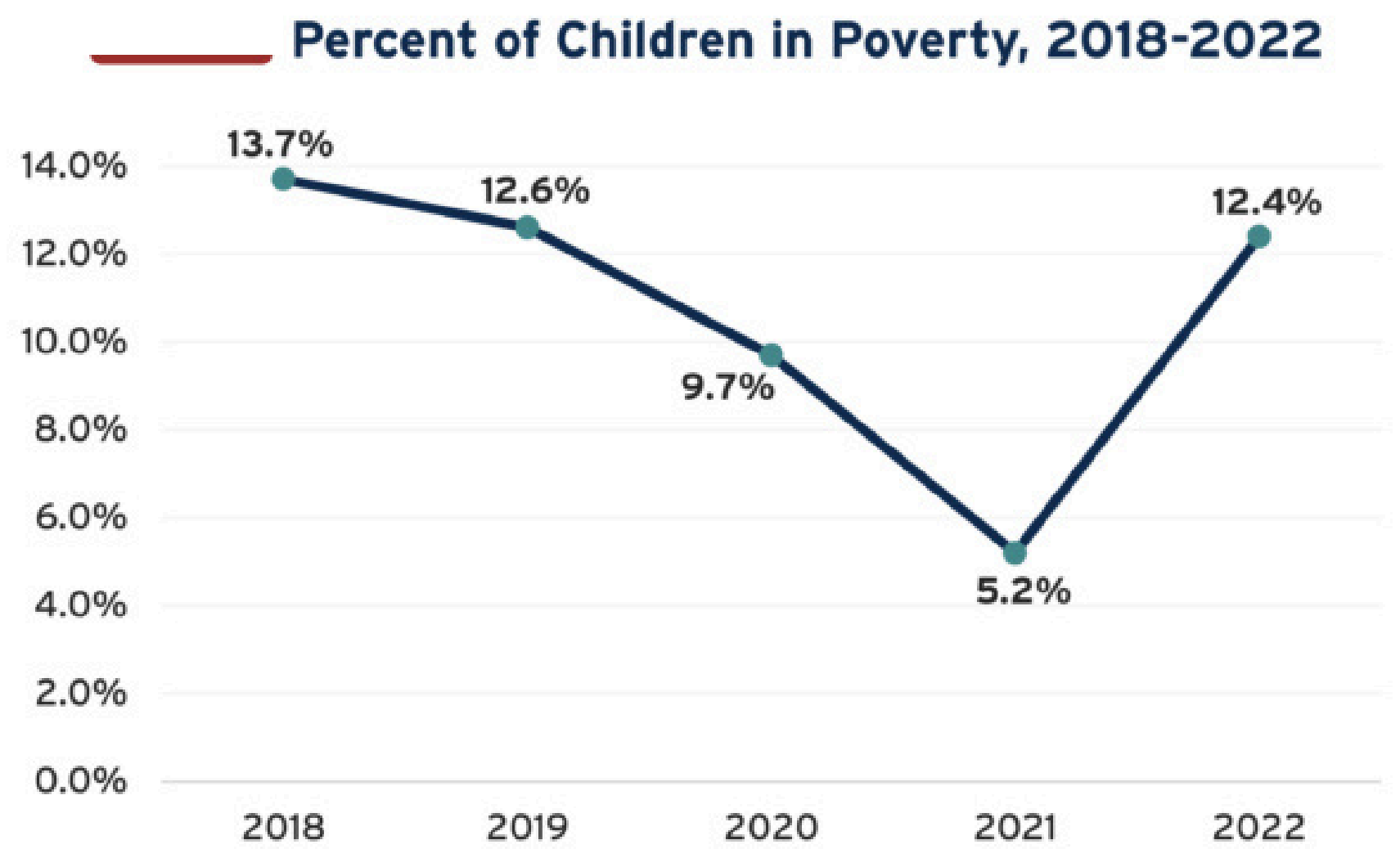


# THE CHILD TAX CREDIT (CTC)

The Child Tax Credit (CTC) is a federal program that helps families offset the cost of raising children. The federal CTC is partially refundable, which means that if a household's CTC exceeds their tax liability, the IRS will refund them up to \$1,700. 17 states and DC also have a state-level CTC. Rhode Island currently does not.

## The federal Child Tax Credit (CTC) is effective in decreasing child poverty rates.

- The federal CTC was expanded from \$2,000 to \$3,000 per child in 2021 using ARPA funds.
- It was also made fully refundable.
- Child poverty rates were cut almost in half nationally in 2021.
- When the expansion ended in 2022, child poverty rates shot right back up.
- A state-level CTC would enhance the federal CTC and further reduce child poverty rates in RI, which was 16.3% in 2024.



Source: Institute on Taxation and Economic Policy, September 2023

Institute on Taxation and Economic Policy | ITEP.org

## CREATING RHODE ISLAND'S FIRST CHILD TAX CREDIT (CTC)

	The Governor's Proposal	Legislative Proposal: H-8338 (Tanzi) & S-2823 (Vargas)
Amount	\$325 per child	\$650 per child
Beneficiaries	120,659 households	120,659 households
Average Benefit	\$304.44	\$867.12
Cost to the State	\$36.73 million/year	\$108.25 million/year
Child Poverty	-2.4%	-5.4%
# of Children Lifted out of Poverty	Fewer than 1,000	1,000

\*Both proposals would replace RI's current dependent exemption and be fully refundable, which means that families would receive a full refund from the IRS if the CTC exceeded their tax liability.

