

A woman in a yellow shirt is looking down at a laptop keyboard. The image is partially obscured by a teal overlay on the left side where the title and sub-header are located.

POLICY BRIEF

BOOST FAMILIES' INCOMES WITH REFUNDABLE TAX CREDITS

THE PROBLEM

Many state tax codes require low- and middle-income families to pay a **greater share of their income in taxes** than wealthy families—which disproportionately impacts women and **women of color**, who are already disadvantaged in this country's economy. State tax credits that reduce or eliminate tax liability and provide cash refunds for low- and middle-income women improve family well-being, help women afford necessities, and alleviate regressive state tax codes. Refundable tax credits are key to rebuilding an economy that **works for everyone**.

THE SOLUTION

- **Build upon the success of federal family tax credits by offering a state Earned Income Tax Credit (EITC)**, which benefits low- and moderate-income workers and their families; a state Child and Dependent Care Tax Credit (CDCTC), which helps families who pay for child and dependent care in order to work or look for work; and a state Child Tax Credit (CTC), which helps families meet the costs of raising children. Ensure these credits are refundable so that families with low incomes can take full advantage of the credit.
- **Base a state EITC on a percentage of the federal EITC and provide additional help for low-income, childless workers who receive a much smaller federal EITC** than workers with children. In addition, allow families to claim the state EITC with their Individual Tax Identification Numbers (ITINs), a tax processing number available to those who are not eligible for Social Security numbers. This will benefit many immigrant families who are excluded from the federal EITC.

- **When designing or improving a state CDCTC**, offer a generous percentage of the federal CDCTC but allow families to claim state credits even if their incomes were too low to benefit from the federal credit.
- **Ensure a state CTC is fully refundable** and allow workers to claim the CTC for children with ITINs. This will help more families who cannot access the federal CTC benefit from a state CTC.
- **Offer an additional Young Child Tax Credit** to provide more assistance to families with young children who often receive smaller child tax credit amounts due to having lower incomes.
- **State CTCs should not extend eligibility for the credit to fetuses.** Anti-abortion policymakers are advancing such provisions as a way to establish fetal personhood, which would lay the groundwork for a nationwide ban on abortion and imperil some fertility treatments and birth control methods. States should instead invest in programs that already benefit pregnant people and children, such as WIC, SNAP, TANF, housing assistance, child care, and more.

TALKING POINTS ON THE SOLUTION

- **State tax credits, especially those that provide a refund, can increase family incomes—** supporting financial security and improving family well-being, children’s health, and future educational and employment outcomes. The boost in income is especially needed as families face rising costs and stagnating wages.
- **Tax credits also boost the economy** by putting money in the pockets of families with low and moderate incomes, who are likely to spend it in their local economy.

PUBLIC POPULARITY

- Tax credits are popular. There is limited polling on state tax credits, but surveys show wide support for expanded federal tax credits, upon which many state credits are modeled. In January 2024, [nearly two-thirds](#) of voters supported a fully refundable federal CTC. Additionally, in 2021, [62% of voters](#) supported an expanded federal EITC, with additional help for low-income, childless workers.

STATES THAT HAVE PASSED THESE POLICIES

- [Fourteen states—from Oklahoma to Massachusetts](#)—provide CTCs (which are refundable in all but three states). [Eleven states](#) allow tax filers to claim children with ITINs for their CTC.
- [Thirty-three states, from Kansas to New York](#), and the District of Columbia provide EITCs (which are refundable in all but five states). [Nine states](#) allow tax filers with ITINs to claim their EITC.
- [State CDCTCs](#) can provide some help to families struggling to pay for the child care they need to work. [More than half](#) of states offer some type of child and dependent care tax provision (a credit or a deduction), and 15 states, from Nebraska to New York, offer refundable credits.