

Vermont's new Child Tax Credit: Improving life for families

Refundable tax credits are an important tool for reducing child poverty and advancing racial, social, and economic justice. They get cash to families efficiently, helping them meet basic needs like [food, clothing, and housing](#). During the pandemic, when many people were out of work, the federal government used refundable income and child tax credits as quick ways of easing families' financial struggles. Some states, Vermont included, followed their lead by passing state-level child tax credits.

Vermont Child Tax Credit at a glance

- Begins in tax year 2022
- \$1,000 annually per child under 6
- Full credit for families with incomes of \$0 to \$125,000
- Partial credit for incomes between \$125,000 and \$175,000
- Proven tool for reducing child poverty

What is the Vermont Child Tax Credit?

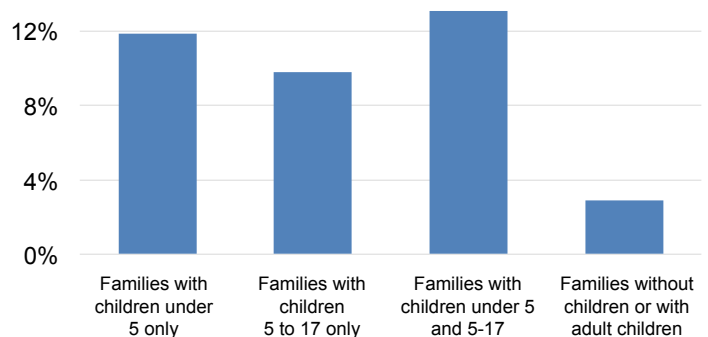
Vermont's Child Tax Credit (CTC) provides \$1,000 annually per child under 6 to families with adjusted gross incomes up to \$125,000. It is fully refundable—families with low or no earnings can receive its full value. Families earning between \$125,000 and \$175,000 receive a partial credit. In 2023, over 95 percent of Vermont kids under 6—34,000 children—will benefit from the credit, making it the most robust in the country.

Why do we need it?

Families with kids under 18 face higher poverty rates than families without children or with adult children. In 2021, in response to financial hardship resulting from the pandemic, the feds raised the annual child tax credit for one year, from \$2,000 to \$3,000 per child (\$3,600 for children under 6); extended it to children as old as 17; and made it fully refundable. Half was paid out monthly during the second half of 2021, the other half when families filed their 2021 taxes.

Vermont families with children are more likely to live in poverty

Family poverty rate by select families, 2021



Data source: U.S. Census Bureau, 2021 American Community Survey 5-yr. estimates, [Table S1702](#)
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Nationally, the policy yielded the greatest decline in poverty on record. In Vermont, the poverty rate dropped from 9 percent in 2019 to below 7 percent in 2021. The credit helped nearly 60,000 Vermont families with kids. But many families were struggling to meet their basic needs before the pandemic and continue to do so. Both Vermont's minimum wage and average wage fall short of the state's basic needs budget by tens of thousands of dollars.

The state credit will restore some of what Vermonters lost when the expanded federal credit expired and address poverty in the longer term. But unlike the 2021 federal credit, the Vermont CTC will come in a lump-sum payment once a year. Periodic payments provide a steadier income, making budgeting easier and families more secure.

How can Vermonters get the Child Tax Credit?

Families have to file a tax return to receive the credit even if their earnings are too low to require filing. In 2019, 4,500 eligible Vermont families with children did not claim thousands of dollars from the federal Earned Income Tax Credit (EITC), a refundable tax credit for families with low earnings.

Vermont can get these tax credits to more families by connecting them to filing resources and supporting community-based organizations that help people with low incomes file their taxes.

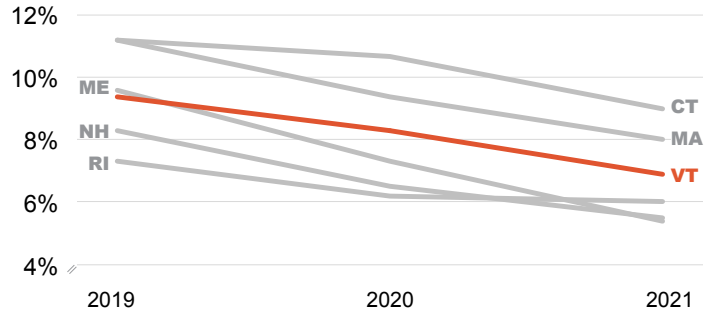
For resources on applying for Vermont's Child Tax Credit:

<https://publicassets.org/library/projects/how-to-get-vermonts-new-child-tax-credit/>



When government aid is counted, poverty fell during the pandemic

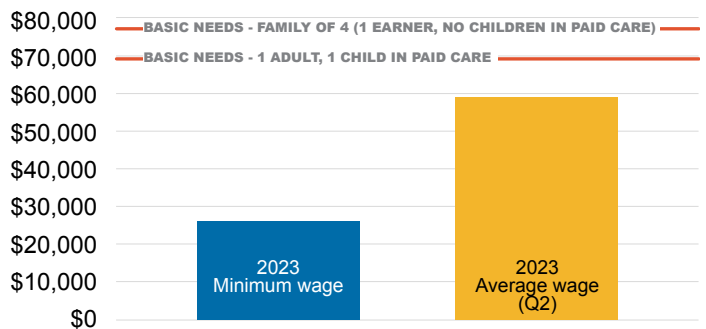
Percentage of population below the Supplemental Poverty Measure threshold, New England states, 2019-2021



Note: Due to small sample sizes, state estimates are rolling, 3-year averages. The year labels show the third year of each 3-year average.
 Data source: U.S. Census Bureau, Current Population Survey Annual Social and Economic Supplement
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Average Vermont wages don't meet families' basic needs

Annual wages and 2022 total basic needs budget for select households



Data sources: Joint Fiscal Office, Vermont Department of Labor
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