Implementing a Child Tax Credit in Illinois

Economic, Social, and Fiscal Impacts

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Executive Summary

A Child Tax Credit is a credit for each child or dependent that households can claim on tax returns. The federal Child Tax Credit covers children under 17 years old and was temporarily expanded in 2021 under the American Rescue Plan Act. The expanded Child Tax Credit increased the amount of the credit, included 17-year-olds, introduced monthly payments to eligible households, and was made refundable, significantly increasing tax refunds for low- and middle-income families. With the expanded federal credit expiring but polls showing broad public approval of the policy, at least 14 states—including Illinois—have considered implementing their own Child Tax Credits. Currently, 15 states have enacted Child Tax Credits.

There are five main reasons for Illinois to consider implementing a Child Tax Credit (CTC):

1. Reduce childhood poverty. The federal CTC expansion reduced childhood poverty by as much as 36 percent and decreased food insufficiency among low-income households by 25 percent.
2. Uplift working families. Surveys show that the enhanced federal CTC enabled families to pay for housing, utilities, and necessities like food and diapers while allowing them to pay off credit card debt—considerably reducing anxiety and depressive symptoms.
3. Deliver tax relief for working families. Low- and middle-income households in Illinois currently pay a greater share of their income in taxes than wealthy households, causing inequality to be worse after state and local taxes are collected.
4. Improve racial equity. After the federal CTC was expanded, the largest reductions in poverty and food insufficiency were experienced by Black and Latinx households.
5. Grow the economy. By putting more money in the pockets of working families, Child Tax Credits can boost consumer demand, increase sales at Illinois' businesses, and create jobs.

The Project for Middle Class Renewal (PMCR) at the University of Illinois at Urbana-Champaign and the Illinois Economic Policy Institute (ILEPI) have jointly evaluated the effects of seven different scenarios for implementing a Child Tax Credit in the state. The scenarios are intended to serve as theoretical examples for lawmakers and the public to examine when considering Child Tax Credit legislation.

An analysis of 2017-2021 *American Community Survey* data from the U.S. Census Bureau reveals that a Child Tax Credit could accomplish five potential policy goals for Illinois:

1. Reduce childhood poverty by at least 10 percent. Two of the seven scenarios would reduce childhood poverty by 14 percent and 23 percent.
2. Directly impact at least half of all Illinois children. Under five of the scenarios, 60 percent to 100 percent of Illinois' children would be covered by a Child Tax Credit.
3. Cut income taxes by at least 10 percent for eligible households. In six of the scenarios, the average tax cut ranges from 12 percent to 645 percent.
4. Improve racial equity. All seven of the scenarios would deliver larger effective tax cuts for Black and Latinx households with children than their white peers with children.
5. Boosting Illinois' economy by at least $1 billion annually. Every dollar invested produces between $1.17 and $1.45 in business output, with three of the scenarios increasing economic activity by between $1.5 billion and $3.3 billion per year.

One scenario, a $1,200 credit per child that is phased out based on income, would achieve all five goals. Senate Bill 1444 and House Bill 3950 introduced in the General Assembly in early 2023 would achieve four of the five goals. A $300 credit per child would achieve three of the five goals. Additionally, each of the seven scenarios has an upfront fiscal cost equivalent to between 0.5 percent and 4 percent of the General Fund budget.

A Child Tax Credit is an investment in children and in working families. A Child Tax Credit generates long-term gains that offset initial costs, with the state saving money on other government assistance programs and long-term taxpayer savings accruing due to the improved economic and educational prospects of children. Ultimately, a Child Tax Credit is a pro-growth, pro-equity policy that would have positive economic and social impacts across Illinois.

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Introduction

A Child Tax Credit (CTC) is a credit for each child or dependent that taxpayers can claim on their tax returns. A CTC can be implemented at any level of government and be either broad or narrow, covering all children or only covering younger children. In recent years, there have been significant changes to the federal CTC, which is a credit for each child under 17 years old, as well as bills proposed and passed in state legislatures across the country to implement new state-level CTCs.

