State Tax Codes As Poverty Fighting Tools
2013 Update on Four Key Policies in All 50 States

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About ITEP
Founded in 1980, the Institute on Taxation and Economic Policy (ITEP) is a non-profit, non-partisan research organization, based in Washington, DC, that focuses on federal and state tax policy. ITEP's mission is to inform policymakers and the public of the effects of current and proposed tax policies on tax fairness, government budgets, and sound economic policy. Among its many publications on state and local tax policy are *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States* and *The ITEP Guide to Fair State and Local Taxes*. ITEP's full body of research is available at www.itep.org.

www.itep.org • itep@itep.org

1616 P Street, NW Suite 200 • Washington, DC 20036 • Tel: 202-299-1066 • Fax: 202-299-1065

INTRODUCTION

New Census Bureau data released this month show that the share of Americans living in poverty remains high, despite other signs of economic recovery. The national 2012 poverty rate of 15 percent is essentially unchanged since 2010 , but still 2.5 percentage points higher than pre-recession levels. This means that in 2012, 46.5 million, or about 1 in 6 Americans, lived in poverty.[1] The poverty rate in most states also held steady with five states experiencing an increase in either the number or share of residents living in poverty while only two states saw a decline.[2]

Astonishingly, state tax policies in virtually every state make this problem worse rather than better. When all the taxes imposed by state and local governments are taken into account, every state imposes higher effective tax rates on poor families than on the richest taxpayers. Despite this unlevel playing field state tax systems already create for their poorest residents, many state policymakers have recently proposed (and in some cases enacted) tax increases on the poor under the guise of "tax reform" to finance tax cuts for their wealthiest residents and profitable corporations.

There is a better approach. Just as state and local tax policies can push individuals and families further into poverty, there are tax policy tools available that can help them move out of poverty. In most states, truly remedying state tax unfairness would require comprehensive tax reform. Short of this, lawmakers should use their states' tax systems as a means of providing affordable, effective and targeted assistance to the growing number of people living in poverty.

This report presents a comprehensive view of anti-poverty tax policies, surveys tax policy decisions made in the states in 2013, and offers recommendations every state should consider to help families rise out of poverty. States can jump-start their anti-poverty efforts by enacting one or more of four proven and effective tax strategies to reduce the share of taxes paid by low- and moderate-income families: state Earned Income Tax Credits, property tax circuit breakers, targeted low-income credits, and child-related tax credits.

2013 Developments in State Anti-Poverty Tax Policy

Forward Steps Taken to Address Poverty

- **Colorado** established a permanent state Earned Income Tax Credit and new Child Tax Credit.
- **Oregon's** state EITC was extended (it was set to expire at the end of 2013).
- **DC's** property tax circuit breaker credit was expanded.
- **Minnesota** increased its property tax credit for renters and homeowners.

Backward Steps Taken

- **North Carolina's** state EITC was reduced from 5 to 4.5% in 2013 and will be eliminated in 2014. NC also eliminated its child and dependent care credit.
- **Connecticut's** state EITC was temporarily reduced from 30 to 25%.
- **Kansas, Ohio, and North Carolina** enacted regressive tax plans that hiked taxes on low-income taxpayers and significantly cut them for the wealthiest.

Mixed Results

- **Iowa's** state EITC was increased to 14% in 2013 and 15% in 2014. However, the increase was part of a larger tax cutting package for businesses.
- **Maine** replaced its property tax circuit breaker program with a property tax fairness credit, a refundable credit taken via the personal income tax. However, the maximum credit was reduced and eligibility lowered.
- **Ohio** established a new non-refundable 5% state EITC, however the structure of the new credit is very limiting and is insufficient to fully offset regressive changes included in Ohio's tax plan this year.

Missed Opportunities

- A proposal to enact a nonrefundable low-income tax credit failed in **Hawaii.**
- Proposals to enact new state EITCs in **Arkansas, Hawaii, Montana and Utah** stalled or failed.
- Proposals to restore state EITCs to previous levels in **New Jersey** and **Michigan** stalled or failed. **Maine** and **Oregon** lawmakers failed to pass proposed bills to increase the EITC.

Anti-Poverty Tax Policy Protected

- Proposals to reduce or eliminate state EITCs in **Kansas, Louisiana, Nebraska**, and **Vermont** were not enacted.

STATE TAX SYSTEMS AND POVERTY

State tax systems do little to help families living in poverty. In fact, state tax systems typically make things even harder for families living on the margins. A 2013 ITEP report, *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States*[3], found that nationwide, the poorest twenty percent of Americans paid an average 11.1 percent of their incomes in state and local taxes. Middle-income taxpayers didn't fare much better, paying an average of 9.4 percent of their incomes toward those taxes. But when it comes to the wealthiest one percent, ITEP found they paid just 5.6 percent of their incomes, on average, in state and local taxes.

The fact is that nearly every state and local tax system takes a much greater share of income from middle- and low-income families than from the wealthy. This "tax the poor" strategy is problematic because hiking taxes on low-income families pushes them further into poverty and increases the likelihood that they will need to rely on safety net programs. From a state budgeting perspective, this "soak the poor" strategy also doesn't yield much revenue compared to modest taxes on the rich.

STATES WITH THE GREATEST NEED FOR IMPROVEMENT

Every state could stand to improve its tax treatment of low- and moderate-income families. However, some states have an especially great need to consider the reforms outlined in this report. The chart to the right shows the 15 states with the highest state and local taxes on the poor as a share of income. **Washington** State, which does not have an income tax, is the highest-tax state in the country for poor people. In fact, when all state and local sales, excise and property taxes are tallied up, Washington's poor families pay 16.9 percent of their total income in state and local taxes. Compare that to neighboring Idaho and Oregon, where the poor pay 8.2 percent and 8.3 percent, respectively, of their incomes in state and local taxes — far less than in Washington. **Illinois**, which relies heavily on consumption taxes, ranks second in its taxes on the poor, at 13.8 percent. **Florida**— a no-income-tax state —taxes its poor families at a rate of 13.3 percent, ranking third in this dubious distinction.

It should be noted that three states — **Kansas, North Carolina,** and **Ohio** (already on this list)— enacted tax packages in 2013 that hiked taxes on low-income households beyond the already high levels shown in the chart at right.

Top 15 States with the Highest Taxes on the Poor

State	% of Income Paid in State & Local Taxes
Washington	16.9%
Illinois	13.8%
Florida	13.3%
Hawaii	13.0%
Arizona	12.9%
Texas	12.6%
Indiana	12.3%
Rhode Island	12.1%
Pennsylvania	12.0%
Arkansas	11.9%
Ohio	11.6%
South Dakota	11.6%
Georgia	11.3%
New Jersey	11.2%
Tennessee	11.2%

STATE TAX STRATEGIES FOR REDUCING POVERTY

Refundable Earned Income Tax Credits

The federal Earned Income Tax Credit (EITC) is widely recognized as an effective anti-poverty strategy. It was introduced in 1975 to provide targeted tax reductions to low-income workers and also as an important way of rewarding work and increasing incomes.

The federal EITC is administered through the personal income tax. To encourage greater participation in the workforce, the EITC is based on earned income such as salaries and wages. For example, for each dollar earned up to $13,430 in 2013, families with three children receive a tax credit equal to 45 percent of those earnings, up to a maximum credit of $6,044. Because the credit is designed to provide tax relief to the working poor, there are income limits that restrict eligibility for the credit. Families continue to be eligible for the maximum credit until income reaches $17,530 (or $22,870 for married-couple families). Above this income level, the value of the credit is gradually reduced to zero and is unavailable when family income goes beyond the eligibility level. The credit is entirely unavailable to families with three or more children earning more than $46,227 if they are single and $51,567 if married. For taxpayers without children the credit is less generous: the maximum credit is $487and singles earning more than $14,340 ($19,680 for married couples without children) are ineligible.

The Census Bureau estimated that 5.7 million people, including three million children, were lifted out of poverty in 2011 thanks to the federal EITC.

