

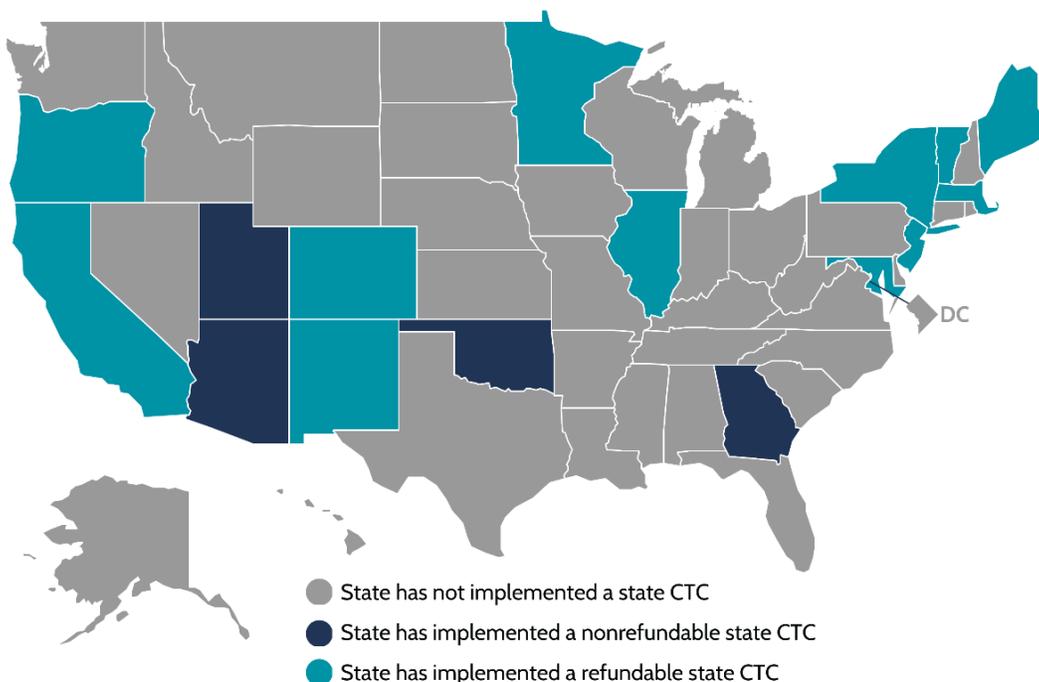
Rhode Island House Committee on Finance
H. 7127, Governor’s Budget Article 5, Sections 5 and 6
Informational Testimony on Behalf of the Prenatal-to-3 Policy Impact Center
February 26, 2026

Chair Abney, Vice Chairs Slater and Marszalkowski, and members of the committee,

Thank you for the opportunity to provide informational testimony regarding H. 7127, Governor McKee’s budget proposal, which introduces a state child tax credit (CTC).

The Prenatal-to-3 Policy Impact Center is a nonpartisan research center based in Vanderbilt University. We focus on identifying state policies that have been proven effective by rigorous research, with an emphasis on policies that help children and families thrive in the earliest years of life. We do not take official positions on any legislation, and our testimony reflects the research on a given topic, rather than the views of the University.

State CTCs are targeted tax credits designed to benefit children and their families. The credits are a tool to help improve families’ economic security and reduce child poverty by offsetting some of the costs of raising children. As of February 2026, 16 states offer a state CTC.



Research on State CTCs

Policy progress on state CTCs has been rapid in the past few years, following the temporary expansion of the federal child tax credit in 2021 that lifted 2.1 million children out of poverty.¹ More than half of states with a credit began implementing it in the past 5 years, and nearly all states that had existing credits have expanded them over that time frame.

Because of this recent growth, research has not yet caught up to state progress. However, preliminary research shows that state CTCs are a promising policy to improve child and family outcomes. Research and high-quality simulation studies on state CTCs have found benefits including reducing child poverty,² increasing children's resources,³ and decreasing reports of child maltreatment.⁴

Importantly, state CTCs have not been found to harm labor force participation.⁵ By increasing household resources without impacting employment, state CTCs can improve financial stability for families and allow parents to better meet their children's basic needs.

