



EXPANSIONS OF THE EARNED INCOME TAX CREDIT AND CHILD TAX CREDIT IN NEW HAMPSHIRE

MARCH 16, 2022





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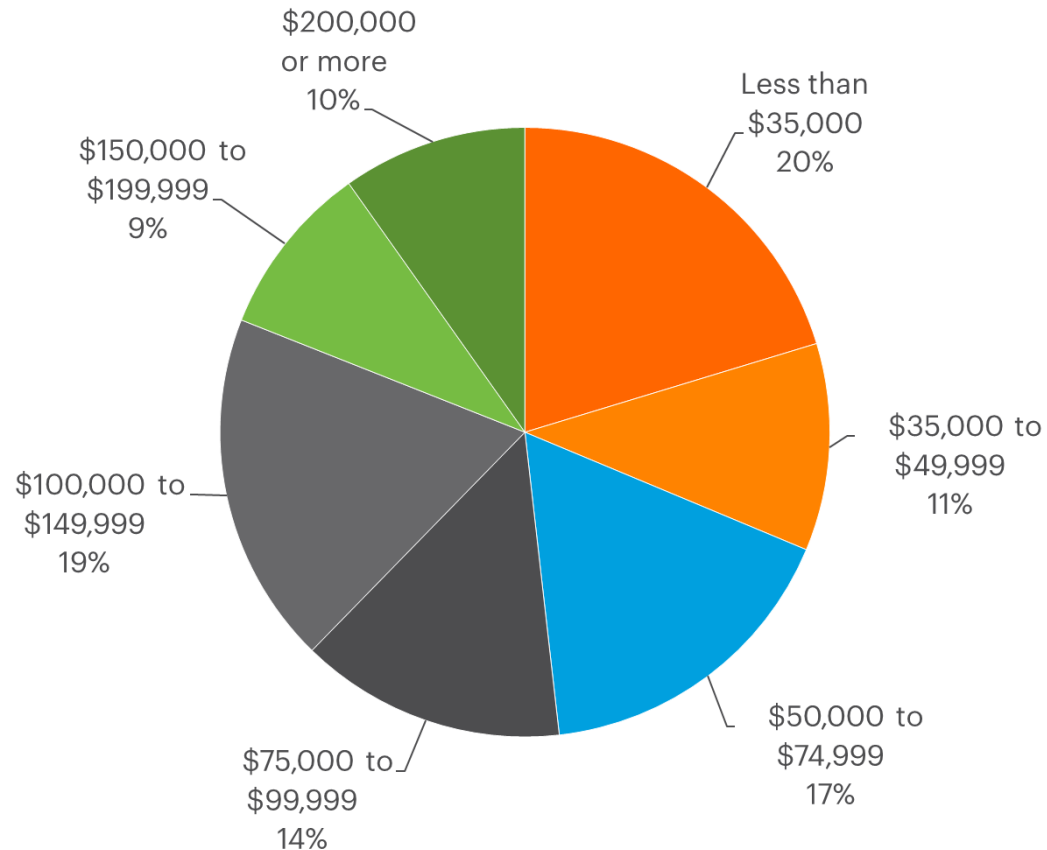
PRESENTED BY
MICHAEL POLIZZOTTI, POLICY ANALYST

MARCH 16, 2022

Prior to the COVID-19 pandemic, many Granite Staters had low incomes and limited resources. During the pandemic, these Granite Staters were disproportionately likely to have lost income.