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**WORKFORCE ALLIANCE**



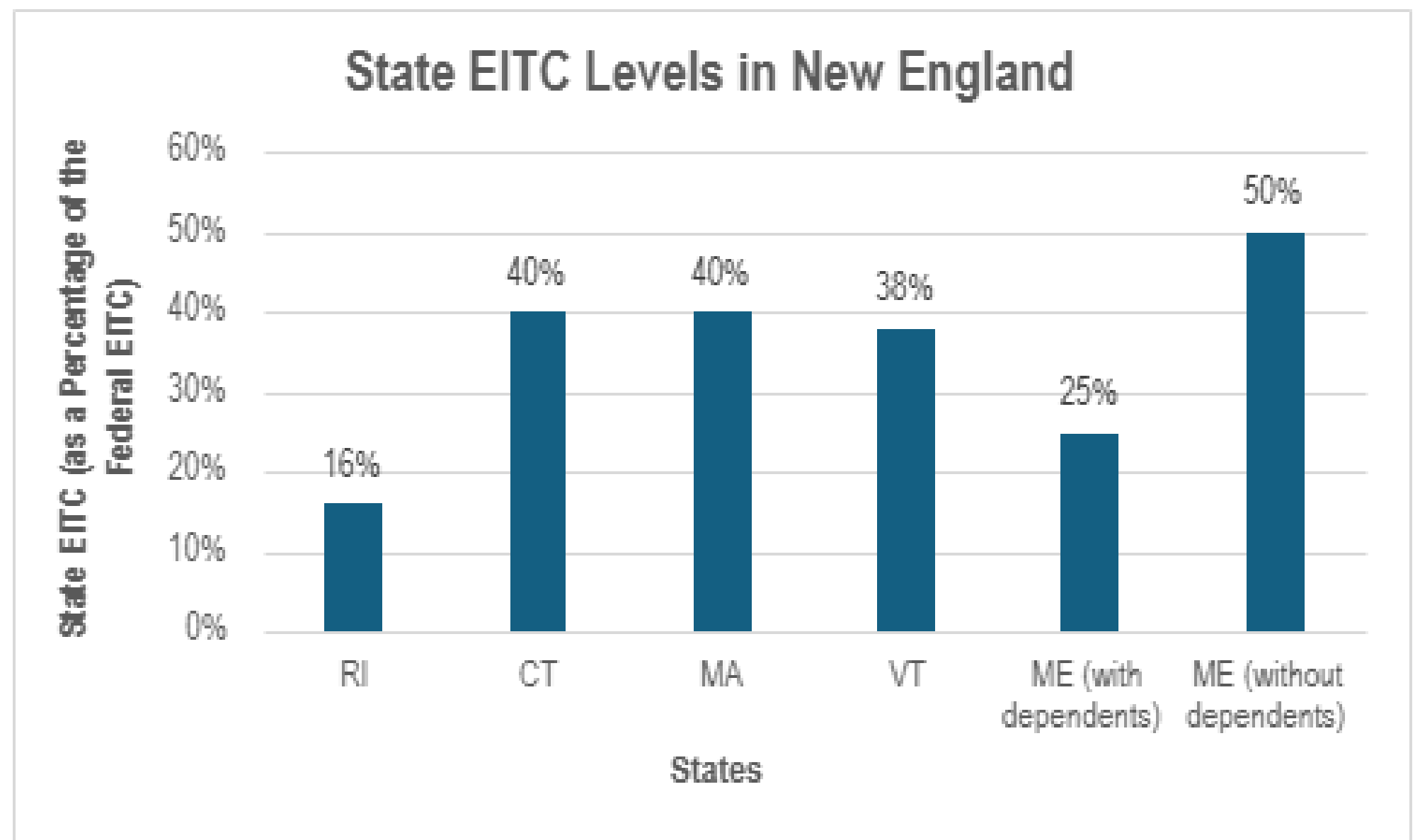
**The Economic Progress Institute**

# THE EARNED INCOME TAX CREDIT (EITC)

The Earned Income Tax Credit (EITC) is a federal program that puts money back in the pockets of low-income workers by offsetting payroll and income taxes. 31 states plus DC and PR have a state EITC, which is usually set as a percentage of the federal EITC. Rhode Island's state EITC is currently set at 16% of the federal EITC.

## Rhode Island's EITC is significantly lower than other New England states.

- The EITC is a powerful tool for lifting people out of poverty.
- Currently, eligible Rhode Islanders receive an average of \$367 a year from the state EITC program.
- During a cost-of-living crisis, Rhode Islanders need more to meet their basic needs.



## BENEFITS OF THE EARNED INCOME TAX CREDIT (EITC)

- Helps lower-wage working families pay for expenses that allow them to work, such as child care and transportation.
  - With each \$1,000 in additional EITC benefits, unmarried mothers were nine percentage points more likely to work.
  - State-level EITCs increased mothers' annual wages by 32%.
- Improves equity for historically marginalized groups:
  - The median household income for Black (\$66,250) and Latino (\$58,477) households is well below that of Non-Hispanic White households (\$96,227), making it more likely that Black and Latino households will benefit from an expanded state EITC.



## LEGISLATIVE PROPOSAL

### Increase the state EITC to 30% of the federal EITC - H-7594 (O'Brien) & S-2364 (Felag)

- Rhode Island workers would have \$321 more in their pockets each year, for a total average state credit of \$688 annually.
- While this is still lower than other New England states, it's a strong starting point for lifting working Rhode Islanders out of poverty.

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