The federal Child Tax Credit has been expanded over time, helping low- and middle-income families offset the cost of raising children (Crandall-Hollick, 2020). First established in 1997 as a modest $400 non-refundable per-child tax credit to help reduce federal income taxes for middle- and upper-income families, the CTC was increased to $500 per child beginning in 1999 and to $1,000 per child in 2001 (Crandall-Hollick, 2021a). In 2001, the CTC was also made partially refundable for families with earnings over $10,000 annually. By 2017, the credit was expanded to $2,000 per child, with the refundable portion increased to $1,400 per child (Pilkauskas et al., 2022). In 2024, a family must earn at least $2,500 to be eligible for the CTC, with the maximum credit remaining at $2,000 per child and a refundable portion—or the Additional Child Tax Credit (ACTC)—set at $1,600 and pegged to inflation (CFPB, 2024). A bipartisan bill proposed in Congress in January 2024 would increase the refundable portion to $1,800 this year, $1,900 next year, and $2,000 in two years (Freking, 2024).

In 2021, Congress enacted a temporary expansion of the Child Tax Credit in the American Rescue Plan Act (ARPA) (Curran, 2022; Cohen, 2022). First, the credit was made fully refundable and available to all families regardless of tax liability. Second, the earnings requirement of at least $2,500 in annual income was removed, effectively creating the first universal child allowance in the United States. Third, the maximum CTC amount was increased to $3,600 per child under 6 years old and $3,000 per child between the ages of 6 and 17 years old—significant increases of between 50 percent and 80 percent per child and an expansion to children 17 years old. The ARPA targeted the increased credit amounts to low- and middle-income families, creating two phaseout steps for the credit (Crandall-Hollick, 2021b).[1] Finally, the legislation instructed the Internal Revenue Service (IRS) to deliver half of households' total CTC as monthly payments to those eligible for the expansion from July to December 2021, and the remainder as a lump-sum installment with their 2021 tax refunds in early-to-mid 2022 (IRS, 2021; IRS, 2022; Pilkauskas et al., 2022).

Public opinion polling suggests broad support for the Child Tax Credit expansion. A July 2021 survey of 1,500 American adults conducted by YouGov revealed that 50 percent supported the expanded CTC in the first month that payments were distributed, while only 28 percent opposed the policy change (Frankovic, 2021). Two months later, a survey of 1,245 likely voters by Data for Progress found that 59 percent of voters supported the expanded CTC (DFP, 2021). In July 2022, seven months after the temporary federal expansion had expired, Morning Consult surveyed 4,415 American adults and discovered similar results, with 59 percent support for bringing back the expanded CTC (Jacobson Snyder, 2022). In September 2023, Hart Research Associates surveyed 1,421 registered voters nationally and found 70 percent support for "a proposal to expand and improve the Child Tax Credit," including from a bipartisan majority of Democrats (81 percent) and Republicans (60 percent) (ESP, 2023). Finally, a November 2022 survey of 800 parents of children between the ages of 0 and 3 years old conducted by Morning Consult found that 85 percent said it was either "very important" or "important" that Congress reinstate the expanded CTC reforms (Zero to Three, 2022).

With the expanded Child Tax Credit expiring at the federal level but public approval of the policy remaining very high, many states have established their own credits (NCSL, 2023; Cohen, 2022). Entering 2023, 12 states had enacted Child Tax Credits with varying benefit amounts and eligibility requirements: Arizona, California,

[1] For information on how the federal Child Tax Credit affected a married couple with one child and a single taxpayer with one child, see the stylized examples in Table A in the Appendix.

Colorado, Maryland, Massachusetts, New Jersey, New Mexico, New York, and Vermont had refundable CTCs and Idaho, Maine, and Oklahoma had nonrefundable CTCs (NCSL, 2023).[2] Several states calculate their CTC as a percentage of taxpayer's federal CTC, including 5 percent in Oklahoma (a maximum of $100 per child) and 33 percent in New York (a maximum of $660 per child). Other states offer their own per-child credits, including a $1,000 per child credit in Vermont. Vermont's CTC phases out entirely at $175,000 in annual income (Waxman & Ninh, 2023). Many states also have narrower eligibility requirements than the federal CTC, with states like California, Colorado, and New Jersey offering the credit only to families with children under 6.

Utah, Minnesota, and Oregon enacted Child Tax Credits in 2023, bringing the total number of states with CTCs to 15 (Serre, 2023; Romero, 2023; Buie, 2023; Washington, 2023). Utah's law is nonrefundable, but provides $1,000 per dependent ages 1, 2, or 3 years old for single filers earning up to $43,000 in adjusted gross income (AGI) and married couples earning up to $54,000 annually, and phases out entirely at AGIs $10,000 above each of these levels (Serre, 2023; Romero, 2023). Minnesota's Child Tax Credit provides a refundable $1,750 credit per child under 18 years old for households with annual gross incomes of $35,000 that phases out depending on income (Griffith, 2023). Oregon's law delivers a $1,000 refundable tax credit per dependent under 6 years old for households earning $25,000 per year or less and phases out at $30,000 (Washington, 2023).