HOUSEHOLDS BY INCOME LEVEL

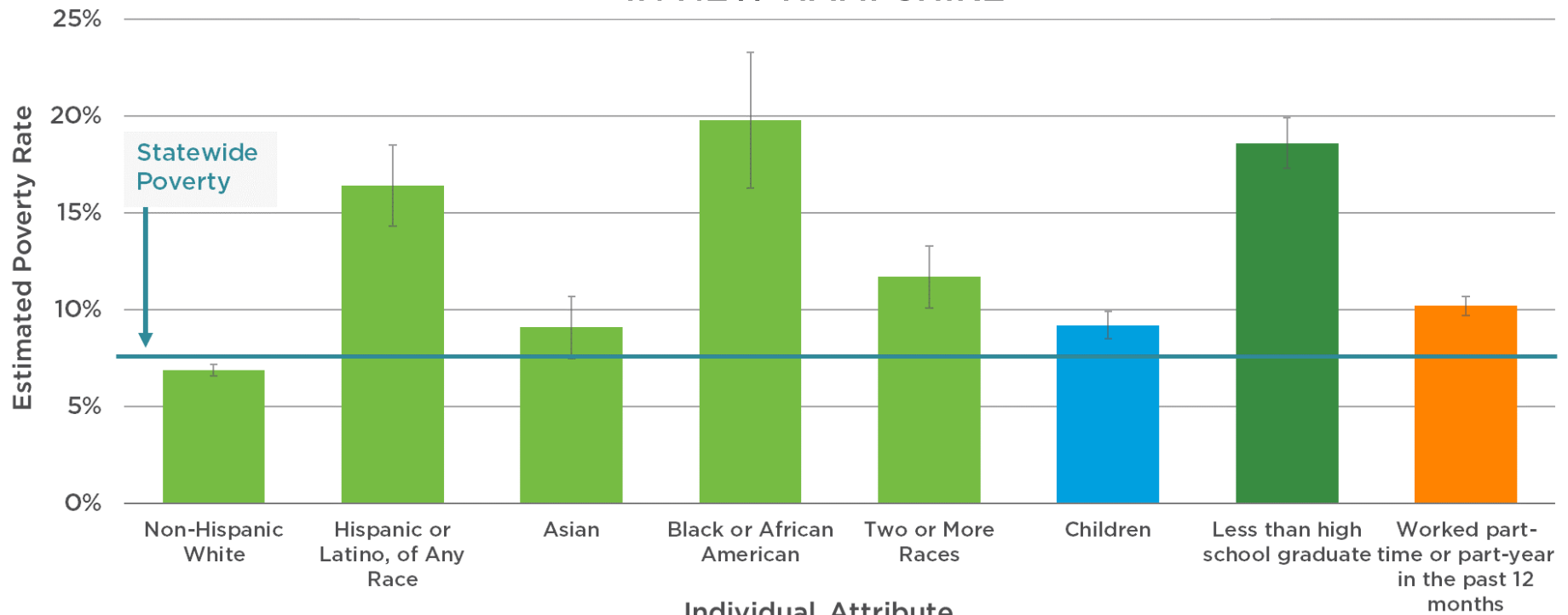
ESTIMATED PERCENTAGE OF
NEW HAMPSHIRE HOUSEHOLDS
BY INCOME GROUP



Source: U.S. Census Bureau American Community Survey 2019 One-Year Estimates

HIGHER POVERTY RATES FOR SOME GROUPS

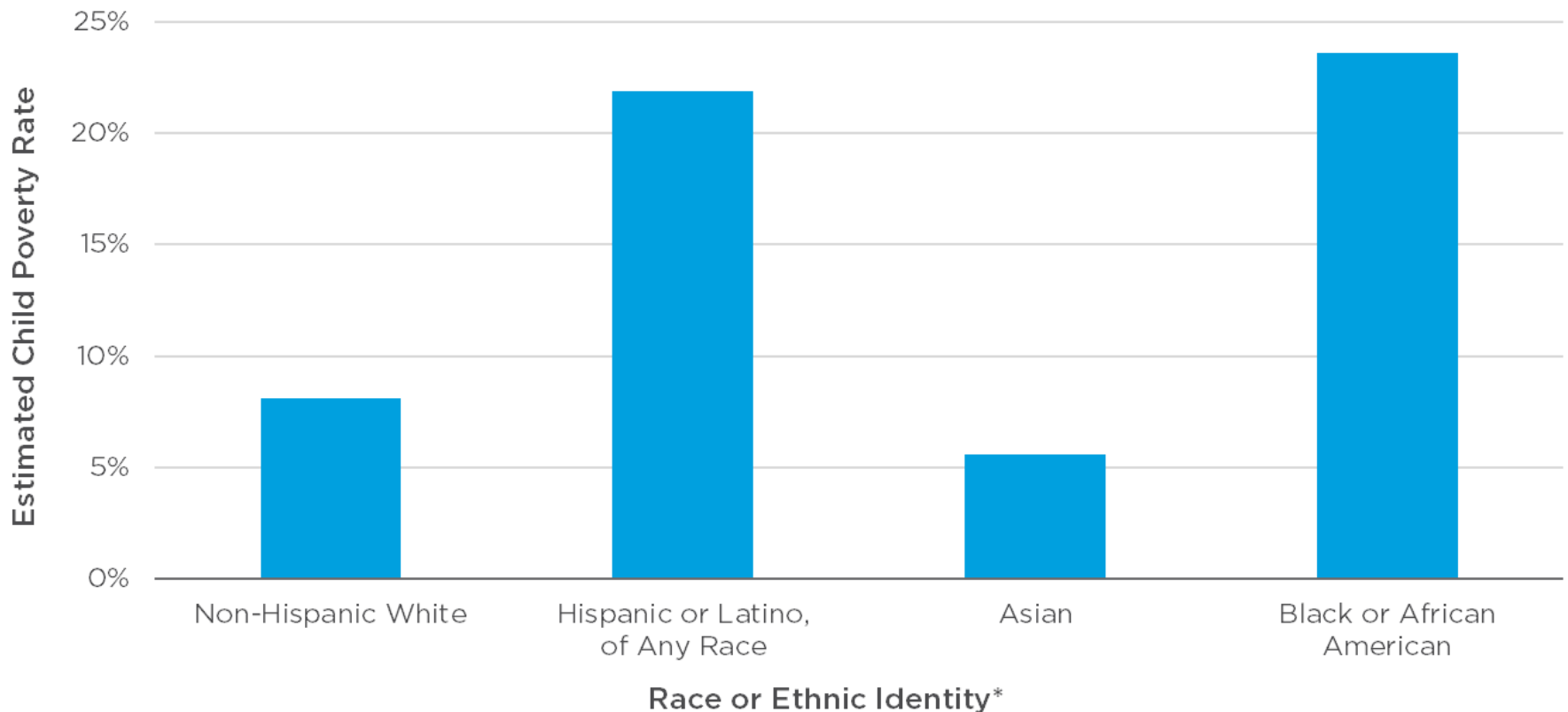
POVERTY LEVELS BY GROUP OR ATTRIBUTE IN NEW HAMPSHIRE



