Child Tax Credit Options for Reducing Child Poverty
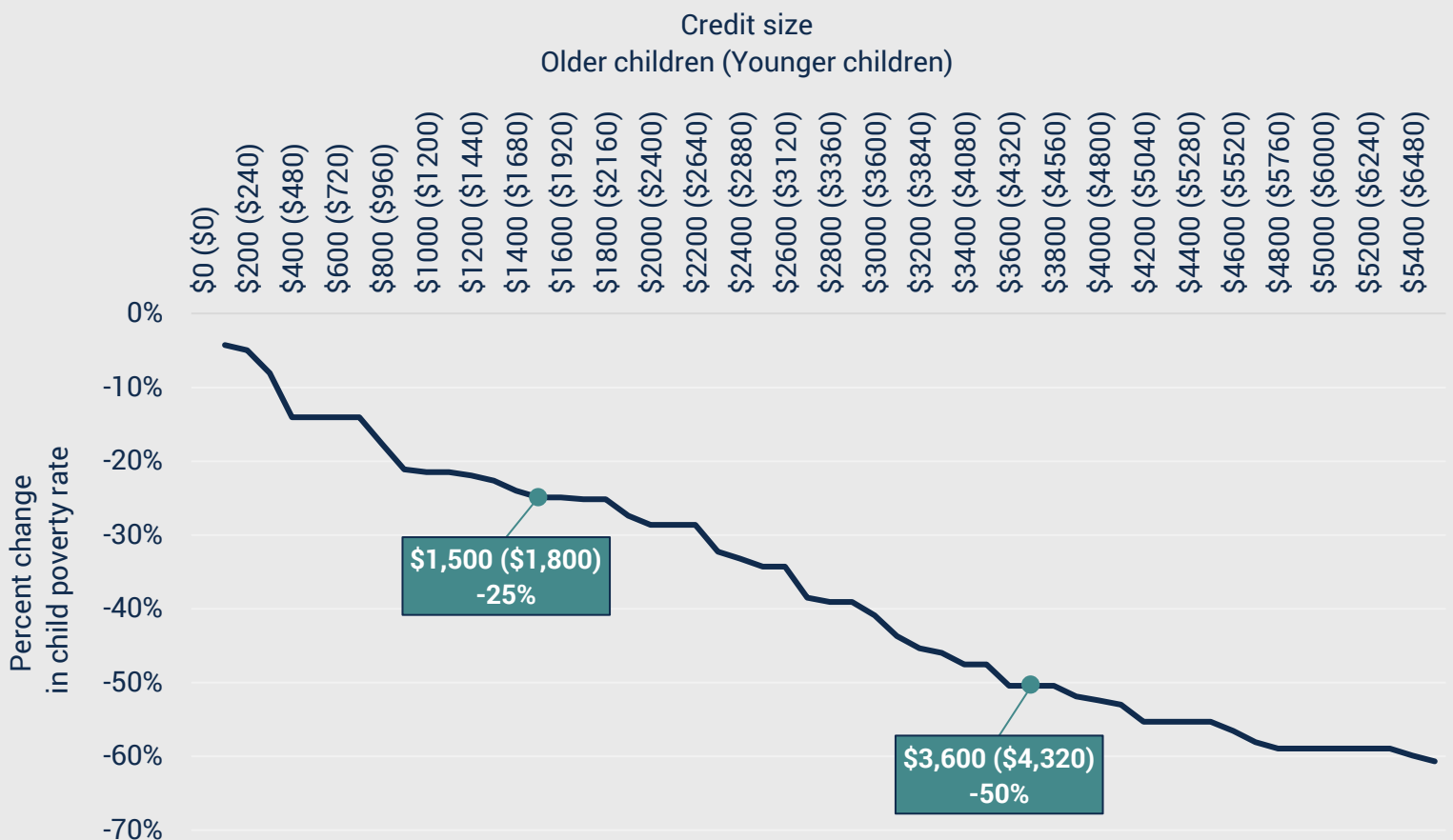
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States have the policy tools available to them to drastically reduce child poverty. They can build on the track record of the expanded federal credit and create Child Tax Credits that include features key to the federal expansion's success. The options presented provide the potential impacts of state Child Tax Credits on poverty and the costs of these highly promising tax credits that would reduce state child poverty rates by 25 and 50 percent.