Additionally, at least six states expanded their policies last year (Wright, 2023). Colorado increased its CTC to a maximum of 60 percent of the federal credit, or $1,200 per child under 6 years old, for low-income households earning $25,000 or less and New Jersey increased it to $1,000 per child under 6 years old for low-income households earning $30,000 or less (Get Ahead Colorado, 2023; Wright, 2023). Maryland expanded the state's CTC to $500 per child under 6 years old for households earning $15,000 or less (Hirneisen, 2023). New Mexico increased the maximum CTC from $175 per child to $600 per child and added language to adjust the CTC each year for inflation (Pupke, 2023; McCabe, 2023). New York expanded its credit to children under 4 years old (Butkus, 2023). Maine made its CTC refundable starting in the 2024 tax year and will adjust the $300 per child credit for inflation (State of Maine, 2023). As a result, 12 of the 15 states (80 percent) now have refundable CTCs. The average maximum credit in these 15 states is $716 per child and the median is $660.[3]

At least 14 other states have considered creating their own Child Tax Credits. Since 2019, Illinois has joined Connecticut, Hawaii, Iowa, Kansas, Michigan, Missouri, Montana, Nebraska, New Hampshire, North Carolina, Virginia, and West Virginia in introducing legislation to create state-level CTCs (NCSL, 2023). Other states with CTCs have proposed expanding their programs. For example, Republican Governor of Massachusetts Charlie Baker has supported doubling the refundable credit of $180 per dependent, while another bill in the Massachusetts State House would increase the credit to $600 per dependent and index it to inflation (Cohen, 2022; Wright, 2023). A 2023 analysis of 14 states that recently enacted or expanded CTCs found strong bipartisan support—with the bills passing with yes votes from 82 percent of State Senators and 79 percent of State Representatives, including between 30 and 40 percent of Republican lawmakers (Ahmad & Landry, 2023).

This report, conducted jointly by the Project for Middle Class Renewal (PMCR) at the University of Illinois at Urbana-Champaign and the Illinois Economic Policy Institute (ILEPI), evaluates the potential economic, social, and fiscal impacts of adopting a Child Tax Credit in Illinois. The report first addresses five reasons to implement a CTC. Then, the report evaluates the impacts of seven possible CTC structures, including Senate Bill 1444 and House Bill 3950 introduced in early 2023. A summary of the scenarios is also presented. The fiscal effects and potential offsetting factors that should be considered, as well as important principles of raising awareness and administering the policy, are discussed before a conclusion recaps key findings.

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[2] For a summary of all 15 states with Child Tax Credits and their structures, including the credit amounts and whether they are refundable, see Table B in the Appendix.

[3] See Table B in the Appendix for more information.

Five Reasons to Consider Implementing a Child Tax Credit in Illinois

With Congress failing to renew the expanded Child Tax Credit, the State of Illinois could take steps to deliver tax relief to residents and working families. To this end, both elected officials and parents have engaged in a public dialogue over whether Illinois should enact its own Child Tax Credit (Connolly, 2023; Paddock, 2023).

Illinois is much better positioned to consider a reform like a Child Tax Credit after multiple years of higher-than-expected tax revenues—which have allowed lawmakers to eliminate the state's backlog of unpaid bills, increase pension contributions, deposit funds into the Budget Stabilization Fund (or "rainy day fund"), increase investments in education under the Evidence-Based Funding plan, and deliver income and property tax rebates while receiving nine credit rating upgrades (Nowicki, 2022; Miller, 2023a; Lisitza, 2023; Hancock, 2023). While Base General Funds revenue only increased by about 1 percent in fiscal year 2023 and state tax revenues were budgeted to be relatively flat again in fiscal year 2024, recent projections now expect General Fund revenues to top $52 billion this year, which would represent a $1.7 billion (3 percent) increase over fiscal year 2023 (Moore, 2023; Verthein, Bolton, & Kapp, 2023; Sturm, 2023).[4] With lawmakers considering prioritizing a Child Tax Credit over other potential policy options, it is important to understand the policy goals that could be advanced with a Child Tax Credit before assessing its potential economic, social, and fiscal impacts.

