

## The American Rescue Plan & Child Tax Credits: What New York Families Need to Know

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#### Overview

- Exciting Temporary Changes to the Federal Child Tax Credit
- II. Getting Payments to New York Families: FAQs
- III. Opportunities to Strengthen Child Tax Credits
- IV. Helpful Resources





## Important Announcement! Educational Alliance Tax Prep Lab

## Tax prep support is available in the Family Resource Center on a *first* come, first serve basis

REGISTER TODAY! Email Kenya Campbell at <a href="mailto:Kcampbell@edalliance.org">Kcampbell@edalliance.org</a> or call (646) 395-4246



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May 3<sup>rd</sup> | 9 am - 11 am

May 6<sup>th</sup> | 12:30 - 2:30 pm, 4 - 5:30 pm

May 10<sup>th</sup> & 11<sup>th</sup> | 9 - 11 am

May 13<sup>th</sup> | 9 - 11 am (virtual)
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## I. Exciting Temporary Changes to the Federal Tax Credit

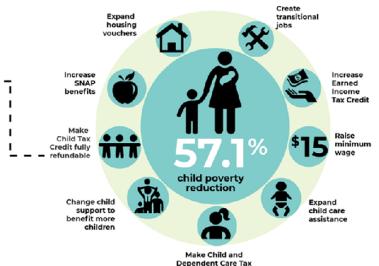
Child



## Child Tax Credits Are a Powerful Child Poverty-Fighting Tool

## HOW TO LIFT MILLIONS OF CHILDREN OUT OF POVERTY NOW



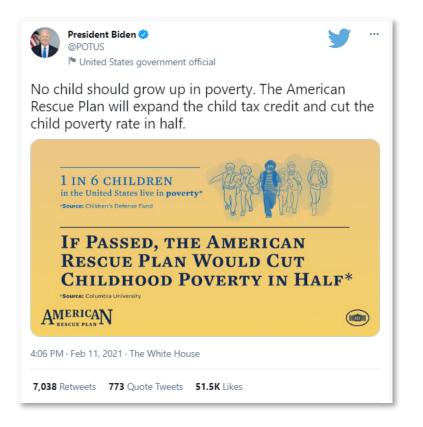


Credit refundable





### 'Cutting Child Poverty in Half'



- The American Rescue Plan Act, a \$1.9 trillion economic stimulus package, provides unprecedented cash and near-cash resources to families
- The Plan also provides significant investments in housing and homelessness, child care, education and health coverage



#### Poverty-Fighting Provisions of the American Rescue Plan

- ✓ Extension of SNAP benefit increases through the end of 2021
- ✓ One-time direct payment of \$1,400 per eligible adult and child recipient
- ✓ Extension of current unemployment insurance expansions through September 6, 2021 (with a \$300 per week national supplement)
- Fully refundable Child Tax Credit valued at \$3,000 (ages 6-17) and \$3,600 (under 6) for 1 year
- ✓ Expanded Earned Income Tax Credit for workers without children
- ✓ Expanded Child and Dependent Care Tax Credit and child care funding
- √ Rental assistance



#### Temporary Changes to the Child Tax Credit

- INCREASED BENEFIT LEVELS
  - Children under 6: \$3,600 maximum annual benefit (per child)
  - Children ages 6 17: \$3,000 maximum annual benefit (per child)
- FULLY AVAILABLE TO CHILDREN IN LOWEST INCOME FAMILIES
  - Maximum benefit available from \$0 in earnings up through \$112,500 (unmarried filer) or \$150,000 (married filer)
- PAID OUT IN REGULAR INSTALLMENTS
  - IRS directed to pay out benefit 'periodically' \*
    - Children under 6 to receive \$300 per child per month
    - Children ages 6 17 to receive \$250 per child per month



<sup>\*</sup> For first six months (beginning July 2021); remainder likely received tax-time Spring 2022

