Memorandum in Support
S.277A (Gounardes)/A.4022A (Hevesi)
Working Families Tax Credit

United Neighborhood Houses (UNH) supports S.277A (Gounardes)/A.4022A (Hevesi), which would create a new Working Families Tax Credit to streamline and expand two existing tax credits – the Empire State Child Credit and the Earned Income Tax Credit – into one program and provide cash assistance to New York’s neediest families.

In Fall 2022, UNH along with Educational Alliance and the National Center for Children in Poverty released the Settlement House American Rescue Plan (SHARP) Impact Study. The report surveyed 1,078 families who participate in settlement house programs in New York on the impact of the expanded federal Child Tax Credit (CTC) included in the 2021 American Rescue Plan Act, which temporarily raised the maximum credit amount of $2,000 per child to $3,600 a year for each dependent child under the age of 6 and $3,000 for each child between the ages of 6 and 17. Under the expansion, qualifying families received a portion of the credit as advance monthly cash payments of up to $300 per child under the age of 6 and up to $250 per older child aged 6 to 17 from July 2021 through December 2021. Unsurprisingly, the study found that giving cash to people in need helped: the funds provided immediate relief, and families spent the money on basic needs, including 60% who used it to pay for food, with rent, clothing, and utilities also highly-used categories. However, the survey results also showed the persistent ongoing needs that families experience in providing for their children, especially since with the expiration of the expanded federal CTC in December 2021. The report recommended that absent federal action, New York must expand the Empire State Child Credit value and expand it to ages 0-4.

The Working Families Tax Credit would replace the Empire State Child Credit by adding eligibility for families with children under age 4 and increasing the value of the credit. Currently, the state's Empire State Child Credit provides up to $330 in tax relief to income-qualifying parents for each child, so long as their children are at least four years old. This is a glaring omission: by excluding infants and toddlers, the current credit fails to support new or growing families. The Working Families Tax Credit would include eligibility for families with children under age 4, and increase the value of the credit on a sliding scale based on income and number of children to between $500 and $1500 per child, with the lowest-income families receiving the largest credit. UNH estimates that roughly 368,000 children under the age of four would be newly eligible for the Credit through this expansion.

In addition, the Working Families Tax Credit would replace the Earned Income Tax Credit. Currently, only U.S. citizens who file their taxes in New York are eligible for this crucial income support, thus excluding hundreds of thousands of New Yorkers who are not citizens but file taxes in the State and contribute to their communities. The Working Families Tax Credit would grant access for non-citizens who file tax returns in New York, ensuring that no New Yorker in need is excluded.

The SHARP report found that stable income that comes more than once a year mattered so families could reliably budget each month. The Working Families Tax Credit would grant payments to families
quarterly, rather than annually as is current practice. Because the credit value varies, three payments would be a fixed amount and the final annual payment would come after taxes are filed and adjust the final total. This credit should be created through the budget process. While it entails high costs of about $2 billion in new funds, it is expected to reduce child poverty statewide by at least 13 percent and provide wide secondary economic benefits.

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UNH is a policy and social change organization representing 46 neighborhood settlement houses that reach 765,000 New Yorkers from all walks of life. A progressive leader for more than 100 years, UNH is stewarding a new era for New York's settlement house movement. We mobilize our members and their communities to advocate for good public policies and promote strong organizations and practices that keep neighborhoods resilient and thriving for all New Yorkers. UNH leads advocacy and partners with our members on a broad range of issues including civic and community engagement, neighborhood affordability, healthy aging, early childhood education, adult literacy, and youth development.