A Child Tax Credit Can Reduce Childhood Poverty

A significant body of research has demonstrated the deleterious effects that poverty and material deprivation have on children's short- and long-term health, education, and economic prospects. Parents who lack access to sufficient income struggle to provide housing and adequate food for their children, which translates to downstream consequences, including lower graduation rates and negative mental and physical health outcomes (APA, 2022). Those who spend a majority of their childhoods living in poverty are less likely to complete high school and less likely to be employed as adults (Ratcliffe, 2015). While many children who experience poverty can achieve prosperity, systemic and structural conditions severely reduce their chances of upward economic mobility later in life.

Economic research shows that the temporary expansion of the federal Child Tax Credit was a powerful tool for reducing childhood poverty and material hardship (Figure 1). Initial estimates suggested that the monthly child poverty rate fell from 16 percent in June 2021 to 12 percent in July 2021 as expanded CTC payments were first distributed, reducing childhood poverty by 26 percent and lifting 3 million children out of poverty instantly (Parolin et al. 2021a). As the Internal Revenue Service (IRS) increased coverage and reached more families, the expanded CTC kept 3.7 million children from experiencing poverty in December 2021, reducing childhood poverty by 29 percent (Parolin, Collyer, & Curran, 2022).

Researchers at the U.S. Census Bureau used annual estimates to find similar results (Burns & Fox, 2023). In 2021, about 15.3 percent of children were in poverty over the full year, according to the Census Bureau's Official Poverty Measure (OPM). However, the Census Bureau also has a Supplemental Poverty Measure (SPM), which accounts for government assistance, tax credits, and cash and in-kind transfers while subtracting income and payroll taxes as well as work and medical expenses. This post-tax, post-transfer metric showed that just 5.3 percent of children were in poverty in 2021. The expanded CTC played an essential role in this massive poverty reduction. Without it, childhood poverty would have been 8.1 percent under the Supplemental Poverty Measure. The expanded CTC thus accounted for 36 percent of the drop, lifting 2.1 million children out of poverty, according to the U.S. Census Bureau (Burns & Fox, 2023).

[4] Through December 2023, General Funds revenues were more than 3 percent above the previous fiscal year's levels (Varner, 2024).

In September 2023, the U.S. Census Bureau released data showing that poverty increased sharply between 2021 and 2022 across the United States as inflation peaked and federal programs such as enhanced unemployment insurance, direct checks to households, rental assistance, and the expanded Child Tax Credit ended (Casselman & DePillis, 2023). Under the Supplemental Poverty Measure (SPM), the poverty rate increased from 7.8 percent to 12.4 percent, the first increase since 2010 (Shrider & Creamer, 2023). Among children, SPM poverty more than doubled, rising from 5.2 percent to 12.4 percent (Shrider & Creamer, 2023). An analysis by researchers at Columbia University finds that the child poverty rate would have been 8.1 percent in 2022, or 35 percent lower, if the expanded CTC had remained in place (Koutavas et al., 2023).

Additionally, Child Tax Credits can reduce food insufficiency (Figure 1). Food insufficiency is defined as a household "sometimes" or "often" not having enough food to eat in the last seven days. U.S. Census *Household Pulse Survey* microdata show that the expanded CTC decreased food insufficiency from 29.8 percent to 22.3 percent among low-income households with children, representing a 25 percent decline. These effects were concentrated among families with incomes below $35,000 (Parolin et al., 2021b). A similar study using national-level data also found that the expanded CTC was associated with significant reductions in food insufficiency of up to 26 percent (Shafer et al., 2022).

Figure 1: Studies on Impacts of Federal CTC Expansion on Child Poverty and Food Insufficiency, 2021-2023

Authors	Year	Outcome	Effect
Koutavas, Year, Collyer, Curran, Harris, & Wimer	2023	Child Poverty	-35%
Burns & Fox	2023	Child Poverty	-36%
Parolin, Collyer, & Curran	2022	Child Poverty	-29%
Shafer, Gutiérrez, Ettinger de Cuba, Bovell-Ammon, & Raifman	2022	Food Insufficiency	-26%
Parolin, Collyer, Curran, & Wimer	2021	Child Poverty	-26%
Parolin, Ananat, Collyer, Curran, & Wimer	2021	Food Insufficiency	-25%

Source(s): Individual studies listed in the table.