Notes: Margin of error bars represent 90 percent confidence intervals, Hispanic origin included in non-white races
Source: U.S. Census Bureau, American Community Survey Five-Year Estimates, 2015-2019

BLACK AND HISPANIC CHILDREN MORE LIKELY TO BE IN POVERTY THAN WHITE CHILDREN

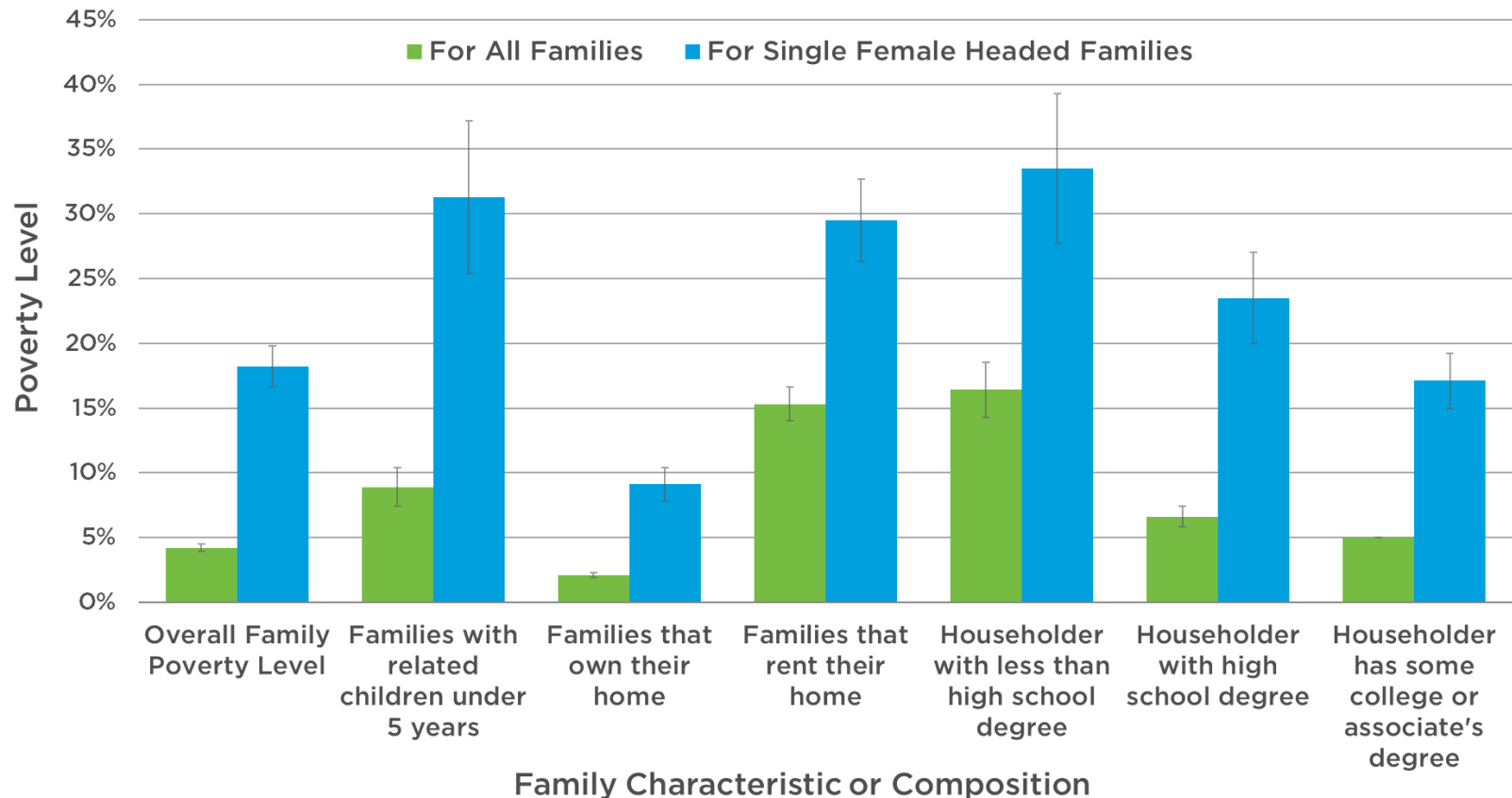
ESTIMATED POVERTY RATES FOR NEW HAMPSHIRE RESIDENTS UNDER 18 YEARS OF AGE BY RACE AND ETHNICITY