Variation in State CTCs

State CTC policies vary in terms of refundability, value, structure, and eligibility.

- **Refundability:** Of the 16 states that have implemented a CTC, 12 are refundable and 4 are nonrefundable. Refundability allows families with the lowest incomes to benefit from the credit.
 - H.7127 would establish a refundable credit.
- **Value:** The maximum value of CTCs has increased over the past several years as states have introduced more generous credits. As of tax year 2026, the maximum values of state CTCs range from \$100 per child in Arizona to \$1,750 per child in Minnesota.
 - H. 7127 would establish a credit valued at \$320 per child.

¹ Burns, K. & Fox, L. (2023). The Impact of the 2021 Expanded Child Tax Credit on Child Poverty. United States Census Bureau. <https://www.census.gov/library/working-papers/2022/demo/SEHSD-wp2022-24.html>

² Collyer, S., Curran, M., Davis, A., Harris, D., Wimer, C. (2022). Institute on Taxation and Economic Policy. <https://itep.sfo2.digitaloceanspaces.com/Report-State-Child-Tax-Credits-and-Child-Poverty-A-50-StateAnalysis-2022.pdf>

³ Pac, J., Garfinkel, I., Kaushal, N., Nam, J., Nolan, L., Waldfogel, J., & Wimer, C. (2020). Reducing poverty among children: Evidence from state policy simulations. *Children & Youth Services Review*, 115, 1-12. <https://doi.org/10.1016/j.childyouth.2020.105030>

⁴ Piña, G., Moore, K., Mihalec-Adkins, B., Darling, K., Abdi, F., & Liehr, A. (2024). State Policy Levers for Reducing Early Childhood Maltreatment: The Importance of Family Planning and Economic Support Policies. *Child Maltreatment*, 0(0). <https://doi.org/10.1177/10775595241267236>

⁵ Goldin, J., Homonoff, T., Lal, N., Lurie, I., Michelmores, K., Unrath, M. (2024). Work requirements and child tax benefits. NBER. <https://www.nber.org/papers/w32343>

- **Structure:** Of the 16 states that have implemented a CTC, 11 are structured as a per-child credit with a decrease in value as income increases over a specific threshold, two are structured to provide the same value credit to all eligible families, two are based as a percentage of another credit, and one is a per-household credit.
 - H. 7127 would create a per-child credit with a decrease in value for households with earnings over \$261,000.
- **Child Age Eligibility:** Many states target the eligibility of their credit based on child age. No state currently offers a CTC to children aged 18 and under. Minnesota offers the credit to children aged 17 and under, and 6 states offer the credit to children aged 16 and under, mirroring federal CTC eligibility. Six other states choose to target the credit to younger children under the age of 6.
 - H. 7127 would provide a credit for children aged 18 and under.
- **Income Eligibility:** State CTCs are often income targeted. Of the 16 states with a CTC, only 7 states allow a credit to joint filers with income over \$100,000, and only 4 allow a credit to joint filers with income over \$200,000.
 - H. 7127 would begin phasing out once household income exceeds \$261,000.

Impacts of the Governor's Proposal

According to an analysis by PolicyEngine,⁶ the proposed credit would reduce child poverty in the state by 2.12% and increase tax benefits for nearly a third of Rhode Island families in tax year 2027. Families making under \$50,000 annually would see the biggest impact, as many of these families do not benefit from the current dependent exemption due to low tax liability.⁷ The credit would provide a new benefit for these families, increasing their annual resources.

The state child tax credit proposed in the Governor's budget can improve family economic stability, increase household resources, reduce child poverty, and improve optimal child health and wellbeing for families in Rhode Island.

Thank you for the opportunity to provide testimony.

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⁶ Trimmer, David. (2026). Analysis of Rhode Island Governor McKee's proposed Child Tax Credit. PolicyEngine. <https://www.policyengine.org/us/research/ri-governor-mckee-child-tax-credit>

⁷ McCabe, Joshua. (2026). Rhode Island child tax credit would be bold, simple, and fiscally responsible. Niskanen Center. <https://www.niskanencenter.org/rhode-island-child-tax-credit-would-be-bold-simple-and-fiscally-responsible/>