A Child Tax Credit Can Uplift Working Families

Research shows that Child Tax Credits can improve standards of living for working- and middle-income families. Prior to its expansion, the federal CTC reached 89 percent of children in the United States (Goldin & Michelmore, 2021; Collyer, Harris, & Wimer, 2019). An April 2023 survey by Morning Consult that included responses from 510 U.S. adults who were parents or guardians of children under 18 years old found that 10 percent did not qualify to claim the Child Tax Credit on their most recent tax return (Wielk & Lautz, 2023). Because the federal CTC is not refundable and is tied to earnings, the poorest 10 percent of households are completely ineligible for CTC payments and only 63 percent of children live in households that receive the full credit (Goldin & Michelmore, 2021; Collyer, Harris, & Wimer, 2019). At the state-level, most state CTCs are refundable and are targeted to working families and middle-income families. California's CTC, for example, can only be claimed if the family qualifies for the Earned Income Tax Credit (EITC), a tax credit for working people with low and moderate incomes. Vermont's CTC of $1,000 per child who is 5 years old or younger applies for families with incomes up to $125,000, with partial credit for incomes between $125,000 and $175,000 (Waxman & Ninh, 2023).

When the federal government expanded the CTC by increasing the credit per child, making it fully refundable, and removing the earnings requirement, economic and financial outcomes improved for working-class and middle-class families (Hamilton et al., 2022; Pilkauskas et al., 2022). In a survey of American parents conducted both before and after the payments were delivered, 79 percent of CTC eligible households reported receiving the expanded credit. Parents reported using the money on housing and utilities (70 percent), clothing and essential items for children (58 percent), food (56 percent), emergency savings (49 percent), and paying down debt (42 percent) (Hamilton et al., 2022). Compared to households that were not eligible for the CTC payments, CTC-eligible households experienced a $517 relative decrease in their credit card balances. Lower-income families were more likely to report that the CTC payments enabled them to reduce high-interest borrowing and manage their housing and utility costs (Hamilton et al., 2022).

University of Michigan researchers utilized an innovative approach to assess the impact of the federal CTC reforms on families with low incomes by partnering with a free mobile app that helps families manage Supplemental Nutrition Assistance Program (SNAP) food stamp benefits (Pilkauskas et al., 2022). The analysis was limited to "economically disadvantaged" households—fully 85 percent reported that they received SNAP food stamps—with at least one child under the age of 18 years old. In total, there were 20,545 low-income U.S. parents surveyed over eight months, including two pre-expansion months and six post-expansion months. When asked how they used the expanded CTC money, the top answer was to pay bills (75 percent). The 2nd-highest response was to pay for child necessities, such as diapers and wipes (10 percent). The 3rd-highest response was to pay for rent, mortgages, or housing (9 percent). Note that respondents could select more than one response (Pilkauskas et al., 2022).

Another study of low-income families earning less than $35,000 per year found that 59 percent reported spending the CTC payments on food, 52 percent spent it on utilities, 45 percent spent it on their rent or mortgage, and 44 percent spent it on clothing (Marr et al., 2022). Once again, multiple responses were allowed. In each of these surveys of CTC-eligible and working families, the enhanced credits were consistently found to enable families to pay for housing, utilities, and necessities like food, clothing, and diapers while also allowing them to either pay off credit card debt.

The expanded CTC has also been linked with reduced depressive and anxiety symptoms among working adults with children. For example, data from the Census Bureau's *Household Pulse Survey* reveals that the CTC expansion was associated with a 9 percent decrease in depressive symptoms and a 13 percent decrease in anxiety symptoms among adults with children (Batra, Jackson, & Hamad, 2023). Such reductions can have far-reaching impacts on the wellbeing of both children and adults. A recent review of 40 psychological and public health studies found that financial stress is strongly associated with depression, especially among low-income groups (Guan et al., 2022). Furthermore, the Federal Reserve Bank of Atlanta has concluded that improved individual finances are associated with higher life expectancy, while financial stressors such as worsening creditworthiness and increases in debt delinquency can lead to increases in individual mortality risk (Argys, Friedson, & Pitts, 2016).

A Child Tax Credit Can Deliver Tax Relief for Low- and Middle-Income Families

In Illinois, research has found that the state and local tax system contributes to income inequality. According to the Institute on Taxation and Economic Policy, Illinois has the 8th-most unfair tax system in the country (Davis et al., 2024). While Illinois' tax code includes features to make it more equitable, such as a personal exemption and an Earned Income Credit (EIC), other characteristics outweigh these features.[5] Among the "regressive" characteristics are the state's sales taxes and the flat-rate individual income tax, which levies the same tax rate across all levels of income.[6] The Fair Tax Amendment in November 2020 would have amended the Illinois Constitution to allow for a graduated-rate income tax system that could have delivered tax cuts for working- and middle-income families while raising taxes on wealthy families (Bruno & Manzo, 2019). However, the measure was defeated by a 53 percent to 47 percent margin (Ballotpedia, 2023).

