

Testimony in Support of SB 447

An Act Relating to Taxation – Personal Income Tax – Child Tax Credit Senate Finance Committee

May 13, 2025

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The Economic Progress Institute strongly supports Senator Vargas' SB 447, which establishes a Child Tax Credit of \$1,000 per dependent (up to the age of 18) for single-filer households making up to \$100,000 a year and for dual-filer households making up to \$150,000 a year. The credit would be refundable, meaning that families will get money back from the state if the Child Tax Credit exceeds their tax liability.

All children deserve to have their basic needs met. Unfortunately, according to EPI's 2024 RI Standard of Need report, 78% of single parents with two children cannot afford to meet their basic needs.¹ A State Child Tax Credit (CTC) is a powerful anti-poverty measure that will provide RI families with much needed financial relief and security. The current federal CTC allows families to claim up to \$2,000 per dependent. However, it is important to note that after 2025 this benefit is set to drop down to \$1,000. The Rhode Island CTC would help offset this harmful reduction by providing \$1,000 per independent.² The federal CTC is only partially refundable, but this bill would make the state CTC fully refundable to help Rhode Islanders who earn little to no income.

Between 2018 and 2022, 14 percent of children in Rhode Island lived in poverty and those rates were much worse for children of color. According to Rhode Island Kids Count, 53 percent of Native American children, 38 percent of Hispanic children and 22 percent of Black children, 11 percent of Asian/Pacific Islander children, and 8 percent of White children lived in poverty.³ We know the Child Tax Credit effectively reduces child poverty.

In 2021, the federal CTC was expanded under the American Rescue Plan Act (ARPA). The maximum credit amount increased from \$2,000 to \$3,600 for children under 6 and from \$2,000 to \$3,000 for children aged 6-17. The credit was also made fully refundable, meaning that those who had low or no earnings still had access to the full federal credit for the first time. A large majority of low-income families used the credit to buy food, pay utility bills, make rent, buy

¹ https://nmd.nyc3.cdn.digitaloceanspaces.com/epi/documents/reports/RISN_2024_15_web-with-Table-1-correction-%E2%80%94FINAL.pdf

² <https://tax.thomsonreuters.com/news/the-future-of-the-child-tax-credit/>

³ <https://rikidscount.org/wp-content/uploads/2024/08/2024-Rhode-Island-KIDS-COUNT-Factbook.pdf>

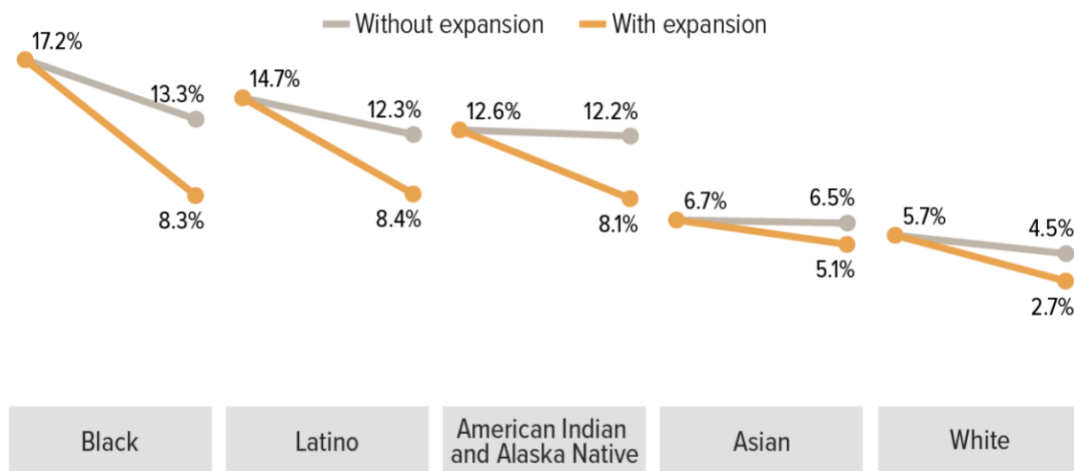
clothing, and cover education costs.⁴ As a result, child poverty declined sharply in 2021 and reached a record low of 5.2 percent. The expanded Child Tax Credit under ARPA cut child poverty rates almost in half. When the ARPA expansion ended in 2022, poverty rates more than doubled from 5.2 percent to 12.4 percent.⁵

Moreover, Black, Indigenous, and Latino populations saw the largest reductions in child poverty rates under the expanded CTC. The figure below shows national child poverty decreased by 8.9 percent for Black families, 6.3 percent for Latino families, and 4.5 percent for American Indian/Alaska Native families, 3 percent for White families, and 1.6 percent for Asian families. Instituting a State CTC would improve equity in RI by disproportionately reducing poverty for historically marginalized populations.⁶

FIGURE 1

Child Tax Credit Expansion Drove Child Poverty Sharply Downward in 2021 Across Racial & Ethnic Groups

Child poverty rates, 2020 to 2021



Note: Figures use the federal government's Supplemental Poverty Measure (SPM). American Indian and Alaska Native (AIAN) children may be AIAN alone or in combination with other races and ethnicities; Latino (short for Latino, Hispanic, or Spanish origin) may be of any race; Black and white refer to children of that race alone and not Latino; and, Asian refers to children of that race regardless of Latino ethnicity.

Source: U.S. Census Bureau figures published September 13, 2022; additional analysis of the Census Bureau's March 2022 Current Population Survey by CBPP

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Establishing a state CTC would complement, as well as help offset the tentative reduction, of the federal CTC and would likely have similar effects to the expanded federal CTC under ARPA in 2021. If enacted, the state CTC would drastically decrease child poverty rates, especially for

⁴ <https://www.cbpp.org/blog/9-in-10-families-with-low-incomes-are-using-child-tax-credits-to-pay-for-necessities-education>

⁵ <https://www.census.gov/content/dam/Census/library/publications/2023/demo/p60-280.pdf>

⁶ <https://www.cbpp.org/sites/default/files/6-14-23tax.pdf>

low-income families and families and children of color. The Economic Progress Institute strongly urges the passage of SB 447.