#### **Projected State Impact on Child Poverty**

### The expanded Child Tax Credit is projected to reduce child poverty in New York by over a third

Table 4. Estimated reduction in child poverty by the American Family Act by state				
	Poverty Rate: Current Law	Poverty Rate: Under AFA	Percentage point reduction	Percent change
New York	15.0%	9.5%	5.5%	36.5%



#### Who Is Left Out?

- Due to the 2017 Tax Cuts and Jobs Act, children must have a Social Security Number to receive the federal Child Tax Credit. This makes an estimated 1 million children nationwide and 72,000 New York children ineligible.
- Nationwide, 330,000 children in the child welfare system with certain living arrangements are also left behind due to the tax code's qualifying child rules.





# II. Getting Payments to New York Families: FAQs



Q: How much will I receive?





A: It depends on your income, how many children you have and their ages

#### If you are:

- **✓ Unmarried and earn less than \$112,500 per year** *OR* are
- ✓ Married with an annual household income under \$150,000

#### You will receive:

- √ \$3,600 per child under 6 (Paid in \$300 periodic payments)
- √ \$3,000 per child ages 6-17 (Paid in \$250 periodic payments)



The benefit begins to **reduce by \$50 for every additional \$1,000 of income earned**. (Higher-income families who previously qualified are still eligible for the \$2,000 per child benefit for individuals making up to \$200,000 and joint filers making up to \$400,000.)



Q: Do I have to be employed to receive the expanded Child Tax Credit?





A: No! Under the American Rescue Plan, the cash benefit is available to families with no income at all.



Q: When will I receive my cash benefit?





A: Your family will receive half of the Credit as an "advance" on your 2021 taxes via periodic or monthly payments from July to December 2021.

The other half of the payment will come when you file your 2021 tax refund.

The IRS is directed to create an option for families to opt out of periodic payments if they would prefer to receive a lump sum benefit during tax time.



### **Potential Payment Schedules**



Half of total payment

IF MONTHLY	IF PERIODICALLY		
July 2021 (First payment)	July 2021 (First payment)		
August 2021			
September 2021			
October 2021	October 2021		
November 2021			
December 2021 (Last payment received in 2021)	December 2021 (Last payment received in 2021)		
April 2022 (Completion of 2021 payment)	April 2022 (Completion of 2021 payment)		

Half of total payment



Q: How will the IRS know how much money to give my family?





A: The American Rescue Plan directs the Secretary of the Treasury to use your family's 2020 tax return to determine your eligibility for the Credit. If your family didn't file a 2020 tax return, the IRS will use your 2019 return.

Don't forget to file your taxes by May 17th!





Q: Who is eligible to claim a child for purposes of receiving the Child Tax Credit?





A: To be eligible for the Child Tax Credit, a child must live with the person claiming the Credit for at least 6 months of the year and be a child (including legal foster or adoptive), grandchild, sibling, niece, or nephew of the tax filer.

Children whose primary caregivers are more distant relatives or family friends are denied the benefit, as are children who do not spend at least six months in a single household.





Q: What if my child has split custody?





A: The parent with primary custody will receive the Credit (the child must live with the caregiver for at least 6 months of the year.)

If a child splits time equally between two parents, the one with a higher annual adjusted gross income (AGI) may claim the child.

The IRS will likely administer the advanced periodic payments to the parent claiming the child on their 2020 tax return.



Don't forget to file your taxes by May 17th!



Q: Will this benefit impact my eligibility for other benefits or programs?





A: No! The Child Tax Credit does not impact eligibility for other federally-funded benefit programs, such as SNAP.

Tax credits do not count against earned income.





Q: If I file my taxes late, can I still receive the Child Tax Credit?





A: Families who can't file their taxes by May 17<sup>th</sup> should file an extension to ensure that they receive the Child Tax Credit. It is better to file late than to not file at all!

It is still unclear how filing an extension will impact receipt of advanced payments.





Q: I did not earn an income in 2020. Should I still file my taxes?





A: Yes! All families should file their taxes – regardless of income and even if they have never done so before – to ensure that they receive the Child Tax Credit and other stimulus payments.



