

Anti-poverty tax credits strengthen Vermont families

EARNED INCOME TAX CREDIT • CHILD TAX CREDIT • TAX CREDIT for FORMER FOSTER YOUTH

Anti-poverty tax credits increase financial stability for Vermont families so they can begin to meet their basic needs, live with dignity, and build stronger communities.

The Child Tax Credit (CTC) and Earned Income Tax Credit (EITC) help the lowest-income Vermont families fill the gap between income and expenses by providing cash when they file their taxes. During the pandemic, temporarily expanded federal tax credits helped bring 10,000 people out of poverty. Unfortunately, these credits have ended leaving many Vermonters worse off. Increasing Vermont tax credits, and expanding eligibility and access to them, helps people cover these costs.

Take action to strengthen tax credits in 2024:

Increase the EITC, and create a new foster youth credit

- Increase the state EITC to 55 percent of the federal EITC for filers with children; to 100 percent for filers without children.*
- Create a new \$1,000 refundable credit for former foster youth, ages 18 to 26.

Increasing the EITC would mean up to \$679 more for a family with one child and \$372 for a family without children

Broaden eligibility

- Extend Vermont's CTC to families who have a child of any age with a disability.
- Expand refundable tax credits to workers under the age of 25 and over 64 without children.

Increase accessibility, maximize benefits

- Create state practices to collect and publish annual data about who receives the credits.
- Coordinate state outreach to ensure that every eligible Vermonter receives the credits.
- Clarify in statute that residents without income are eligible for the credits.
- Provide the credits whether or not recipients have other state debts.

Current Vermont tax credits

Vermont Child Tax Credit

- Started in tax year 2022
- \$1,000 annually per child under 6
- Full credit with income \$0-\$125,000, partial credit up to \$175,000
- Fully refundable; available to all residents

Vermont's Earned Income Tax Credit

- Increased to 38% of federal EITC in 2022
- Adjusts for earnings and number of children
- Credit phases in for workers with low and moderate earnings
- Fully refundable; available to all residents

* The current maximum credit for filers without dependents is so low that many don't claim it, just 15% of the maximum for families with one dependent. Bringing it up to 100% of the federal credit would ensure that more eligible filers claim the credit.

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How Vermont's EITC and CTC work now

Tax credits are used to reduce personal income taxes. With refundable credits, if the amount of the credit is more than the taxes due, the balance is refunded to the taxpayer. Filers who owe no taxes get the whole value in cash. Vermont's CTC is available to families with children under six and the EITC to workers with low wages. Both credits are refundable and available regardless of immigration status.

The state CTC is a \$1,000 annual credit per child under six in a family. Families with incomes up to \$125,000 get the full credit; families with up to \$175,000 income get partial credit.

Both the state and federal government offer an Earned Income Tax Credit to qualified Vermont families. The federal credit is determined by income and the number of children in a family. The state EITC is calculated as a percentage of the federal credit; currently the Vermont rate is 38 percent. In 2023, the maximum annual state EITC is \$1,518 for a family with one child and \$228 for a family without children.

How Vermont's current tax credits fall short

While the CTC and the EITC help to lift many families above the poverty level, they are still well short of the \$70,000-plus per year needed to meet their basic needs. Families with children six and older don't get the state CTC, so they have still fewer resources.

Filers without children receive a maximum combined federal and state EITC of \$828—not enough. Single filers without children who earn more than \$17,600 annually are not eligible for the credit, nor are those younger than 25 or older than 64, or youth transitioning out of foster care, a financially vulnerable population.

And many people who are eligible for the credits don't receive them including:

- Those with incomes too low to be required to file taxes.
- Workers who may not know they are eligible because of their immigration status.
- Households who have been denied the credits because of outstanding state bills.

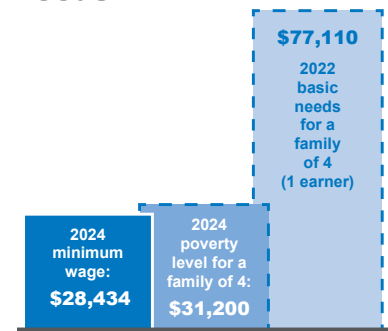
Expanding Vermont tax credits and increasing eligibility and access in 2024 will help people in Vermont bounce back from tough economic times and provide a stronger financial foundation.

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Minimum wage leaves families in poverty, and far from meeting basic needs



Note: This graphic uses the most recent data available from 2022 and 2024. Minimum wage reflects the annual wages for one full-time earner.

Data sources: Vermont Department of Labor, Joint Fiscal Office
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