsylvania residents. The $412.9 million total dollar figure for New York State does not include these families but it does include the estimated impacts on families who live in New York State but outside of the six metropolitan areas listed in the table.

Sources: Kneebone, Elizabeth, The Brookings Institution, *Expanding the Earned Income Tax Credit-State Benefits* (table) at http://www.brookings.edu/~/media/Files/rc/speeches/2009/1021_eitc_kneebone/1021_eitc_resource_2.pdf, and Kneebone, Elizabeth, The Brookings Institution, *The Child Tax Credit after ARRA: How Would Expiration Affect Metropolitan Areas?*, July 8, 2010 at http://www.brookings.edu/papers/2010/0708_child_tax_credit_kneebone.aspx. EITC estimates are based on 2007 American Community Survey (ACS) data and CTC estimates are based on 2008 ACS data; both sets of estimates are based on tax year 2009 tax law and were calculated using the Brookings Metro Tax Model. For more information on this model, see http://www.brookings.edu/~/media/Files/rc/reports/2008/05_metro_raise_berube/metroraise_technicalappendix.pdf.

Table 5