*Note: Races and ethnicities presented here are a subset of all races and ethnicities identified by the American Community Survey.
Source: U.S. Census Bureau, American Community Survey, 2015-2019

POVERTY RATES FOR FAMILIES

BY FAMILY COMPOSITION AND CHARACTERISTIC IN NEW HAMPSHIRE

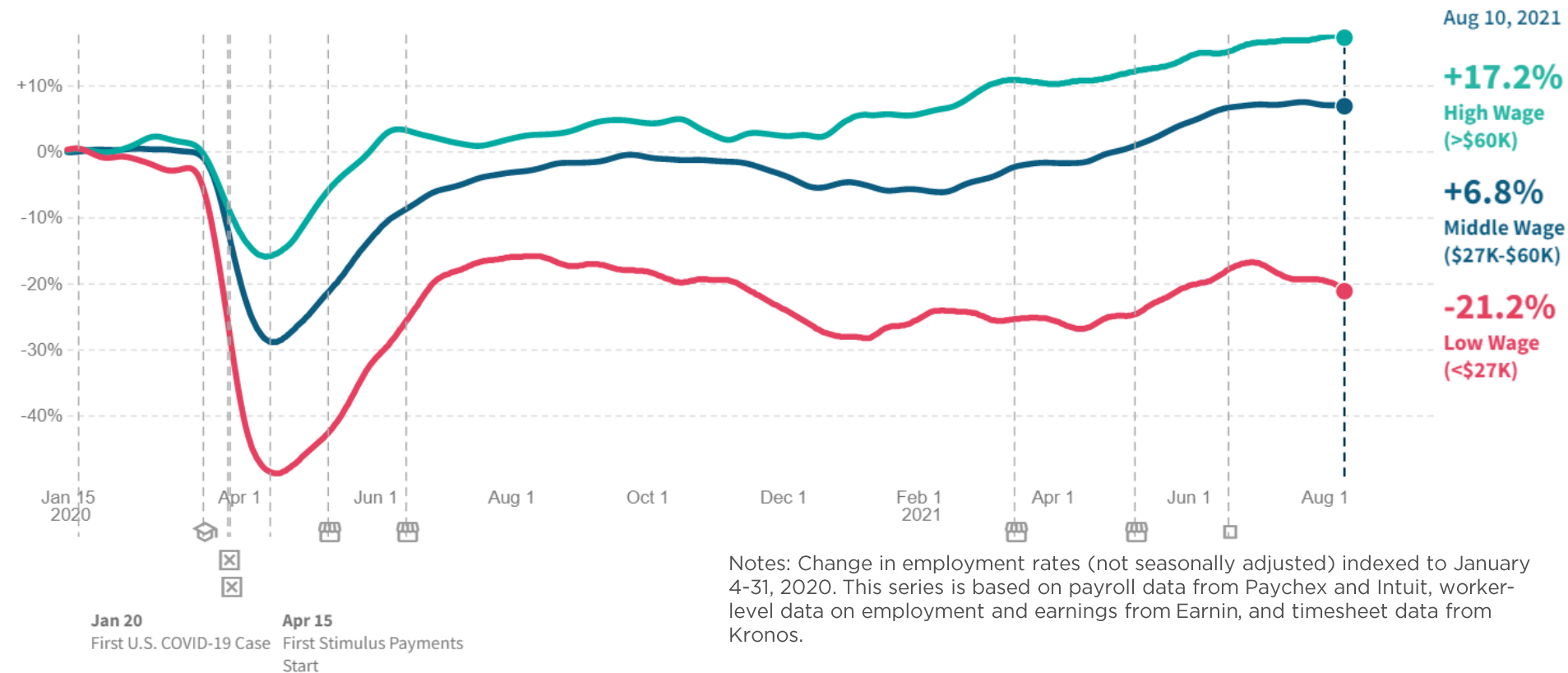


Note: Margin of error bars represent 90 percent confidence intervals

Source: U.S. Census Bureau, American Community Survey Five-Year Estimates, 2015-2019