The available options present a broad, more universal, option and a narrower, more targeted, option. The former extends higher up the income scale and is available to more middle-class families, whereas the latter is directed toward families experiencing periods of low income. The accompanying individual state pages identify details of each credit option: the maximum benefit, overall cost, number of beneficiaries, number of children lifted out of poverty, the impacts of each policy across the income distribution and the anti-poverty effects associated with credits of varying amounts.

Please note that this analysis is intended to demonstrate scenarios for best practice CTC designs and their associated costs in each state to achieve significant poverty reduction. For states where Child Tax Credits already exist, the credit levels we show are not on top of existing credits, but in place of those credits to demonstrate the benefits and costs of the proposed policy design.

Potential Impacts of State Child Tax Credit Amounts on Poverty Rates

Credit size
Older children (Younger children)
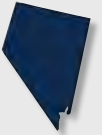

$1,500 ($1,800)
-25%

$3,600 ($4,320)
-50%

Source: Institute on Taxation and Economic Policy, Columbia Center on Poverty and Social Policy, 2022

Child Tax Credit Options for 50% Reduction in Child Poverty

44,000 children lifted out of poverty

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OPTION 1: More universal

Credit Size	Estimated Cost
$3,600 (kids 18 and under) **$4,320** (kids under 6)	**$2.3B** in 2022