Twenty-six states and the District of Columbia(DC) have enacted state Earned Income Tax Credits based on the federal EITC. Calculating a state EITC as a percentage of the federal credit makes the credit easy for state taxpayers to claim (since they have already calculated the amount of their federal credit) and easy for state tax administrators to monitor. However, these states vary dramatically in the generosity of their credits. The credit provided by the District of Columbia amounts to 40 percent of the federal credit, while eight states will have credits worth less than 10 percent of the federal credit in 2013.

State EITCs in 2013

State	% of Federal	Refundable?
CO	10%	Refundable
CT	25%	Refundable
DC	40%	Refundable
DE	20%	Non-Refundable
IA	14%	Refundable
IL	10%	Refundable
IN	9%	Refundable
KS	18%	Refundable
LA	3.5%	Refundable
MA	15%	Refundable
MD	25% or 50%	Refundable/Non-Refundable
ME	5%	Non-Refundable
MI	6%	Refundable
MN	33% average	Refundable
NC	4.5%	Refundable
NE	10%	Refundable
NJ	20%	Refundable
NM	10%	Refundable
NY	20%	Refundable
OH	5%	Non-Refundable
OK	5%	Refundable
OR	6%	Refundable
RI	25%	Partially Refundable
VA	20%	Non-Refundable
VT	32%	Refundable
WA	10%	Refundable
WI	1 child=4% 2 children=11% 3 children=34%	Refundable

Notes:

CO EITC goes into effect when revenue targets are met.

CT temporarily reduced its EITC from 30 to 25% through 2015.

IA EITC will increase to 15% in 2014.

MD offers both a 50% nonrefundable credit and a 25% refundable credit. Taxpayers claim the most helpful.

NC EITC expires at the end of 2013.

OH established a new non-refundable and very limited EITC.

WA EITC is unfunded thus unavailable to taxpayers.

Refundability is an especially important component of state EITCs or any targeted low-income tax credit to ensure deserving families get the full benefit of the credit. Refundable credits do not depend on the amount of income taxes paid: if the credit amount exceeds your income tax liability, the excess amount is given as a refund. Thus, refundable credits are useful in offsetting the regressive nature of sales and property taxes, and can provide a much needed income boost to help families pay for basic necessities. In all but four states (Delaware, Ohio, Rhode Island and Virginia), the EITC is fully refundable. State EITCs have bipartisan support because they are easily administered and relatively inexpensive. However, EITCs are most generous to families with children. Policymakers should be aware that the EITC does little to benefit seniors and families without children because it was designed to specifically help families with children. There are other tax provisions offered by states like enhanced personal exemptions or standard deductions that are available to elderly taxpayers.

2013 EITC Developments in the States

- **Colorado** lawmakers enacted a permanent refundable state EITC equal to 10 percent of the federal credit (the new EITC goes into effect when revenue targets are met).
- **Connecticut** lawmakers temporarily reduced the state's EITC from 30 to 25 percent of the federal credit. The credit will be restored to 30 percent in 2015.
- **Iowa's** state EITC was increased from 7 to 14 percent (will go to 15 percent in 2014), however the increase was part of a tax cut package that gave profitable businesses a much larger property tax break costing 10 times more than the targeted tax cut for low-income Iowans.
- **North Carolina** experienced the biggest defeat to this proven tax policy. Lawmakers reduced the state EITC from 5 to 4.5 percent in 2013. They also allowed the credit to expire after this year despite passing a significant and regressive tax overhaul which increases taxes on low-income families and cuts them for wealthy households and profitable corporations.
- **Ohio** enacted a new limited non-refundable 5 percent state EITC as part of a larger tax package which also hiked the sales taxes, cut income tax rates, and reduced taxes on pass- through business income. The new credit is not sufficient to offset the regressive impact of the other tax changes.
- **Oregon** lawmakers extended the state's EITC which had been set to sunset at the end of 2013, but did not increase the credit from 6 to 8 percent as the governor proposed.
- Proposals to eliminate or greatly reduce state EITCs in **Kansas, Nebraska** and **Vermont** were not enacted.
- Proposals to restore prior year cuts to state EITCs in **New Jersey** and **Michigan** stalled and a proposed increase to **Maine's** state EITC failed.
- Proposals to enact new EITCs failed in **Arkansas, Hawaii, Montana** and **Utah**.

Recommendation: To help alleviate poverty, states with EITCs should consider increasing the percentage of the existing credit and other states should consider introducing a generous and refundable EITC.

IMPORTANCE OF REFUNDABILITY

The hallmark of a truly effective low-income credit is that it is refundable. This means that if the amount of the credit exceeds the amount of personal income tax you would otherwise owe, you actually get money back. Refundability is a vital feature in low-income credits simply because for most fixed-income families, sales and property taxes take a much bigger bite out of their wallets than does the personal income tax. Refundable credits on income tax forms are the most cost-effective mechanism for partially offsetting the effects of these other regressive taxes on low-income families.

Property Tax Circuit Breaker for Homeowners & Renters

States employ a wide variety of mechanisms to reduce the amount of property taxes low- and moderate-income families pay, however they vary significantly in effectiveness. A property tax circuit breaker is the only property tax reduction program explicitly designed to reduce the property taxes on those low-income taxpayers hit hardest by the tax. Its name reflects its design: circuit breakers protect low-income residents from a property tax "overload", just like an electric circuit breaker. When a property tax bill exceeds a certain percentage of a taxpayer's income, the circuit breaker offsets property taxes in excess of this "overload" level.

In 2013, 18 states and DC offer true property tax circuit breaker programs which target tax reductions to low-income families who also owe significant property taxes relative to their incomes. Another 12 states provide property tax credits to some low-income families. However, the credits in those states are only based on income—the cut-off eligibilty over income limits but do not include a provision requiring property taxes to exceed a set percentage of income to qualify for the credit.

The most effective and targeted property tax credits are circuit breaker programs made available to all low-income taxpayers, regardless of their age, and are also extended to renters. Because it is generally agreed that renters pay property taxes indirectly in the form of higher rents, many states now extend their circuit breaker credit to renters as well. The calculation is typically the same as for a homeowner, except that renters must assume that their property tax bill is equal to some percentage of their rent paid. Renters in Maryland for instance, use 15 percent of their rent as their assumed property tax in calculating their circuit breaker credit. For a circuit breaker program to be successful an effective outreach campaign is necessary.

State Property Tax Credit Programs in 2013

State	Age Requirements	Covers Renters?	Approach
AZ	65+	YES	Income based only
CA	62+	Renters only	Income based only
CO	65+	YES	Income based only
CT	65+	YES	Income based only
DC	All Ages; Sep. Elderly Prog.	YES	Circuit Breaker
ID	65+	NO	Income based only
IL	65+	YES	Circuit Breaker
IA	65+	YES	Income based only
KS	55+, disabled/ dep. child under 18	NO	Income based only
ME	All Ages; Sep. Elderly Program	YES	Circuit Breaker
MD	All Ages	YES	Circuit Breaker
MA	65+	YES	Circuit Breaker
MI	All Ages; Sep. Elderly Prog.	YES	Circuit Breaker
MN	All Ages	YES	Circuit Breaker
MO	65+	YES	Circuit Breaker
MT	All Ages	YES, Elderly only	Circuit Breaker
NH	All Ages	NO	Income based only
NJ	All Ages	NO	Circuit Breaker
NM	65+	YES	Circuit Breaker
NY	All Ages; Sep. Elderly Prog.	YES	Circuit Breaker
ND	65+	YES	Income based only
OK	65+	NO	Circuit Breaker
OR	58+	Renters only	Circuit Breaker
PA	65+	YES	Circuit Breaker
RI	All Ages	YES	Circuit Breaker
SD	65+	NO	Income based only
UT	65+	YES	Income based only
VT	All Ages	YES	Circuit Breaker
WV	All Ages	NO	Circuit Breaker
WI	All Ages	YES	Circuit Breaker
WY	All Ages; Sep Elderly Program	NO	Income based only

2013 State Circuit Breaker Developments

- **District of Columbia** lawmakers increased income eligibility for the city's circuit breaker credit from $20,000 to $50,000, increased the maximum credit from $750 to $1,000, increased the share of rent used to calculate property taxes from 15 to 20 percent and indexed the thresholds and credit amounts to inflation.