Don't forget to file your taxes by May 17th!



Q: I am an undocumented immigrant. Am I eligible to receive the Child Tax Credit?





A: Immigrant children must have Social Security Numbers (SSNs) to be eligible for the federal Child Tax Credit, but can receive the Empire State Child Credit without a SSN.



#### What is the Empire State Child Credit?

- The Empire State Child Credit is a refundable credit for full-year New York residents with children at least 4 years old
- It provides a credit equal to 33 percent of the federal child tax credit or \$100 per qualifying child (whichever is greater)
- The Credit begins to phase in when family annual income exceeds \$3,000 and begins to phase out when family income exceeds \$75,000 for a single filer, \$110,000 for married filers filing jointly or \$55,000 for married filers filing separately



#### Who Is Left Out?

## Children under the age of 4 are excluded from receiving the Empire State Child Credit





Q: I did not receive previous stimulus payments (or received less than I should have.) Will filing my taxes help?





A: Yes! Individuals can claim the 2020 Recovery Rebate Credit when they file their taxes to ensure they receive all of the stimulus payments they are owed.



Don't forget to file your taxes by May 17th!



Q: What if I just gave birth, adopted a child, or just came to the United States. When will I receive the monthly Child Tax Credit payments?





A: Answers to those and other critical questions have not been established yet.

**Stay Tuned!** 



# III. Opportunities to Strengthen Child Tax Credits



# Turning a One-Year Expansion of the Federal Child Tax Credit Into a Universal Child Allowance

#### To realize the Child Tax Credit's poverty-fighting potential, we must:

- Make the temporary expansion permanent
- Ensure the Child Tax Credit benefits all children, including:
  - ✓ Immigrant children
  - Children involved in the child welfare system and others left behind by the tax code's current qualifying child rules
- Ensure payments follow the child





## **Expanding the Empire State Child Credit**

A bill in the State legislature, *S. 5866 (Cooney) / A. 3146-A (Hevesi)* seeks to improve the Empire State Child Credit by:

- Immediately expanding the Credit to provide low-income children left out of the American Rescue Plan a credit of \$1,000 for children under 4 and \$500 for children ages 4 to 17
- Making this expansion permanent to all New York children





## **Projected Impact**

#### Making these changes to the Empire State Child Credit would:

- Provide immediate relief to 72,000 immigrant children statewide
- Benefit 2.1 million New York families once fully phased in
- Benefit 900,000 babies and toddlers statewide
- Reduce:
  - Child poverty by nearly 8 percent
  - Deep child poverty by 9 percent
  - Under-4 child poverty by 12 percent





## IV. Helpful Resources





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# More Information About the Child Tax Credit and American Rescue Plan

- Children's Defense Fund: Overview of American Rescue Plan Tax Credits
- Children's Defense Fund: <u>Understanding the Expanded Child Tax Credit</u>
- Children's Defense Fund New York: <u>The Expanded Child Tax Credit: What New York Families Need to Know</u>
- Forbes Advisor: Here's How The New Child Tax Credit Payments Will Work
- Moms Rising: <u>How To Get the Benefits of the American Rescue Plan</u>
- Senator Michael Bennet: The American Rescue Plan and the Expanded Child Tax Credit <u>English</u> I <u>Spanish</u>
- White House: <u>How to Access Your Benefits Under President Biden's American Rescue Plan</u>



### **Tax Filing Resources**

#### IRS Resources:

- Find a location for free, in-person tax help: <u>Volunteer Income Tax Assistance (VITA)</u> <u>Lookup Tool</u>
- File taxes online via <u>IRS Free File</u> for families with incomes below \$72,000
- File an extension (until October 15th) for a federal return
- In need of legal advice and tax preparation? Find a local <u>Low Income Taxpayer Clinic (LITC)</u>
- Learn how to work with an IRS-certified tax specialist for free: GetYourRefund.org





#### **Thank You!**

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children's defense fund new york



## children's defense fund new york

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