Who Benefits?
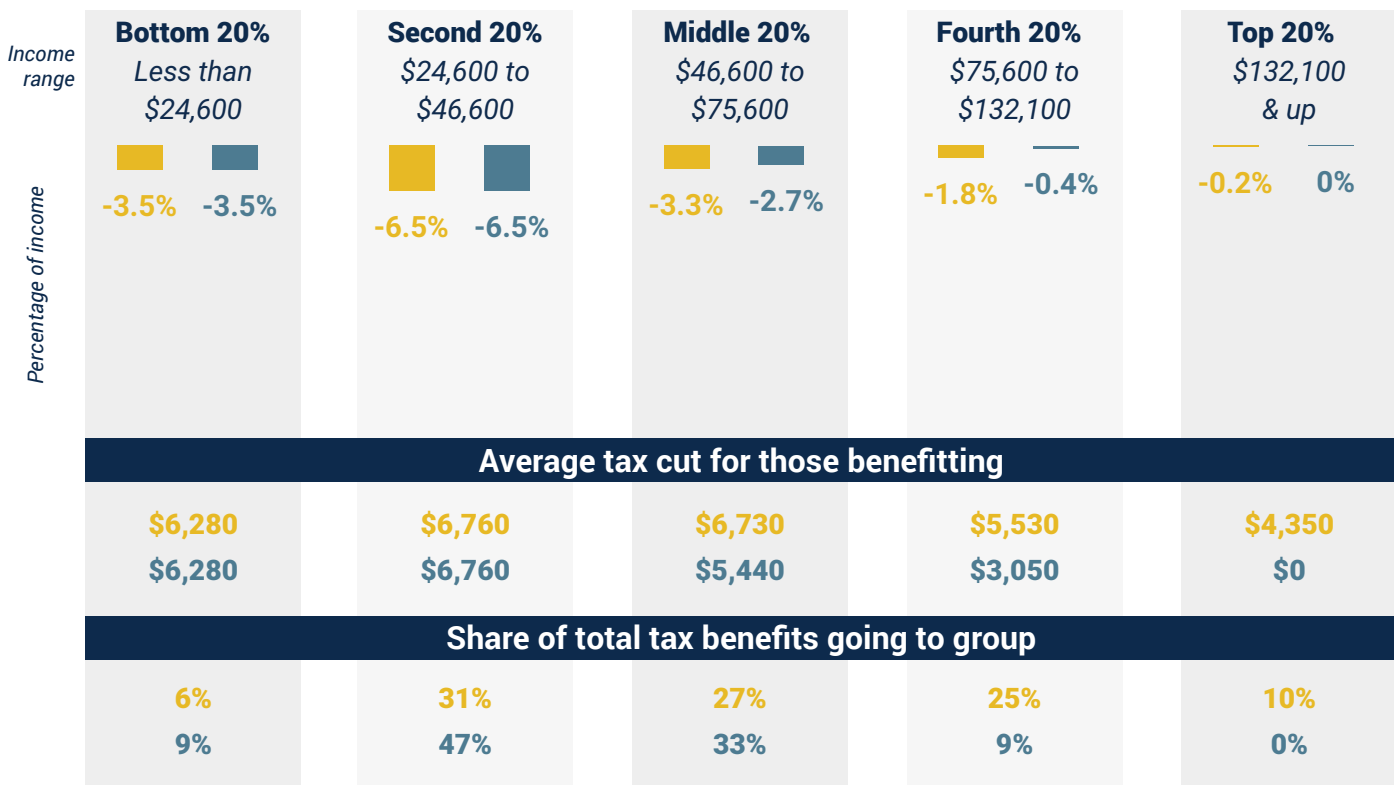
→ **1,307,000** residents

→ **633,000** children

→ **93%** of children

Benefit phase-out extends higher up the income scale and is available to more middle-class families; phase-out for joint filers after $110,000 of income.

OPTION 2: More targeted

Credit Size	Estimated Cost
$3,600 (kids 18 and under) **$4,320** (kids under 6)	**$1.5B** in 2022

Who Benefits?

→ **902,000** residents

→ **471,000** children

→ **69%** of children

Benefit phase-out more exclusively benefits families experiencing periods of low income; phase-out begins when a family (depending on size) is no longer EITC eligible.

Average tax change as percentage of income, by income group, 2022

■ *More universal* ■ *More targeted*

	Bottom 20% Less than $24,600	Second 20% $24,600 to $46,600	Middle 20% $46,600 to $75,600	Fourth 20% $75,600 to $132,100	Top 20% $132,100 & up
Income range					
Percentage of income (More universal)	-3.5%	-6.5%	-3.3%	-1.8%	-0.2%
Percentage of income (More targeted)	-3.5%	-6.5%	-2.7%	-0.4%	0%
Average tax cut for those benefitting					
More universal	$6,280	$6,760	$6,730	$5,530	$4,350
More targeted	$6,280	$6,760	$5,440	$3,050	$0
Share of total tax benefits going to group					
More universal	6%	31%	27%	25%	10%
More targeted	9%	47%	33%	9%	0%

Source: Institute on Taxation and Economic Policy, Columbia Center on Poverty and Social Policy, 2022

Child Tax Credit Options for 25% Reduction in Child Poverty

22,000 children lifted out of poverty

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OPTION 1: More universal

Credit Size
$1,500 (kids 18 and under)
$1,800 (kids under 6)

Estimated Cost
$909.4M in 2022

Who Benefits?
➡ **1,231,000** residents
➡ **601,000** children
➡ **88%** of children

Benefit phase-out extends higher up the income scale and is available to more middle-class families; phase-out for joint filers after $110,000 of income.

OPTION 2: More targeted

Credit Size
$1,500 (kids 18 and under)
$1,800 (kids under 6)

Estimated Cost
$561.7M in 2022

Who Benefits?
➡ **716,000** residents
➡ **384,000** children
➡ **56%** of children

Benefit phase-out more exclusively benefits families experiencing periods of low income; phase-out begins when a family (depending on size) is no longer EITC eligible.