- **Maine** lawmakers converted the state's existing low-income circuit breaker rebate to a new "Property Tax Fairness Credit", a refundable credit taken via the personal income tax forms. Like the old program, the new credit is available to low- and moderate-income homeowners and renters of all ages. However, the maximum benefit was reduced from $1,600 to $300, income eligibility was lowered, and the acceptable level of property taxes as a share of income was increased. As a result of the changes, more eligible taxpayers are likely to claim the benefit since it no longer requires a separate application process, but fewer overall people will be eligible and the maximum benefit was greatly reduced.
- **Minnesota** lawmakers increased the benefit of and eligibilty for the state's property tax refund, a circuit breaker program available to low-income homeowners and renters. A new outreach program will help to ensure that eligibe homeowners and renters receive the benefit.

Recommendation: States interested in reducing property taxes for low-income homeowners and renters should consider introducing a circuit-breaker program. States with circuit breaker programs only available to older adults or homeowners should consider expanding the program to low-income homeowners and renters of all ages.

WHICH STATES GET IT (CLOSE TO) RIGHT?

The most noticeable features of the least regressive tax states are a highly progressive income tax including targeted tax credits and a lesser reliance on sales and excise taxes. For example:

• **Vermont**'s tax system is among the least regressive in the nation because it has a highly progressive income tax and low sales and excise taxes. Vermont's tax system is also made less unfair by the size of the state's refundable Earned Income Tax Credit (EITC) — 32 percent of the federal credit— and a generous property tax circuit breaker credit.

• **Delaware**'s income tax is not very progressive, but its high reliance on income taxes and very low use of consumption taxes nevertheless results in a tax system that is only slightly regressive overall. Similarly, **Oregon** has a high reliance on income taxes and very low use of consumption taxes. Both states also offers a state EITC as well as sizeable credits to offset child and dependent care expenses.

• **New York** and the **District of Columbia** each achieve a close-to-flat tax system overall through the use of generous refundable EITC's and an income tax with relatively high top rates and limits on tax breaks for upper-income taxpayers. New York also provides a refundable Child Tax Credit based on the federal program and both states provide property tax circuit breaker credits.

It should be noted that even the least regressive states generally fail to meet what most people would consider minimal standards of tax fairness. In each of these states, at least some low- or middle-income groups pay more of their income in state and local taxes than the wealthiest families must pay.

Targeted Low-Income Tax Credits

Because the Earned Income Tax Credit is targeted to low-income working families with children, it typically offers little or no benefits to older adults and adults without children. Thus, refundable low-income credits are a good complementary policy to state EITCs.

Ten states offer income tax credits of their own design to ensure that families below a certain income level aren't subject to the personal income tax. For example, **Ohio** offers a nonrefundable credit which ensures that families with incomes less than $10,000 aren't subject to the income tax. **Kentucky** offers a nonrefundable credit based on a family's size which ensures that families at or below the poverty level aren't subject to state income taxes. Making these targeted low-income credits refundable would increase their effectiveness for low-income families.

Five states offer an income tax credit to help offset the sales and excise taxes that low- income families pay. Some of the credits are specifically intended to offset some of the impact of sales taxes on groceries. The credits are normally a flat dollar amount for each family member, and are available only to taxpayers with income below a certain threshold. These credits are usually administered on state income tax forms, and are refundable—meaning that the full credit is given even if it exceeds the amount of income tax a claimant owes.

Refundability is important because it allows low-income credits to be used by taxpayers who have little or no income tax liability but who pay a substantial amount of their income in sales taxes. For example, **Idaho** offers a refundable credit for each Idahoan and their dependents to offset grocery taxes even if taxpayers aren't subject to the income tax.

State Low-Income Credits in 2013

Credits Designed to Reduce Personal Income Taxes

State	Description of Credit
AZ	Nonrefundable "Family Tax Credit" available to low-income taxpayers; eligibility varies with family size and structure
GA	Nonrefundable "Low Income Credit" available if FAGI is less than $20,000
IN	Refundable "Unified Tax Credit for the Elderly" available if FAGI is less than $10,000 and one or more household members are age 65 or older
KY	Nonrefundable "Family Size Credit" based on family size and "modified" gross income
MD	Nonrefundable "State Poverty Level Credit" equal to 5% of earned income is available to low-income taxpayers; eligibility varies with family size and structure
NY	Nonrefundable "Household Credit" available if FAGI is less than $28,000 for single filers and $32,000 for others
OH	Nonrefundable credit to ensure that families with Ohio AGI over $10,000 don't pay any income tax
PA	Nonrefundable Tax Forgiveness credit that allows eligible taxpayers to reduce all or part of their state income tax liability
VA	Nonrefundable "Tax Credit for Low-Income Individuals" that can be taken in lieu of the EITC; eligibility varies with family size and structure
WI	Nonrefundable "working families tax credit" is available if Wisconsin income is less than $19,000 for married filers ($10,000 for other filers)
WV	Nonrefundable "Family Tax Credit" available to low-income taxpayers; eligibility varies with family size and structure

Credits Designed to Offset Sales Tax/Tax on Food

State	Description of Credit
AZ	Provides a refundable "Increased Excise Tax Credit" for low-income taxpayers of all ages
HI	Provides a "Refundable Food/Excise Tax Credit" for families with FAGI below $50,000
ID	Provides a refundable "Grocery Credit" to all families regardless of income. Credit will rise to permanent level of $100 per family member in 2015
NM	Provides a "Low Income Comprehensive Tax Rebate" for all low income taxpayers
OK	Provides a refundable "Credit/Refund of Sales Tax" for low-income taxpayers of all ages

There were no significant changes made to state low-income tax credits in 2013. A proposal to enact a nonrefundable tax credit fully eliminating personal income taxes for families living in poverty (and cutting them in half for those between 100 and 125 percent of poverty) failed to pass the Hawaii legislature.

Recommendation: States committed to making sure taxes don't push families further into poverty should create refundable, targeted low-income credits. Such credits can also be used to make childcare more affordable. In states where these credits already exist, lawmakers should act to enhance them, such as by making them refundable.

Child-Related Tax Credits

Child Tax Credits: The federal income tax law allows taxpayers to claim a $1,000 income tax credit for each dependent child under 17 years of age. The credit amount is gradually phased out for high income families. A portion of the child tax credit is refundable for low-income families.

Four states currently offer a much smaller version of the child tax credit for qualifying families (Colorado will join this list contingent on Congress passing a law to allow states to force out-of-state online retailers to collect and remit sales taxes). These per-child credits are an important anti-poverty strategy, especially if they are refundable and income limited. The credits are offered beyond the extra dependent exemptions or exemption credits that most states offer families. For example, **New York** offers a $100 refundable child tax credit for qualifying families.

State Child Tax Credits in 2013

State	Description of Credit
CA	Nonrefundable income limited Dependent Exemption Credit ($315/dependent) higher than state's Personal Exemption Credit ($102/filer)
OK	Offers choice between child tax credit modeled after the federal credit and dependent care credit (both credits are nonrefundable and income limited)
NY	Refundable income limited per child tax credit modeled after the federal credit
NC	Nonrefundable income limited $100 per child tax credit

Notes:

CO will add a refundable Child Tax Credit as a share of the Federal Tax Credit (dependent on AGI) contingent on revenue from the passage of the Marketplace Fairness Act

NC's Child Tax Credit will increase to $125/child for families with AGI under $40,000 starting in 2015

Recommendation: States that want to help low-income families with children should consider increasing the value of existing child credits, making them refundable, or introducing a new refundable per child credit.

