



119 Washington Ave. ♦ Albany, NY 12210
Phone 518.462.6831 ♦ Fax 518.935-2852
www.empirejustice.org

Memorandum of Support

S.277-A (Gounardes) / A.4022-A (Hevesi) Creating the New York State Working Families Tax Credit

Early Returns from Empire Justice’s Tax Prep Program Show Critical Need for Working Families Tax Credit

February 27, 2023

We write in support of S.277-A (Gounardes) / A.4022-A (Hevesi), which would create the New York State Working Families Tax Credit, and would help lift New York children out of poverty, and help their families meet their basic needs, like clothing, gas, childcare, rent, and food.

While national reports state that tax returns are expected to come in approximately 11% less than last yearⁱ, we are seeing an even more stark difference for our clients. Empire Justice Center’s CASH (Creating, Assets, Savings and Hope) program provides free tax preparation for low-income people in Rochester, NY. In the first few weeks of tax return preparation this year, **we are seeing approximately a 50% reduction in the average amount of federal returns.**

<i>Data from Empire Justice Center’s CASH program in Rochester, NY</i>						
	Total Returns Prepared		Total Federal Refund for Clients		Total Child Tax Credit/ Advance Child Tax Credit	
	TY2021	TY2022	TY2021	TY2022	TY2021	TY2022
In Tax Preparation weeks 1-4	852	954	\$2,578,549	\$1,946,719	\$999,598	\$666,460

The average federal return for CASH clients in Tax Year 2021 was \$5,437.55; the current federal average return for CASH clients for the first four weeks is \$2,040.58 - this includes a greater than 30% reduction in Child Tax Credits within overall total returns, despite the fact that we have seen 12% more clients this year than at this time last year. In real numbers, that means \$630,000 that is not in our clients' pockets, to help them meet their basic needs and provide for their children. **These changes are directly connected to changes in tax law that include Child Tax Credit, and it makes it all the more urgent that New York take steps to amend the tax code to help lift families out of poverty.**

About the Bill

This bill combines and strengthens two existing refundable tax credits: the Empire State Child Credit (ESCC) and state Earned Income Tax Credit (EITC), creating one more inclusive and generous Working Families Tax Credit (WFTC). For individual New Yorkers and families currently eligible for the ESCC, EITC, or both, the combined credit they would receive from the WFTC would be greater, or equal to the total of the two credits. For the lowest income, and many immigrant New Yorkers, the credit amount would be greater under the WFTC.

The WFTC credit builds upon the strengths of New York's ESCC and EITC, and corrects their shortcomings.

- Eligible families with children would receive a WFTC equal to or greater than the current EITC credit plus ESCC credits for all children in the household including young children under age four, who are presently excluded from the ESCC.
- The WFTC will allow families with the lowest incomes to receive the highest credit amount by eliminating the phase-ins currently in place for both credits, and
- The WFTC will be available to immigrant tax-filers with Individual Tax Identification Numbers (ITIN) in the same manner as filers with Social Security Numbers (SSNs). (This is currently the case with the ESCC, but not with the EITC.)
- The WFTC will be paid out in four increments throughout the year.

The WFTC is structured to have greater poverty-reduction impact than existing credits, adopting characteristics of the temporary pandemic expansion of the Federal Child Tax Credit in 2021, an expansion that contributed to reducing child poverty nationally by 46% to a record low

of 5.2%.ⁱⁱ Since the federal CTC expansion ended in 2022, 3.7 million children around the nation have been plunged back into poverty.ⁱⁱⁱ

With New York's child poverty rate persistently higher than the national average,^{iv} it is essential for New York to prioritize policies proven to reduce child poverty like the robust, targeted, fully refundable WFTC. It is estimated that the NYS WFTC will result in a 13.4% reduction in children under the age of 18 living in poverty, with a 19.6% reduction for those under 18 living in deep poverty.^v

About Empire Justice Center

Empire Justice Center is a nonprofit law firm that seeks to make the law work for all New Yorkers, especially those who need it the most. We do so by identifying critical issues, developing and implementing creative solutions and monitoring ongoing results. Our staff has protected and strengthened the legal rights of people in New York, especially historically marginalized communities, for more than forty years. We do this through three major service areas. We teach the law by providing training, support and technical assistance to legal services and private attorneys and other community-based advocates to help them better serve their clients. We practice the law by providing direct civil legal assistance and undertaking impact litigation. And we improve the law by engaging in policy analysis, research and advocacy.

ⁱ Kiplinger, Why Your Tax Refund Might Be Lower This Year.

<https://www.kiplinger.com/taxes/taxes/why-your-tax-refund-might-be-smaller#>

ⁱⁱ [Child Poverty Fell to Record Low 5.2% in 2021 \(census.gov\)](https://www.census.gov/newsroom/releases/child-poverty.html)

ⁱⁱⁱ Center on Poverty & Social Policy at Columbia University. 3.7 million more children in poverty in Jan 2022 without monthly Child Tax Credit.

<https://www.povertycenter.columbia.edu/news-internal/monthly-poverty-december-2021>

^{iv} Throughout the last decade, New York's rate of child poverty has exceeded that of 29 or more states every year. <https://datacenter.kidscount.org/data/tables/43-children-in-poverty?loc=34&loct=2#ranking/2/any/true/867/any/322>

^v Analysis conducted by the Center on Poverty & Social Policy at Columbia University