[5] Illinois refers to its Earned Income Tax Credit (EITC) as an Earned Income Credit (EIC).

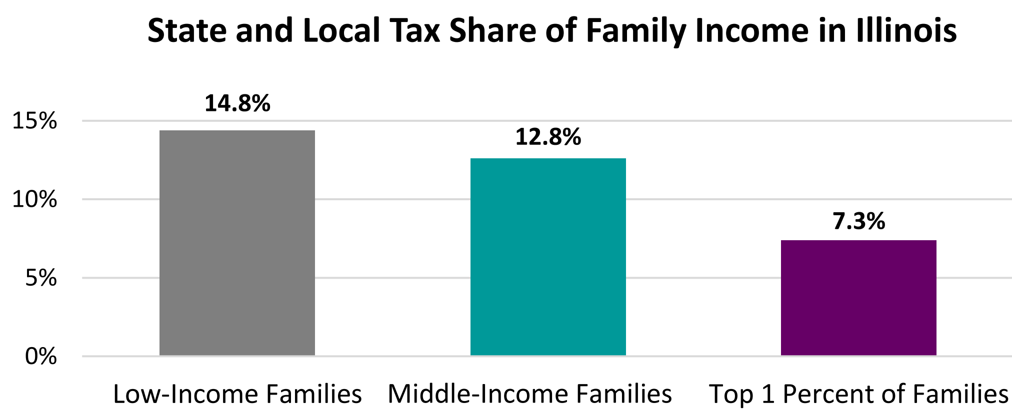
[6] A basic principle of taxation is that tax burdens should be based on ability to pay. Tax systems based on the ability-to-pay principle require households with the highest incomes to pay a greater share of their income towards taxes than working- and middle-income families. Tax systems where the wealthy pay a higher percentage in taxes than the poor are "progressive" while those which place a proportionally larger burden on low-income and middle-class families are considered "regressive."

At the local level, property taxes are relatively high in Illinois, with Illinois ranking 8th in local property tax collections per capita among the 50 U.S. states (Airi, Dadayan, & Rueben, 2023). Property taxes are a regressive form of taxation because a home represents the largest share of total wealth for most families. Ultimately, this means that most of their wealth is taxed on an annual basis, while other assets like stocks and bonds, which are disproportionately held by high-income individuals, are only taxed when they are sold (and are generally taxed at a lower rate than the income tax). In Illinois, homeowners earning $35,000 pay 10 percent of their taxable incomes in property taxes and families earning $75,000 contribute about 6 percent, while the average millionaire pays less than 1 percent in property taxes (Manzo & Bruno, 2019).

The result is that, under Illinois' current system, working- and middle-income families pay significantly more in state and local taxes than wealthy families (Figure 2). Low-income families contribute 15 percent of their incomes to total state and local taxes. Middle-income families contribute 13 percent of their incomes to state and local taxes. Meanwhile, state and local taxes account for just 7 percent of the incomes of the wealthiest Illinois families. Put simply, incomes in Illinois are less equal *after* state and local taxes are collected than before (Davis et al., 2024).

Illinois is a relatively lower-tax state for wealthy families but a considerably higher tax state for the working- and middle-income families who represent the majority of its residents (Figure 2). A well-designed and robust Child Tax Credit could promote tax fairness in Illinois if it delivers significant tax relief to these constituencies. Given differences in household size and the higher rates of poverty and hardship among households with more children, a per-child credit could advance tax equity and reduce poverty in Illinois.

Figure 2: State and Local Tax Share of Family Income in Illinois for Non-Elderly Taxpayers, 2024



Source(s): Authors' reproduction of conclusions from the Institute on Taxation & Economic Policy (Davis et al., 2024).