STATES PRAISED AS "LOW TAX" ARE OFTEN HIGH TAX STATES FOR FAMILIES LIVING IN POVERTY

Annual state and local finance

Child and Dependent Care Credits: Low and middle-income working parents frequently spend a significant portion of their income on child care. The federal government allows a nonrefundable income tax credit to help offset child care expenses. In 2012, single working parents (and two-earner married couples) with children under 12 can claim a credit to partially offset up to $6,000 of child care expenses;low-income taxpayers can receive a credit of up to 35 percent of these expenses. The credit percentage gradually falls for higher-income taxpayers. This "sliding scale" approach helps to target tax relief somewhat more effectively to low-income taxpayers, but making the credit refundable would help those parents and children most in need.

The majority of the 23 states (including DC) that offer a credit for child and dependent care model their state credit after the federal credit. For example, **Georgia** allows taxpayers to take 30 percent of their federal child and dependent care credit as their Georgia nonrefundable child care credit. **Nebraska** takes a slightly different approach that offers both a refundable and a nonrefundable credit depending on a family's income. The Nebraska refundable child care credit is calculated as 100 percent of the federal credit for low income filers. Higher earners can claim a nonrefundable credit equal to 25 percent of the federal credit. This approach targets the benefits of the Nebraska credit much more efficiently to low- and middle-income parents than does the federal credit. Policymakers should note that these credits do nothing to support families without children or seniors who live in poverty.

State Dependent Care Credits in 2013

State	Description of Credit
AR	Nonrefundable 20% of federal credit; Refundable 20% of federal credit for children under 6
CA	Capped nonrefundable credit; percent of credit varies on FAGI
CO	Capped refundable credit; percent of credit varies on FAGI
DC	Nonrefundable 32% of federal credit
DE	Nonrefundable 50% of federal credit
GA	Nonrefundable 30% of federal credit
HI	Refundable credit; percent of credit varies on state AGI
IA	Capped refundable credit; percent of credit varies on state net
KY	Nonrefundable 20% of federal credit
LA	Portion of credit is refundable; percent of credit varies on FAGI
MD	Capped nonrefundable credit; percent of credit varies on FAGI
ME	Refundable credit based on federal credit, percentage varies on service provider
MN	Capped refundable credit
NC	Uncapped nonrefundable credit; percent of credit varies on FAGI
NE	Partially refundable; percentage of credit varies on FAGI
NM	Capped refundable 40% of federal credit
NY	Uncapped refundable credit; percent varies on state AGI
OH	Capped nonrefundable credit; percent of credit varies on state AGI
OK	Offers choice of capped nonrefundable credit or nonrefundable chil tax credit modeled after the federal (both credits are nonrefundab and income limited)
OR	Refundable Working Family Child Care Credit and capped nonrefundable credit based on federal credit; percent of credit vari
RI	Nonrefundable 25% of federal credit
SC	Nonrefundable 7% of federal credit
VT	Nonrefundable 24% of federal credit; additional refundable low-income credit is allowed

Notes:

NC's Child and Dependent Care Credit is eliminated in 2014

ID, MA, MT and VA offer deductions for child and dependent care expenses

2013 State Child Tax Credit Developments

- **Colorado** lawmakers enacted a new Child Tax Credit for children under age 6. The credit is a sliding percentage of the federal child tax credit with the benefit decreasing as income increases. The credit is contingent on Congress passing a law to allow states to force out-of-state online retailers to collect and remit sales taxes.
- **North Carolina** lawmakers eliminated the state's child and dependent care credit as part of a tax overhaul package. Starting in 2015, the state's child tax credit will increase from $100 to $125 per child for families with adjusted gross incomes under $40,000 (married) or $32,000 (head of household).

Recommendation: States interested in targeting child and dependent care credits to help families most in need would do well to make their credits refundable and make the credit available only to families with limited incomes.

IMPLEMENTATION: A VITAL STEP

Offering the tax policies described in this report is one step to helping lift families out of poverty, but simply offering these credits is not enough. In order to ensure that as many eligible families benefit from these anti-poverty policies as possible, lawmakers should consider how they can make the credits accessible. A simple design, such as linking a credit to an already established credit (as the case with state EITCs) is a good place to start. Allowing taxpayers to claim credits on their personal income tax forms (as opposed to filling out a separate form or application at a different time of the year) makes it more likely that eligible taxpayers will receive the benefits due to them.

Policymakers, advocacy groups, and the media must also work together to ensure an effective outreach program is established and adquately funded so that taxpayers are informed about and can thus receive these credits. An outreach program must also be frequently evaluated to understand the effectiveness of the tax credit offered.

SUMMARY OF RECOMMENDATIONS

- States with EITCs should consider increasing the percentage of the existing credit and other states should consider introducing a generous and refundable EITC.

- States should consider introducing a circuit-breaker credit. States with circuit breakers only available to older adults or homeowners should consider expanding the credit to include non-elderly low-income homeowners and renters.

- States should create refundable, targeted low-income credits. Such credits can also be used to mitigate the regressive nature of state sales taxes. In states where these credits already exist, lawmakers should act to enhance them, such as by making them refundable.

- States should consider increasing the value of existing child credits, making them refundable, or introducing a new refundable per child credit.

CONCLUSION

American families living in poverty are in crisis, and state tax systems across the country do too little to offer the assistance low-income families need. Instead, regressive state tax structures are actually pushing families deeper into poverty. State lawmakers have a responsibility to ensure that their state's tax structures do not exacerbate this crisis.

State lawmakers should consider using the low-income tax credits outlined in this paper as a means of boosting the incomes of low-income families, and should ensure that effective outreach programs are in place to encourage use of the credits already in place in each state. Refundable tax credits are effective and time-tested anti-poverty solutions that would also provide additional income to help families pay for food, housing, transportation and other necessities. The reforms discussed in this paper are among the most cost effective anti-poverty strategies available to lawmakers.

State-by-state tables describing current anti-poverty tax policies offered and policies to consider enacting follow.

2013 STATE-BY-STATE ANTI-POVERTY TAX POLICIES

Alabama

2012 Poverty Rate = 19.0%

State and Local Taxes as % of Income in 2013

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$10,700	$35,000	$900,400
Taxes as a Share of Income	10.2%	9.6%	3.8%

Anti-Poverty Tax Policies Offered:

- NONE

Anti-Poverty Tax Policies to Consider:

- Introduce an Earned Income Tax Credit
- Create a Low-Income Property Tax Circuit Breaker
- Create a Child-related Credit
- Create a Refundable Low-Income Credit

Alaska

2012 Poverty Rate = 10.1%

State and Local Taxes as % of Income in 2013

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$15,400	$52,100	$1,184,200
Taxes as a Share of Income	7.0%	4.5%	2.4%

Anti-Poverty Tax Policies Offered:

- NONE

Anti-Poverty Tax Policies to Consider:

- Introduce an Earned Income Tax Credit
- Create a Low-Income Property Tax Circuit Breaker
- Create a Child-related Credit
- Create a Refundable Low-Income Credit

Arizona

2012 Poverty Rate = 18.7%

State and Local Taxes as % of Income in 2013

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$12,200	$39,800	$971,500
Taxes as a Share of Income	12.9%	9.4%	4.7%

Anti-Poverty Tax Policies Offered:

- Low-Income property tax credit (For Homeowners and Renters, 65+ or Disabled)
- Nonrefundable, all ages, Low-Income Credit offered
- Refundable, all ages, Low-Income Credit offered

Anti-Poverty Tax Policies to Consider:

- Make true circuit breaker credit and expand to include Homeowners and Renters of All Ages; Raise Maximum Benefits
- Enhance Low-Income Credits
- Introduce an Earned Income Tax Credit
- Create a Child-related Credit

Arkansas

2012 Poverty Rate = 19.8%

State and Local Taxes as % of Income in 2013*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$8,600	$35,200	$723,300
Taxes as a Share of Income	11.9%	11.4%	6.0%

Anti-Poverty Tax Policies Offered:

- Child and Dependent Care Credit offered modeled after the federal credit; Refundable for children under age 6
- Offers low income alternative tax table

Anti-Poverty Tax Policies to Consider:

- Create a Refundable Low-Income Credit
- Make Child and Dependent Care Credit Fully Refundable; Increase maximum benefits
- Introduce an Earned Income Tax Credit
- Create a Low-Income Property Tax Circuit Breaker

Tax changes enacted in 2013 are not included in the Who Pays? results above.