PANDEMIC'S NEGATIVE IMPACTS GREATEST ON LOW-WAGE WORK

PERCENT CHANGE IN EMPLOYMENT IN NEW HAMPSHIRE



Source: Opportunity Insights Economic Tracker; Chetty, Friedman, Hendren, Stepner, and the Opportunity Insights Team, November 2020, accessed at tracktherecovery.org, a project of Harvard University, Brown University, and The Bill and Melinda Gates Foundation. Last updated September 24, 2021.

As part of the federal policy response to the pandemic, the American Rescue Plan Act expanded key tax credits for 2021, providing additional support to Granite Staters with low incomes and the economy.

THE EARNED INCOME TAX CREDIT AND CHILD TAX CREDIT

- Federal tax credits that provide targeted support based on income and other factors
- Earned Income Tax Credit (EITC) provides federal tax relief to working individuals with lower incomes
- Child Tax Credit (CTC) provides federal tax relief to many families, with credit amount depending on the number of qualifying children they have
- Both EITC and CTC meaningfully expanded for tax year 2021 by the American Rescue Plan Act, passed in March 2021

TWO FORMS OF TAX CREDITS

- Federal tax credits reduce tax liability and provide relief
- “Refundable” credits reduce a filer’s federal tax liability by the credited amount, with any remaining credit refunded
- “Non-refundable” tax credits reduce a filer’s federal income tax liability until there is no liability, but any remaining credit balance is not refunded
- Expanded refundable tax credits provided economic boosts and increased employment during the recovery from the Great Recession

OVERVIEW OF THE EITC

- Refundable credit, designed to support employed people with relatively low incomes
- EITC amounts are based on income, filing status, number of qualifying children, and other key factors
- Credit is calculated as a percentage of income and other factors, up to a certain amount
- In New Hampshire for tax year 2018, the average EITC amount was \$1,950 among the 67,000 Granite Staters who claimed it
- During tax year 2018, 18.2 percent of likely eligible Granite Staters did not claim the EITC