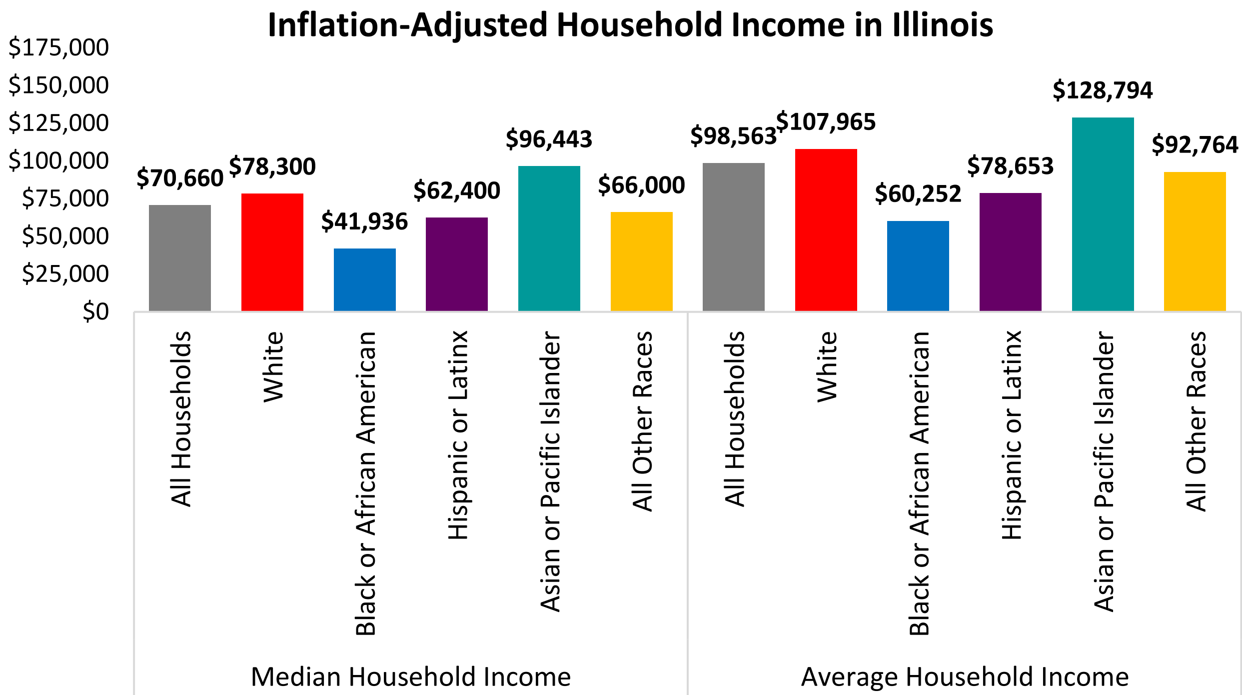
A Child Tax Credit Can Improve Racial Equity

Over the course of U.S. history, various laws, institutional practices, and policies have contributed to inequities in the economy such that families of color—especially Black and Latinx families—currently earn less than their white peers.[7] Researchers have found that these structural barriers have created an uneven playing field in educational and labor market opportunities, resulting in workers of color disproportionately occupying unstable jobs with low wages and fewer opportunities for wealth generation (Hanks, Solomon, & Weller, 2018). While progress has been made since the Civil Rights Movement of the 1960s, racial disparities persist.

[7] This report generally uses the gender-neutral and pan-ethnic term "Latinx" to refer to individuals who trace their ancestry and nationality to Latin America. This term continues to be highly contested and debated, with others using "Latine," "Latino," or "Hispanic," due to the wide diversity of culture and history of people of Latin American descent.

In Illinois, Black and Latinx households continue to earn less than white households (Figure 3). While the median white household earns more than $78,000 in annual income in Illinois, the median Black household income is just under $42,000 per year and the median Latinx household income is a little over $62,000 annually. When average household income is analyzed, the income gaps are similar. White households average about $108,000 in annual incomes while Black households average just over $60,000 per year and Latinx households average under $79,000 per year. Accordingly, compared to white households, Black households have 46 percent lower median incomes and 44 percent lower average incomes while Latinx households have 20 percent lower median incomes and 27 percent lower average incomes. Black and Latinx households also earn incomes well below the state median and average (Figure 3).