California

2012 Poverty Rate = 17.0%

State and Local Taxes as % of Income in 2013

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$1,300	$45,900	$1,560,800
Taxes as a Share of Income	10.6%	9.2%	8.8%

Anti-Poverty Tax Policies Offered:

- Low-Income quasi-Circuit Breaker (For Homeowners and Renters, 62+ or Disabled)
- Low-Income Renters credit available
- Nonrefundable income limited Dependent Exemption Credit higher than state's Personal Exemption Credit
- Nonrefundable income limited Child and Dependent Care Credit offered modeled after the federal credit

Anti-Poverty Tax Policies to Consider:

- Fully Fund Circuit Breaker Program; Expand Program to Include Homeowners and Renters of All Ages; Raise Maximum Benefits
- Introduce an Earned Income Tax Credit
- Create a Refundable Low-Income Credit

Colorado

2012 Poverty Rate = 13.7%

State and Local Taxes as % of Income in 2013

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$11,500	$48,400	$1,345,400
Taxes as a Share of Income	8.9%	8.3%	4.6%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 10%
- Low-Income Quasi-Circuit Breaker (For Homeowners and Renters, 65+ or Disabled)
- Refundable income limited Child and Dependent Care Credit offered modeled after the federal credit
- Refundable Child Tax Credit (contingent)

Anti-Poverty Tax Policies to Consider:

- Unsuspend and Fully Fund the Earned Income Credit
- Expand Circuit Breaker program to Include Homeowners and Renters of All Ages; Raise Maximum Benefits
- Create a Refundable Low-Income Credit

Tax changes enacted in 2013 are not included in the *Who Pays?* results above.

Connecticut

2012 Poverty Rate = 10.7%

State and Local Taxes as % of Income in 2013*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$12,000	$57,200	$3,508,400
Taxes as a Share of Income	11.0%	10.5%	5.5%

Anti-Poverty Tax Policies Offered:	Anti-Poverty Tax Policies to Consider:
• Refundable Earned Income Tax Credit at 30% (temporarily reduced to 25%)	• Increase state EITC
• Low-Income Sliding Scale Circuit Breaker (For Homeowners and Renters, 65+ or Disabled)	• Expand Circuit Breaker program to Include Homeowners and Renters of All Ages
	• Create a Child-related Credit
	• Create a Refundable Low-Income Credit

Delaware

2012 Poverty Rate = 12.0%

State and Local Taxes as % of Income in 2013

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$9,800	$42,700	$1,133,300
Taxes as a Share of Income	5.7%	5.4%	4.2%

Anti-Poverty Tax Policies Offered:	Anti-Poverty Tax Policies to Consider:
• Nonrefundable Earned Income Tax Credit at 20%	• Make Earned Income Tax Credit Refundable and Increase Percentage
• Nonrefundable Child and Dependent Care Credit offered modeled after the federal credit	• Make Child and Dependent Care Credit Refundable and Increase Maximum Benefits
	• Create a Low-Income Property Tax Circuit Breaker
	• Create a Refundable Low-Income Credit

District of Columbia

2012 Poverty Rate = 18.2%

State and Local Taxes as % of Income in 2013*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$12,600	$50,200	$2,359,500
Taxes as a Share of Income	6.6%	11.0%	7.3%

Anti-Poverty Tax Policies Offered:	Anti-Poverty Tax Policies to Consider:
• Refundable Earned Income Tax Credit at 40%	• Increase Earned Income Tax Credit
• Low-Income Multiple Threshold Circuit Breaker (For Homeowners and Renters, All Ages)	• Enhance Circuit Breaker Program
• Nonrefundable Child and Dependent Care Credit offered modeled after the federal credit	• Make Child and Dependent Care Credit Refundable and Increase maximum benefits
	• Create a Refundable Low-Income Credit

Tax changes enacted in 2013 are not reflected in the *Who Pays?* data above.

Florida

2012 Poverty Rate = 17.1%

State and Local Taxes as % of Income in 2013

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$10,300	$37,300	$1,573,600
Taxes as a Share of Income	13.2%	8.5%	2.3%

Anti-Poverty Tax Policies Offered:

- NONE

Anti-Poverty Tax Policies to Consider:

- Introduce an Earned Income Tax Credit
- Create a Low-Income Property Tax Circuit Breaker
- Create a Child-related credit
- Create a Refundable Low-Income Credit

Georgia

2012 Poverty Rate = 19.2%

State and Local Taxes as % of Income in 2013*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$9,500	$37,300	$983,300
Taxes as a Share of Income	11.3%	9.6%	4.9%

Anti-Poverty Tax Policies Offered:

- Nonrefundable, all ages, Low-Income Credit offered
- Nonrefundable Child and Dependent Care Credit offered modeled after the federal credit

Anti-Poverty Tax Policies to Consider:

- Make Low-Income Credit Refundable and increase amount of credit
- Make Child and Dependent Care Credit Refundable and Limit to Low-Income Families
- Introduce an Earned Income Tax Credit
- Create a Low-Income Property Tax Circuit Breaker

Hawaii

2012 Poverty Rate = 11.6%

State and Local Taxes as % of Income in 2013*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$9,800	$40,000	$698,600
Taxes as a Share of Income	13.0%	11.6%	8.0%

Anti-Poverty Tax Policies Offered:

- Refundable, all ages, Low-Income Credit offered to assist in offsetting food and excise taxes
- Refundable Child and Dependent Care Credit offered
- Refundable income limited credit for renters

Anti-Poverty Tax Policies to Consider:

- Enhance existing Low-Income Credits
- Limit Child and Dependent Care Credit to Low-Income Families and increase benefits
- Create a Low-Income Property Tax Circuit Breaker for homeowners
- Introduce an Earned Income Tax Credit

Idaho

2012 Poverty Rate = 15.9%

State and Local Taxes as % of Income in 2013*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$10,400	$40,300	$793,000
Taxes as a Share of Income	8.2%	7.8%	6.4%

Anti-Poverty Tax Policies Offered:

- Low-Income quasi-Circuit Breaker (For Homeowners 65+)
- Refundable, all ages, non-income limited credit offered to assist in offsetting grocery taxes

Anti-Poverty Tax Policies to Consider:

- Expand Circuit Breaker Program to Homeowners and Renters of All Ages; Increase Maximum Benefits
- Limit Credit to Low-Income households and increase amount
- Introduce an Earned Income Tax Credit
- Create a Child-related Credit

Illinois

2012 Poverty Rate = 14.7%

State and Local Taxes as % of Income in 2013*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$10,100	$46,800	$1,489,200
Taxes as a Share of Income	13.8%	10.9%	4.9%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 10% (2013)

Anti-Poverty Tax Policies to Consider:

- Increase Earned Income Tax Credit
- Create Circuit Breaker Program to Homeowners and Renters of All Ages; Increase Maximum Benefits
- Create a Child-related Credit
- Create a Refundable Low-Income Credit

Indiana

2012 Poverty Rate = 15.6%

State and Local Taxes as % of Income in 2013

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$10,300	$42,800	$800,300
Taxes as a Share of Income	12.3%	10.8%	5.4%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 9%
- Refundable, elderly only, Low-Income Credit offered

Anti-Poverty Tax Policies to Consider:

- Increase Earned Income Tax Credit
- Expand Low-Income Credit to all ages and increase benefit
- Create a Low-Income Property Tax Circuit Breaker
- Create a Child-related Credit