Average tax change as percentage of income, by income group, 2022
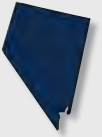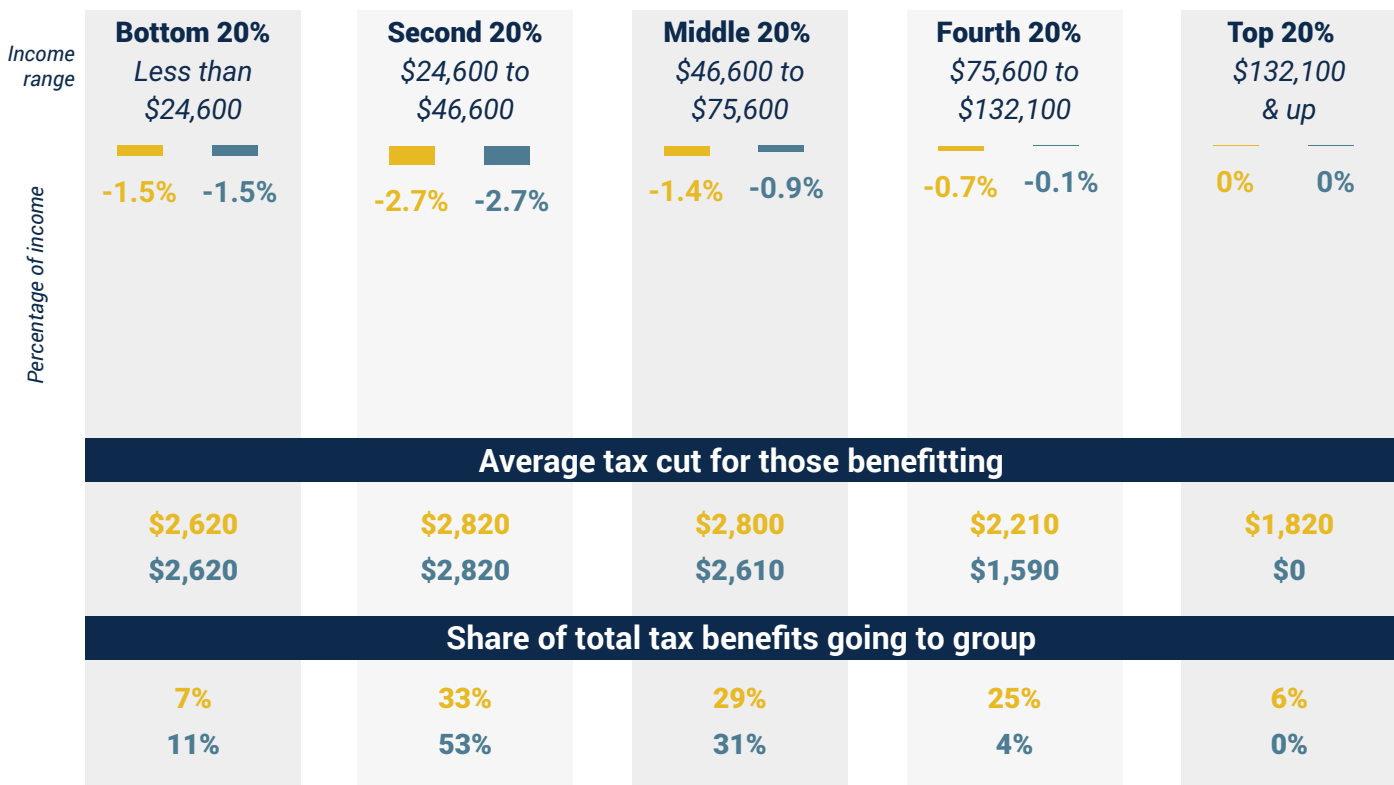
■ *More universal*   ■ *More targeted*

	Bottom 20% Less than $24,600	Second 20% $24,600 to $46,600	Middle 20% $46,600 to $75,600	Fourth 20% $75,600 to $132,100	Top 20% $132,100 & up
Income range					
Percentage of income (More universal)	-1.5%	-2.7%	-1.4%	-0.7%	0%
(More targeted)	-1.5%	-2.7%	-0.9%	-0.1%	0%
Average tax cut for those benefitting					
(More universal)	$2,620	$2,820	$2,800	$2,210	$1,820
(More targeted)	$2,620	$2,820	$2,610	$1,590	$0
Share of total tax benefits going to group					
(More universal)	7%	33%	29%	25%	6%
(More targeted)	11%	53%	31%	4%	0%

Source: Institute on Taxation and Economic Policy, Columbia Center on Poverty and Social Policy, 2022