EITC STRUCTURE AND AMOUNTS

RATES BASED ON QUALIFYING CHILDREN AND INCOME, FOR TAX YEAR 2021



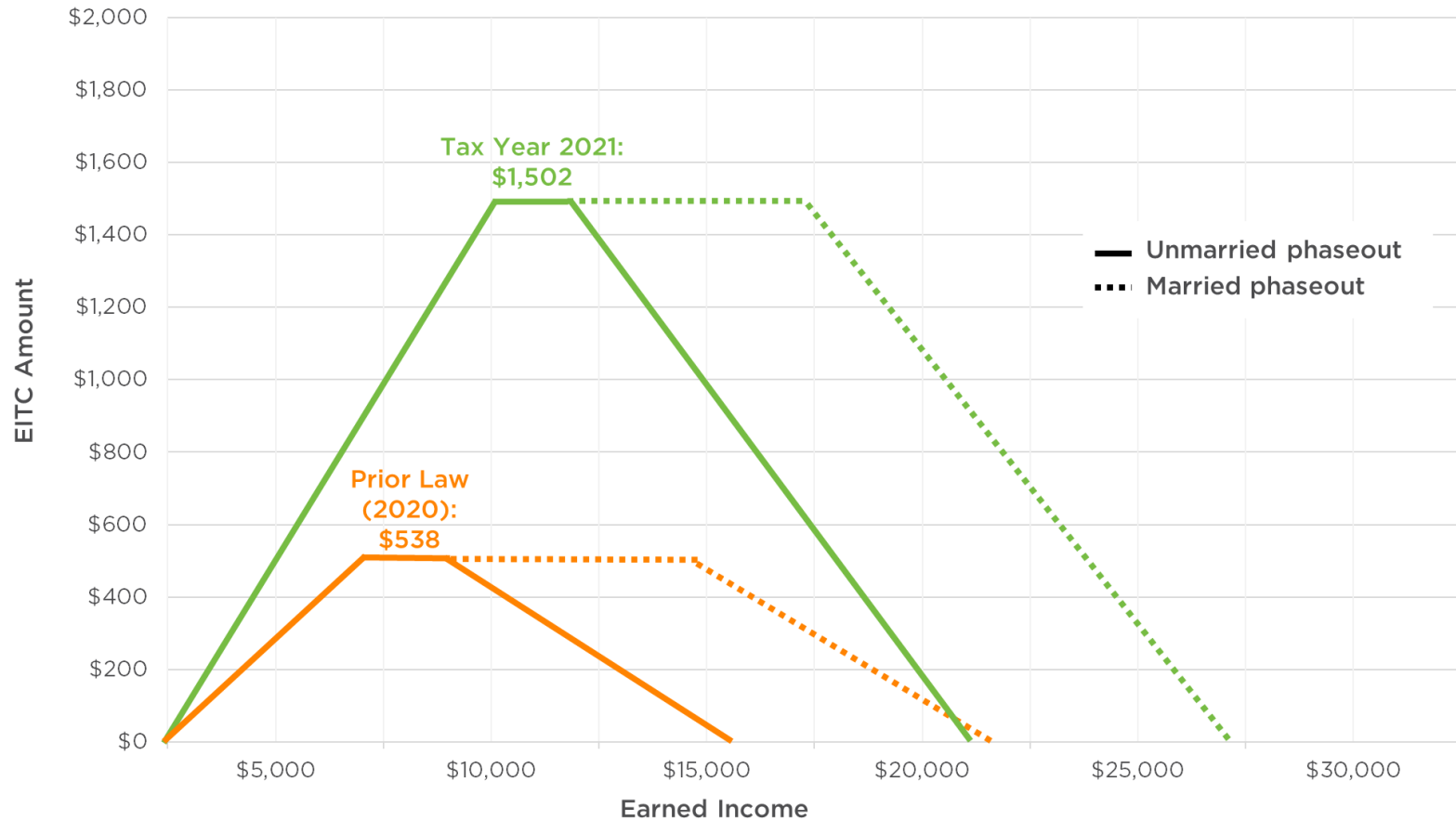
Source: U.S. Congressional Research Service Report, The Earned Income Tax Credit (EITC): How It Works and Who Receives It, updated January 12, 2021

KEY EITC CHANGES FOR 2021

- American Rescue Plan Act, passed in March 2021, expanded the eligible age range for filers without qualifying children and for 18 year old adults aging out of foster care
- Increased maximum credits for filers without children from \$543 to \$1,502
- Increased maximum eligibility thresholds for investment income

EXPANDED EITC

COMPARISON FOR TAX YEAR 2020 AND 2021 FOR FILERS WITH NO QUALIFYING CHILDREN



Source: U.S. Congressional Research Service Report, The “Childless” EITC: Temporary Expansion for 2021 Under the American Rescue Plan Act of 2021 (ARPA; P.L. 117-2), updated May 3, 2021

MEASURING THE IMPACTS OF THE EITC FOR TAX YEAR 2021

- Workers in key industries including retail sales, food workers, and child care workers are most likely to benefit from expanded EITC
- An estimated 66,400 additional Granite Staters may be eligible, of which about 18,000 would be young adults under age 24, resulting in an additional \$43 million returning to the state economy
- Estimates from Moody's Analytics find that each additional EITC dollar invested in early 2021 would produce an economic boost of \$1.27 in late 2021