Iowa

2012 Poverty Rate = 12.7%

State and Local Taxes as % of Income in 2013

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$10,700	$47,200	$759,100
Taxes as a Share of Income	10.9%	10.1%	6.0%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 14/15%
- Low-Income Sliding Scale Circuit Breaker (For Homeowners and Renters, 65+ or Disabled)
- Refundable income limited Child and Dependent Care Credit offered modeled after the federal credit

Tax changes in 2013 not reflected in *Who Pays?* data above

Anti-Poverty Tax Policies to Consider:

- Increase Earned Income Tax Credit
- Expand Circuit Breaker Program to Homeowners and Renters of All Ages; Increase Maximum Benefits
- Create a Refundable Low-Income Credit

Kansas

2012 Poverty Rate = 14.0%

State and Local Taxes as % of Income in 2013*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$10,300	$45,500	$1,025,300
Taxes as a Share of Income	10.3%	8.9%	3.9%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 18%
- Low-Income Sliding Scale Circuit Breaker (For Homeowners, 55+, Disabled, Or With Dependent Under 18)

Tax changes in 2013 not reflected in *Who Pays?* data above

Anti-Poverty Tax Policies to Consider:

- Increase Earned Income Tax Credit
- Expand Circuit Breaker Program to Homeowners and Renters of All Ages; Increase Maximum Benefits
- Reinstate Child and Dependent Care Credit
- Reinstate Low-Income Credit

Kentucky

2012 Poverty Rate = 19.4%

State and Local Taxes as % of Income in 2013*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$8,500	$36,400	$759,000
Taxes as a Share of Income	9.1%	10.9%	5.7%

Anti-Poverty Tax Policies Offered:

- Nonrefundable Child and Dependent Care Credit offered modeled after the federal credit
- Nonrefundable, all ages, Low-Income Credit offered

Anti-Poverty Tax Policies to Consider:

- Make Child and Dependent Care Credit Refundable and Limit to Low-Income Families
- Make Low-Income Credit Refundable and increase credit amount
- Introduce an Earned Income Tax Credit
- Create a Low-Income Property Tax Circuit Breaker

Louisiana

2012 Poverty Rate = 19.9%

State and Local Taxes as % of Income in 2013

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$10,000	$38,200	$979,700
Taxes as a Share of Income	10.6%	10.1%	4.6%

Anti-Poverty Tax Policies Offered:

•Refundable Earned Income Tax Credit at 3.5%

• Partially Refundable Child and Dependent Care Credit offered modeled after the federal credit

Anti-Poverty Tax Policies to Consider:

• Increase Earned Income Tax Credit

• Expand Child and Dependent Care Credit to Include Children Over the Age of 5 and make the credit Refundable

• Create a Low-Income Property Tax Circuit Breaker

• Create a Refundable Low-Income Credit

Maine

2012 Poverty Rate = 14.7%

State and Local Taxes as % of Income in 2013*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$11,800	$40,400	$703,200
Taxes as a Share of Income	9.6%	9.3%	6.9%

Anti-Poverty Tax Policies Offered:

•Refundable Earned Income Tax Credit at 5%

• Low- and Middle- Income Circuit Breaker (For Homeowners and Renters, All Ages)

•Refundable Child and Dependent Care Credit offered

Anti-Poverty Tax Policies to Consider:

• Increase Earned Income Tax Credit

• Enhance Circuit Breaker Program

• Make Child and Dependent Care Credit Fully Refundable

• Create a Refundable Low-Income Credit

Tax changes in 2013 not reflected in Who Pays? data above

Maryland

2012 Poverty Rate = 10.3%

State and Local Taxes as % of Income in 2013*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$12,600	$52,500	$1,437,300
Taxes as a Share of Income	9.7%	9.9%	6.4%

Anti-Poverty Tax Policies Offered:

•Refundable Earned Income Tax Credit at 25%; Nonrefundable up to 50%

•Low- and Middle- Income Multiple Threshold Circuit Breaker (For Homeowners All Ages and Renters 60+, Disabled, or With Dependent)

•Nonrefundable income limited Child and Dependent Care Credit offered modeled after the federal credit

• Nonrefundable "State Poverty Level Credit" offered

Anti-Poverty Tax Policies to Consider:

• Increase Earned Income Tax Credit

• Increase Circuit Breaker program benefits and make fully available to low-income renters.

• Make Child and Dependent Care Credit Refundable and Increase maximum benefits

• Create a Refundable Low-Income Credit

Massachusetts

2012 Poverty Rate = 11.9%

State and Local Taxes as % of Income in 2013

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$11,700	$54,000	$2,168,000
Taxes as a Share of Income	10.0%	9.3%	4.9%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 15%
- Low- and Middle- Income Circuit Breaker (For Homeowners and Renters, 65+)

Anti-Poverty Tax Policies to Consider:

- Increase Earned Income Tax Credit
- Expand Circuit Breaker Program to Homeowners and Renters of All Ages; Increase Maximum Credit
- Create a Child-related Credit
- Create a Refundable Low-Income Credit

Michigan

2012 Poverty Rate = 17.4%

State and Local Taxes as % of Income in 2013*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$8,700	$41,400	$846,500
Taxes as a Share of Income	9.7%	9.5%	5.8%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 6%
- Middle Class / Low-Income Circuit Breaker (For Homeowners and Renters, All Ages)

Anti-Poverty Tax Policies to Consider:

- Enact legislation stopping the reduction in the state EITC (scheduled for 2012)
- Increase Circuit Breaker Program Benefits
- Create a Child-related Credit
- Create a Refundable Low-Income Credit

Minnesota

2012 Poverty Rate = 11.4%

State and Local Taxes as % of Income in 2013*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$12,500	$52,200	$1,308,300
Taxes as a Share of Income	8.8%	9.6%	6.2%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit, structured differently from the federal credit, average rate is 33%
- Low- and Middle- Income Circuit Breaker (For Homeowners and Renters, All Ages)
- Refundable Child and Dependent Care Credit offered

Anti-Poverty Tax Policies to Consider:

- Increase Earned Income Tax Credit
- Enhance Circuit Breaker Program
- Create a Refundable Low-Income Credit

Tax changes in 2013 not reflected in Who Pays? data above

Mississippi

2012 Poverty Rate = 24.2%

State and Local Taxes as % of Income in 2013*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$8,800	$31,600	$616,100
Taxes as a Share of Income	10.4%	10.5%	5.4%

Anti-Poverty Tax Policies Offered:

- NONE

Anti-Poverty Tax Policies to Consider:

- Introduce an Earned Income Tax Credit
- Create a Low-Income Property Tax Circuit Breaker
- Create a Child-related credit
- Create a Refundable Low-Income Credit

Missouri

2012 Poverty Rate = 16.2%

State and Local Taxes as % of Income in 2013

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$10,100	$40,000	$941,100
Taxes as a Share of Income	9.6%	9.0%	5.4%

Anti-Poverty Tax Policies Offered:

- Low-Income Circuit Breaker (For Homeowners and Renters, 65+ or Disabled)

Anti-Poverty Tax Policies to Consider:

- Expand Circuit Breaker Program to Renters and Homeowners of All Ages; Increase Maximum Benefits
- Introduce an Earned Income Tax Credit
- Create a Child-related Credit
- Create a Refundable Low-Income Credit

Montana

2012 Poverty Rate = 15.5%

State and Local Taxes as % of Income in 2013

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$9,600	$39,000	$803,500
Taxes as a Share of Income	6.4%	6.3%	4.7%

Anti-Poverty Tax Policies Offered:

- Low-Income Circuit Breaker (For Homeowners All Ages and Renters, 62+)

Anti-Poverty Tax Policies to Consider:

- Expand Circuit Breaker Program to Renters of All Ages; Increase Maximum Credit
- Introduce an Earned Income Tax Credit
- Create a Child-related Credit
- Create a Refundable Low-Income Credit

