FPI
Fiscal Policy Institute

News from the
Fiscal Policy Institute

September 27, 2010

Contact:
Frank Mauro, Executive Director
518-786-3156 (office), 518-469-6680 (mobile)
mauro@fiscalpolicy.org

Carolyn Boldiston, Senior Fiscal Policy Analyst
518-786-3156 (office)
boldiston@fiscalpolicy.org

New report:
http://www.fiscalpolicy.org/FPI_ExpansionOfRefundableTaxCreditsGoodForNewYork.pdf.

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

Low- and moderate-income New Yorkers have a huge stake in the tax debate now going on at the national level: over $600 million annually in work-supporting tax credits.

Enhancements to the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC) that were made by the American Recovery and Reinvestment Act (ARRA) will expire at the end of 2010 unless extended by Congress. A new report from the Fiscal Policy Institute reviews the workings of these two tax credits, how they were changed by the Recovery Act, and why those changes should be made permanent.

In 2008, the EITC and the CTC provided over $5 billion in reduced tax liability and tax refunds to working New Yorkers. In 2009, the ARRA expanded the eligibility and refundability of these two credits by providing increased marriage penalty relief and additional EITC benefits for larger families, and by giving low- and moderate-income workers access to more of their maximum CTCs than had previously been the case.

Hundreds of thousands of New York workers and their families benefited from these changes. Over 350,000 families qualified for larger EITCs and over 325,000 became eligible for a larger CTC refund. In addition, over 48,000 additional married couples and other families in New York became eligible for the EITC, and almost 186,000 more families with children became eligible for a CTC refund. These enhancements meant over $600 million more annually for New York

-more-

workers and their families—more than $200 million through the EITC, and more than $400 million through the improvements 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, for example, these families would lose an average of $735 in Child Tax Credit benefits.

These enhancements are temporary, however, and will expire at the end of 2010 unless extended by Congress. As part of the current tax debate, President Obama has proposed making these enhancements permanent. FPI's new report concludes that "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."

Carolyn Boldiston, Senior Fiscal Policy Analyst at FPI, says that the EITC and CTC enhancements should be made permanent: "These expansions promote work and parental responsibility. They are essential for parents who are raising children, and are available only to those married couples and parents who work. And the more these parents work and earn, the larger their credits until a maximum amount is reached." She noted that the ARRA's enhancements of the EITC and the CTC solidify and expand the role these credits play in making work pay and in supplementing the income of low- and moderate-income working families.

The Fiscal Policy Institute report is available at http://www.fiscalpolicy.org/FPI_ExpansionOfRefundableTaxCreditsGoodForNewYork.pdf.

The Fiscal Policy Institute (www.fiscalpolicy.org) is an independent, nonpartisan, nonprofit research and education organization committed to improving policies and practices that better the economic and social conditions of all New Yorkers.

####