OVERVIEW OF CTC

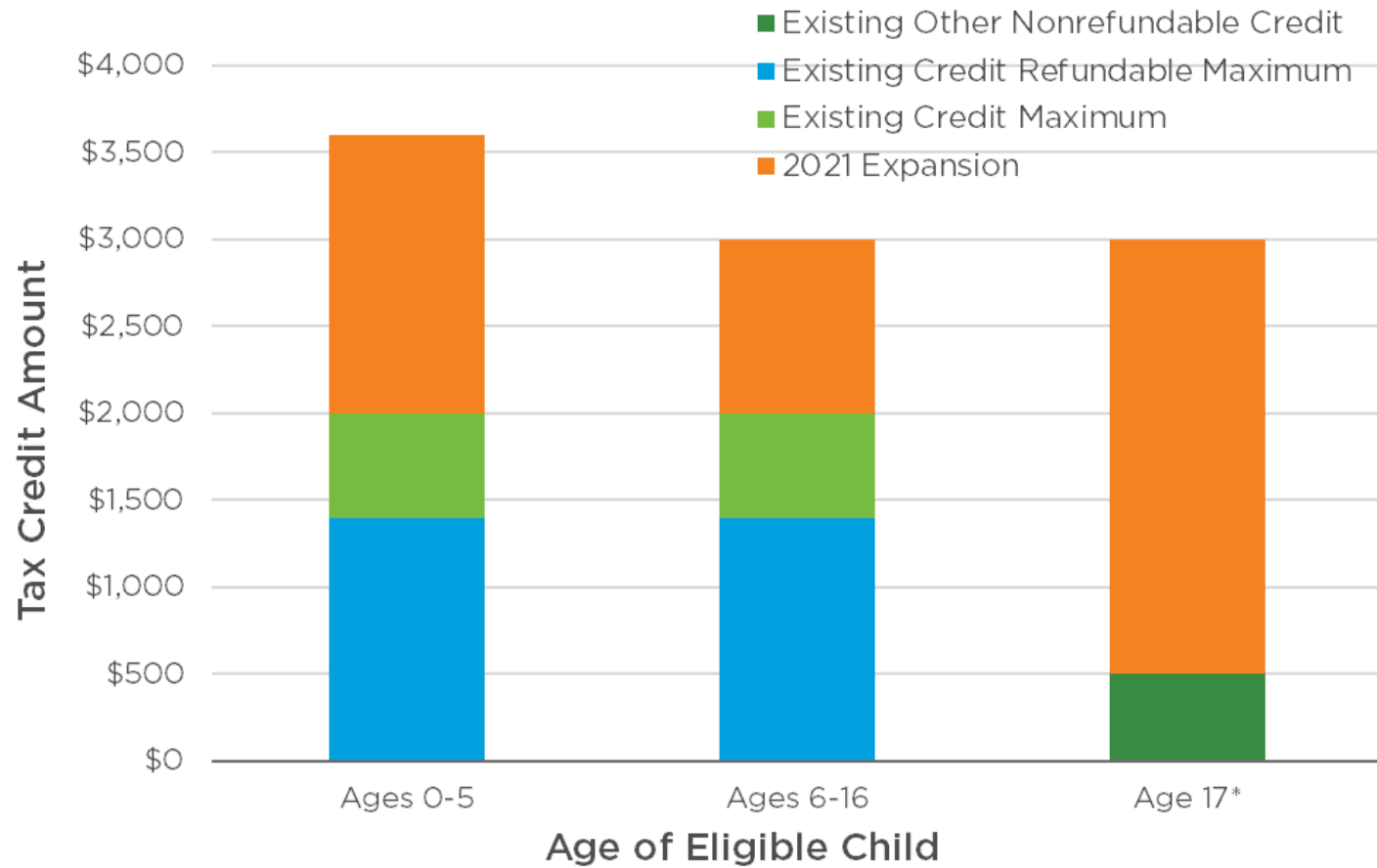
- CTC improves opportunities and outcomes while reducing child poverty – nationally in 2018, 4.3 million people were lifted out of poverty thanks to CTC
- Not fully refundable prior to tax year 2021, with most support received by households with incomes over \$100,000 per year
- In New Hampshire, the U.S. Internal Revenue Service estimated that 7,745 children in New Hampshire who were eligible for the CTC in 2019 were not claimed on a tax return for their household

KEY CTC CHANGES FOR 2021

- Credit made fully refundable, maximum credits increased to \$3,000 for children ages six to 16 years and to \$3,600 for children aged five years and younger
- Removed the requirement for earned income
- Expanded full credit eligibility to 17-year-old children
- Half of the credit was distributed in advance to families on a monthly basis throughout the second half of 2021
- To claim the second half of the credit and reduce the risk of recoupment, filers must claim the CTC on their tax returns

EXPANDED CTC AMOUNTS

2021 CHILD TAX CREDIT EXPANSION



*Note: Children turning 17 during 2021 are eligible for the full 2021 Child Tax Credit due to the expansion.
Sources: U.S. Internal Revenue Service, Advance Child Tax Credit Payments in 2021, IRS Tax Tip 2020-28

MEASURING THE IMPACTS OF THE CTC FOR TAX YEAR 2021

- CTC made fully refundable, and changes may most significantly impact families in poverty, increasing average credit from \$976 to \$5,421
- 75 percent of New Hampshire households with incomes below \$35,000 utilized their advance CTC payments for basic needs
- Advance payments resulted in over \$320 million entering New Hampshire's economy during 2021
- If made permanent, CTC expansions for tax year 2021 would lift approximately 8,000 to 11,000 children out of poverty
- Estimates from Moody's Analytics found that each additional CTC dollar invested in early 2021 would produce an economic boost of \$1.25 in late 2021

KEY TAKEAWAYS

- Both the EITC and CTC support Granite Staters through tax relief and provide significant economic stimulus
- Expansions to EITC for 2021 will result in about 66,400 newly eligible Granite Staters, and the CTC expansion may lift up to 11,000 New Hampshire children out of poverty
- Many filers are newly eligible, and may require outreach or assistance to claim these tax credits
- Correctly filing tax returns in early 2022 is critical to helping ensure reduced risk of recoupment
- Helping ensure all eligible Granite Staters can claim these credits and receive navigator assistance in filing their tax returns supports families and an equitable recovery



Issue Brief: Expansions of the Earned Income Tax Credit and Child Tax Credit in New Hampshire

MARCH 4, 2022

Read the Issue Brief on nhfpi.org, access it directly [here](#).