Nebraska

2012 Poverty Rate = 13.0%

State and Local Taxes as % of Income in 2013

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$11,100	$45,600	$1,102,800
Taxes as a Share of Income	10.9%	10.3%	5.8%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 10%
- Low-Income Circuit Breaker (For Homeowners, 65+ or Disabled)
- Nonrefundable (refundable for qualifying families) income limited Child and Dependent Care Credit offered modeled after the federal credit

Anti-Poverty Tax Policies to Consider:

- Increase Earned Income Tax Credit
- Expand Circuit Breaker Program to Renters of All Ages; Increase maximum credit
- Make Child and Dependent Care Credit Refundable and Increase maximum benefits
- Create a Refundable Low-Income Credit

Nevada

2012 Poverty Rate = 16.4%

State and Local Taxes as % of Income in 2013

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$12,100	$38,700	$1,239,800
Taxes as a Share of Income	9.0%	6.8%	2.4%

Anti-Poverty Tax Policies Offered:

- NONE

Anti-Poverty Tax Policies to Consider:

- Introduce an Earned Income Tax Credit
- Create a Low-Income Property Tax Circuit Breaker
- Create a Child-related Credit
- Create a Refundable Low-Income Credit

New Hampshire

2012 Poverty Rate = 10.0%

State and Local Taxes as % of Income in 2013*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$14,100	$53,100	$1,200,500
Taxes as a Share of Income	8.6%	6.6%	2.4%

Anti-Poverty Tax Policies Offered:

- Low-Income Circuit Breaker (For Homeowners, All Ages)

Anti-Poverty Tax Policies to Consider:

- Expand Circuit Breaker Program to Renters
- Introduce an Earned Income Tax Credit
- Create a Child-related Credit
- Create a Refundable Low-Income Credit

New Jersey

2012 Poverty Rate = 10.8%

State and Local Taxes as % of Income in 2013*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$12,500	$54,400	$1,823,800
Taxes as a Share of Income	11.2%	9.1%	7.0%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 20%
- Low- and Middle- Income Circuit Breaker (For Homeowners, All Ages)

Anti-Poverty Tax Policies to Consider:

- Increase Earned Income Tax Credit; Restore to 25%
- Expand Circuit Breaker for all ages
- Create a Child-related Credit
- Create a Refundable Low-Income Credit

New Mexico

2012 Poverty Rate = 20.8%

State and Local Taxes as % of Income in 2013*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$10,200	$37,300	$732,400
Taxes as a Share of Income	10.6%	9.7%	4.8%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 10%
- Low-Income Multiple Threshold Circuit Breaker (For Homeowners and Renters, 65+)
- Refundable income limited Child and Dependent Care Credit offered based on the federal credit
- Refundable, all ages, Low-Income Credit offered to assist in offsetting state and local taxes

Anti-Poverty Tax Policies to Consider:

- Increase Earned Income Tax Credit
- Expand Circuit Breaker Program to Homeowners & Renters of All Ages; Increase maximum credit
- Increase Low-Income Credit

New York

2012 Poverty Rate = 15.9%

State and Local Taxes as % of Income in 2013

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$10,000	$44,700	$2,235,300
Taxes as a Share of Income	10.0%	11.9%	6.9%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 30%
- Enhanced State EITC for Certain Non-Custodial Parents
- Low-Income quasi-Circuit Breaker (For Homeowners and Renters, All Ages)
- Refundable income limited Child and Dependent Care Credit offered modeled after the federal credit
- Refundable income limited $100 per child Child Tax Credit modeled after the federal credit
- Nonrefundable, all ages, Low-Income Credit offered

Anti-Poverty Tax Policies to Consider:

- Increase Earned Income Tax Credit
- Increase Circuit Breaker Income Ceiling and Maximum Benefits
- Increase Child and Dependent Care Credit
- Increase Child Tax Credit
- Create a Refundable Low-Income Credit

North Carolina

2012 Poverty Rate = 18.0%

State and Local Taxes as % of Income in 2013

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$10,100	$36,800	$818,100
Taxes as a Share of Income	9.8%	9.4%	6.5%

Anti-Poverty Tax Policies Offered:

•Refundable Earned Income Tax Credit at 4.5%; expires in 2014

•Nonrefundable Child and Dependent Care Credit offered modeled after the federal credit eliminated in 2014

•Nonrefundable income limited $100 per Child Tax Credit modeled after the federal credit ($125/child for AGI under $40K in 2015)

Tax changes in 2013 not reflected in Who Pays? data above

Anti-Poverty Tax Policies to Consider:

• Reinstate and Increase Earned Income Tax Credit

• Reinstate the Child and Dependent Care Credit

• Make Child Credit Refundable

• Create a Low-Income Property Tax Circuit Breaker

• Create a Refundable Low-Income Credit

North Dakota

2012 Poverty Rate = 11.2%

State and Local Taxes as % of Income in 2013*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$15,000	$52,100	$989,000
Taxes as a Share of Income	9.2%	7.5%	3.6%

Anti-Poverty Tax Policies Offered:

•Low-Income Circuit Breaker (For Homeowners and Renters, 65+ or Disabled)

Tax changes in 2013 not reflected in Who Pays? data above

Anti-Poverty Tax Policies to Consider:

• Increase Size of Circuit Breaker Credit and Expand to All Renters and Homeowners

• Introduce an Earned Income Tax Credit

• Create a Child-related Credit

• Create a Refundable Low-Income Credit

Ohio

2012 Poverty Rate = 16.3%

State and Local Taxes as % of Income in 2013

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$9,700	$39,900	$827,600
Taxes as a Share of Income	11.6%	10.3%	6.3%

Anti-Poverty Tax Policies Offered:

•Nonrefundable, all ages Low-Income Credit offered

•Nonrefundable income limited Child and Dependent Care Credit offered modeled after the federal credit

• 5% non-refundable, limited Earned Income Tax Credit

Tax changes in 2013 not reflected in Who Pays? data above

Anti-Poverty Tax Policies to Consider:

• Make the Low-Income Tax Credit Refundable

• Make the Child and Dependent Care Credit Refundable and increase benefits

•Expand EITC and make it refundable

• Create a Child-related Credit

Oklahoma

2012 Poverty Rate = 17.2%

State and Local Taxes as % of Income in 2013

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$9,600	$39,000	$1,060,100
Taxes as a Share of Income	10.3%	9.3%	4.6%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 5%
- Low-Income Circuit Breaker (For Homeowners, 65+ or Disabled)
- Nonrefundable Child and Dependent Care Credit offered modeled after the federal credit
- Refundable, all ages, Low-Income Credit offered to assist in offsetting sales taxes (higher limit for elderly households)

Anti-Poverty Tax Policies to Consider:

- Increase Earned Income Tax Credit
- Increase Size of Circuit Breaker Credit and expand to renters and homeowners regardless of age
- Make the Child and Dependent Care Credit refundable and increase benefits
- Increase Low-Income Credit

Oregon

2012 Poverty Rate = 17.2%

State and Local Taxes as % of Income in 2013

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$10,600	$41,100	$772,900
Taxes as a Share of Income	8.3%	7.6%	7.0%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 6%
- Low-Income Circuit Breaker (For Renters, 58+)
- Nonrefundable income limited Child and Dependent Care Credit offered modeled after the federal credit
- Refundable Low-Income/Child Tax Credit available to low-income working families with qualifying child care expenses

Anti-Poverty Tax Policies to Consider:

- Increase Earned Income Tax Credit
- Expand Circuit Breaker Program to include all ages and Homeowners
- Make Child and Dependent Care Credit Refundable and Increase maximum benefits
- Increase Low-Income Child Credit
- Create a Refundable Low-Income Credit for all households

Pennsylvania

2012 Poverty Rate = 13.7%

State and Local Taxes as % of Income in 2013

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$10,900	$46,700	$1,067,100
Taxes as a Share of Income	12.0%	10.1%	4.4%

Anti-Poverty Tax Policies Offered:

- Low-Income Quasi-Circuit Breaker (For Homeowners and Renters, 65+, 50+ Widowers, or Disabled)
- Nonrefundable Low-Income Credit

