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. This disproportionately impacts women and women of color, who are already struggling to make ends meet among inflation, rising prices, and drastic cuts to SNAP and Medicaid. 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. Unfortunately, the tax and budget law that Trump and congressional Republicans enacted in 2025, (H.R. 1 or "OBBBA"), changed tax credits in ways that largely benefited high-income families. States should ensure that state tax credits reach the families most in need of support by prioritizing refundability and access for low-income and immigrant families. Refundable tax credits are key to an economy that works for everyone.

## THE SOLUTION

- Build upon the success of federal refundable tax credits for families by offering a state Earned Income Tax Credit (EITC), which benefits low- and moderate-income workers and their families; a state Child Tax Credit (CTC) , which helps families meet the costs of raising children; and 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. 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 currently 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.

- State tax credits should not be modeled after OBBBA's expansions of the federal CTC and CDCTC. These expansions prioritized higher income families and left behind the families most struggling to make ends meet.

- States should conduct outreach campaigns—including through partnerships with trusted messengers, targeted outreach to underserved communities, and dissemination of audience-specific materials—to encourage eligible families to file their taxes and claim the tax benefits they deserve.

- States should provide free tax filing services—including by integrating them into existing services for families—so that families have the help that they need to file their taxes and claim their tax benefits.

## 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.

- State refundable tax credits can help further racial and gender equity. Tax credits that provide a refund especially benefit women of color, who are more likely to be in low-paying and part-time work.

- Refundable tax credits—which benefit families with low or no incomes—are critical for families with an ill or disabled parent, families headed by grandparents, and families with very young children.


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- Refundable 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. In 2021, the expanded monthly federal CTC infused nearly $20 billion into local economies every month.

**Additional Messaging Resources**

- Click here to understand how to talk about the OBBBA tax provisions purporting to help everyday families, including the CTC expansion, and how they do not actually help families who most need support.
- Click here for talking points on child care–related tax credits in OBBBA.
- Click here for state- and district-specific modeling of support for different policy positions, including on funding programs like state CTCs.

**Public Popularity**

- Tax credits are popular. There is limited polling on state tax credits, but surveys show wide support for pandemic-era expanded federal tax credits, upon which many state credits are modeled.
    - » In an April 2026 survey, nearly three quarters (74%) of parents with children under 18 said expanding the child tax credit would help them and their families, as did 52% of adults overall.
    - » In January 2024, nearly two-thirds of voters (63%) supported a fully refundable federal CTC.

**State-Specific Data**

- Children in low-income families who weren't eligible for the full federal CTC in 2023, by state and congressional district
- State-by-state analysis of the impact that restoring the expanded pandemic-era federal CTC and EITC would have on families
- Fifty-state survey of state tax credits related to child care, for tax year 2025
- Fifty-state survey of state CTCs, for tax year 2025
- Fifty-state survey of state EITCs, for tax year 2025

**Examples of State and Local Policies**

- Sixteen states (including the District of Columbia) have provided CTCs (which are refundable in all but four states). Eleven states allow tax filers to claim children with ITINs for their CTC.


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- Thirty-three states (including the District of Columbia and Puerto Rico) have state EITCs (which are refundable in all but four states). Eleven states allow tax filers with ITINs to claim their EITC.
- Thirty states (including the District of Columbia) have child and dependent care tax provisions, most of which are based on the federal CDCTC. Sixteen of those states offer refundable credits.