Citations for the materials presented are available in this Issue Brief.



ADDRESS: 100 North Main Street, Suite 400, Concord, NH 03301

PHONE: 603.856.8337

WEBSITE: www.nhfpf.org

EMAIL: info@nhfpf.org

TWITTER: @NHFPI

FACEBOOK: NewHampshireFiscalPolicyInstitute



Tax Credits and Their Impact

Cary Gladstone, Senior Director of Asset Building Strategies, Granite United Way

March 16, 2022

Granite United Way

www.graniteuw.org



Earned Income Tax Credit/Child Tax Credit: Working to Reach Those Who Don't Claim

- Key part of Granite United Way's work in tax assistance
- EITC eligibility begins with \$1 of earned income
- Refundable!
- Many eligible people don't claim EITC:
 - People with disabilities
 - Family member with disabilities
 - Very low income
 - Kinship care providers, foster parents
 - Think they need a child to claim
- CTC 2021 changes eliminate minimum threshold in earned income
- Key changes only in effect for tax year 2021 under current law

Another Expanded Credit for 2021: Child & Dependent Care Credit

- Children up to age 13 qualify
- Amount increased to \$4,000 per child/dependent from \$3,000
- Covers 50% of expenses (up from 35%)
- Refundable

Example: Dominique, Single with Two Children, Ages 8 and 10

- Income for 2021: \$30,000
- Adjustment -1,200
- AGI \$28,800
- Standard Ded. -18,800
- Taxable Income \$10,000

What Do These Expanded Credits Mean for Dominique?

- Taxable income \$10,000
 - Tax bill (\$1,000)
 - Child Tax Credit \$6,000 (2@\$3,000)
 - Dependent Care Cr. \$8,000 (2@\$4,000)
 - EITC \$5,980
 - Stimulus \$4,200 (3@\$1,400)
 - REFUND \$23,180
-
- Refund can help:
 - meet expenses
 - build savings
 - support long-term financial stability and independence

How to File for Free

- VITA and AARP TaxAide: www.NHTaxHelp.org or call 2-1-1
 - 2-1-1 also connects to assistance for food and fuel access through Granite United Way
- MyFreeTaxes.com

Questions?

Cary Gladstone
(603) 625-6939 ext. 128
cary.gladstone@graniteuw.org



Low-Income Taxpayer Project

Barbara Heggie
Supervising Attorney
93 N. State Street, Suite 200
Concord, NH 03301
(603) 224-3333
www.603LegalAid.org

What are we?

- A legal aid clinic for people with IRS problems.
- Part of **603 Legal Aid** – new, statewide legal services firm formed by merger of Legal Advice & Referral Center and the NH Pro Bono Referral Program.
- Administered by the IRS Taxpayer Advocate Service, in its Low-Income Taxpayer Clinic Program.



How do we help?

- Outreach and education about the U.S. tax system, particularly for refugees, people learning English
- Representing people with low incomes who are working through issues with the U.S. Internal Revenue Service
 - Audits, examinations, missing payments/refunds, issues with collections, filing returns from prior years
- Alerting the IRS to systemic concerns



How are we funded?

- ❑ IRS Taxpayer Advocate Service
Low Income Taxpayer Clinic Program
- ❑ NH Housing Finance Authority
- ❑ NH Charitable Foundation
- ❑ Legal Services Corporation
- ❑ Granite United Way
- ❑ NH Law Library *Pro Hac Vice* Fund
- ❑ NH Bar Foundation



How can people access help with their taxes?

- Individuals can call **211** or go to www.nhtaxhelp.org to make an appointment with IRS-certified volunteers for free tax return preparation at a **VITA** or **Tax-Aide** site.
- **VITA** = Volunteer Income Tax Assistance (for low-to-moderate income households earning \$58,000 or less)
- **Tax-Aide** = AARP Foundation Tax-Aide (originally designed for seniors, but age and income restrictions no longer apply)

Are there any free, online tax preparation applications?

- If your household income was \$73,000 or less last year, there are several good options:
 - www.GetYourRefund.org (mobile friendly)
 - www.MyFreeTaxes.com
 - <https://www.irs.gov/freefile>

Thank you!





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