Anti-Poverty Tax Policies to Consider:

- Expand Circuit Breaker to all ages
- Enhance Low-Income Credit
- Introduce an Earned Income Tax Credit
- Create a Child-related Credit

Rhode Island

2012 Poverty Rate = 13.7%

State and Local Taxes as % of Income in 2013*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$9,700	$45,800	$912,400
Taxes as a Share of Income	12.1%	10.5%	6.4%

Anti-Poverty Tax Policies Offered:

•Refundable Earned Income Tax Credit at 3.75%; Nonrefundable Up to 25%

•Low-Income Circuit Breaker (For Homeowners and Renters, All Ages)

•Nonrefundable Child and Dependent Care Credit offered modeled after the federal credit

Anti-Poverty Tax Policies to Consider:

• Make Earned Income Tax Credit fully refundable and Increase the credit

• Increase Circuit Breaker Program maximum benefits

• Make Child and Dependent Care Credit Refundable and Limit to Low-Income Families

South Carolina

2012 Poverty Rate = 18.3%

State and Local Taxes as % of Income in 2013*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$9,500	$34,000	$775,700
Taxes as a Share of Income	7.1%	7.3%	5.0%

Anti-Poverty Tax Policies Offered:

•Nonrefundable Child and Dependent Care Credit offered modeled after the federal credit

Anti-Poverty Tax Policies to Consider:

• Make Child and Dependent Care Credit Refundable and Limit to Low-Income Families

• Introduce an Earned Income Tax Credit

• Create a Low-Income Property Tax Circuit Breaker

• Create a Refundable Low-Income Credit

South Dakota

2012 Poverty Rate = 13.4%

State and Local Taxes as % of Income in 2013

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$11,200	$45,200	$1,093,200
Taxes as a Share of Income	11.6%	8.0%	2.1%

Anti-Poverty Tax Policies Offered:

•Low-Income Sliding Scale Circuit Breaker (For Homeowners, 65+ or Disabled)

Anti-Poverty Tax Policies to Consider:

• Fully fund Circuit Breaker Program and expand to include all ages

• Offer Refundable Low-Income credit

• Introduce an Earned Income Tax Credit

• Create a Child-related Credit

Tennessee

2012 Poverty Rate = 17.9%

State and Local Taxes as % of Income in 2013

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$1,000	$37,300	$945,900
Taxes as a Share of Income	11.2%	8.8%	2.8%

Anti-Poverty Tax Policies Offered:

- NONE

Anti-Poverty Tax Policies to Consider:

- Introduce an Earned Income Tax Credit
- Create a Low-Income Property Tax Circuit Breaker
- Create a Child-related credit
- Create a Refundable Low-Income Credit

Texas

2012 Poverty Rate = 17.9%

State and Local Taxes as % of Income in 2013

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$11,400	$41,300	$1,365,600
Taxes as a Share of Income	12.6%	8.6%	3.2%

Anti-Poverty Tax Policies Offered:

- NONE

Anti-Poverty Tax Policies to Consider:

- Introduce an Earned Income Tax Credit
- Create a Low-Income Property Tax Circuit Breaker
- Create a Child-related credit
- Create a Refundable Low-Income Credit

Utah

2012 Poverty Rate = 12.8%

State and Local Taxes as % of Income in 2013

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$11,500	$43,000	$1,059,600
Taxes as a Share of Income	9.4%	8.7%	5.0%

Anti-Poverty Tax Policies Offered:

- Low-Income Circuit Breaker (For Homeowners and Renters, 65+)

Anti-Poverty Tax Policies to Consider:

- Expand Circuit Breaker Program to include all ages
- Introduce an Earned Income Tax Credit
- Create a Child-related Credit
- Create a Refundable Low-Income Credit

Vermont

2012 Poverty Rate = 11.8%

State and Local Taxes as % of Income in 2013*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$11,300	$43,600	$776,000
Taxes as a Share of Income	8.7%	10.4%	8.0%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 32%
- Low- and Middle- Income Circuit Breaker (For Homeowners and Renters, All Ages)
- Nonrefundable Child and Dependent Care Credit offered modeled after the federal credit

Anti-Poverty Tax Policies to Consider:

- Increase Earned Income Tax Credit
- Increase Circuit Breaker Program Benefits
- Make Child and Dependent Care Credit Refundable and Limit to Low-Income Families
- Create a Refundable Low-Income Credit

Virginia

2012 Poverty Rate = 11.7%

State and Local Taxes as % of Income in 2013

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$11,400	$47,300	$1,286,500
Taxes as a Share of Income	8.6%	8.2%	4.9%

Anti-Poverty Tax Policies Offered:

- Nonrefundable Earned Income Tax Credit at 20%
- Nonrefundable Low-Income Credit can be taken as an alternative to the EITC

Anti-Poverty Tax Policies to Consider:

- Make Earned Income Tax Credit Fully Refundable and Increase the Credit
- Make Low-Income Credit Refundable
- Create a Low-Income Property Tax Circuit Breaker
- Create a Child-related Credit

Washington

2012 Poverty Rate = 13.5%

State and Local Taxes as % of Income in 2013

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$11,500	$49,900	$1,131,500
Taxes as a Share of Income	16.9%	10.4%	2.8%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 10% (Unfunded)
- Low-Income Sliding Scale Circuit Breaker (For Homeowners, 61+ or Disabled)

Anti-Poverty Tax Policies to Consider:

- Fully fund Earned Income Tax Credit and Increase the Size of Credit
- Expand Circuit Breaker Program to include all ages
- Create a Child-related Credit
- Create a Refundable Low-Income Credit

West Virginia

2012 Poverty Rate = 17.8%

State and Local Taxes as % of Income in 2013*

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$9,000	$35,400	$595,000
Taxes as a Share of Income	8.7%	8.9%	6.3%

Anti-Poverty Tax Policies Offered:

- Universal Circuit Breaker (For Homeowners, All Ages)
- Nonrefundable Low-Income Family Credit

Anti-Poverty Tax Policies to Consider:

- Limit Circuit Breaker Program to low-income households and make available to renters
- Alter structure of Low-Income Family Credit to make it Refundable
- Introduce an Earned Income Tax Credit
- Create a Child-related credit

Wisconsin

2012 Poverty Rate = 13.2%

State and Local Taxes as % of Income in 2013

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$13,200	$46,700	$887,500
Taxes as a Share of Income	9.6%	10.7%	6.9%

Anti-Poverty Tax Policies Offered:

- Refundable Earned Income Tax Credit at 4% for One Child; 11% for Two; 34% for Three
- Low-Income Multiple Threshold Circuit Breaker (For Homeowners and Renters, All Ages)
- Nonrefundable, all ages, Low-Income Tax credit offered

Anti-Poverty Tax Policies to Consider:

- Increase Size of Earned Income Tax Credit
- Increase Circuit Breaker Program Maximum Benefits
- Make Low-Income Tax Credit Refundable
- Create a Child-related Credit

Wyoming

2012 Poverty Rate = 12.6%

State and Local Taxes as % of Income in 2013

	Lowest 20%	Middle 20%	Top 1%
Average Income in Group	$12,800	$52,700	$1,912,300
Taxes as a Share of Income	8.2%	5.9%	1.6%

Anti-Poverty Tax Policies Offered:

- Low-Income quasi-Circuit Breaker (For Homeowners and Renters, 65+ or Disabled)

Anti-Poverty Tax Policies to Consider:

- Expand Circuit Breaker Program to include non-elderly Renters and Homeowners
- Introduce an Earned Income Tax Credit
- Create a Child-related credit
- Create a Refundable Low-Income Credit

SOURCES

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- Other information from state Department of Revenue websites

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[1] Carmen DeNavas-Walt et al.,"Income, Poverty and Health Insurance Coverage in the United States in 2012," U.S. Census Bureau, September 17, 2013.

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[3] *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States.*Institute on Taxation and Ecocomic Policy, January 2013. www.whopays.org