Figure 3: Average and Median Inflation-Adjusted Household Incomes in Illinois, 2017-2021

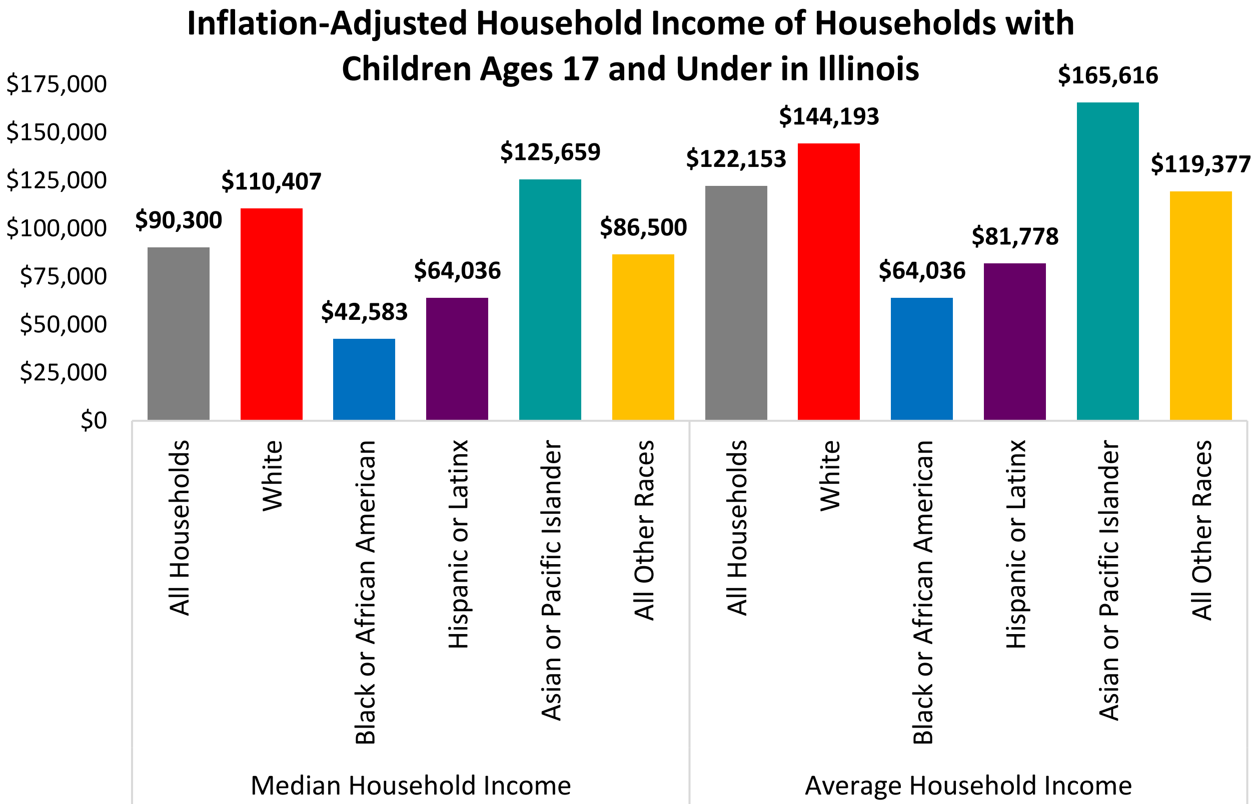


Source(s): Authors' analysis of 2017-2021 *American Community Survey* data from the U.S. Census Bureau (1-year estimates) (Ruggles et al., 2023).

While Figure 3 illustrates inflation-adjusted incomes for all Illinois households, including for younger residents without children and older retirees collecting Social Security, Figure 4 focuses on only Illinois households with at least one child aged 18 years old or younger. This includes those in which the head of the household is a grandparent, sibling, or other caretaker of the dependent child. The data again reveal wide racial disparities. White households with children have a median income of about $110,000 per year and an average annual income of $144,000. Black households with children have a median income of just $43,000 per year and an average annual income of $64,000, respectively 61 percent lower and 56 percent lower than their white peers. Latinx households with children have a median income of $64,000 per year and an average annual income of nearly $82,000, which are 42 percent and 43 percent lower than their white peers (Figure 4).

Income inequality and poverty are inextricably linked (Figure 5). Over the five-year period from 2017 through 2021, the percentage of Black households with children experiencing poverty (31 percent) was four times that of white households with children (8 percent). The percentage of Latinx households experiencing poverty (17 percent) was more than two times that of white households. When evaluating only children ages 17 years old and younger in Illinois, the shares below the official poverty line by racial and ethnic background were 37 percent for Black children, 20 percent for Latinx children, and 10 percent each for white and Asian or Pacific Islander children from 2017 through 2021 (Figure 5).

Figure 4: Inflation-Adjusted Household Incomes of Households with Children in Illinois, 2017-2021



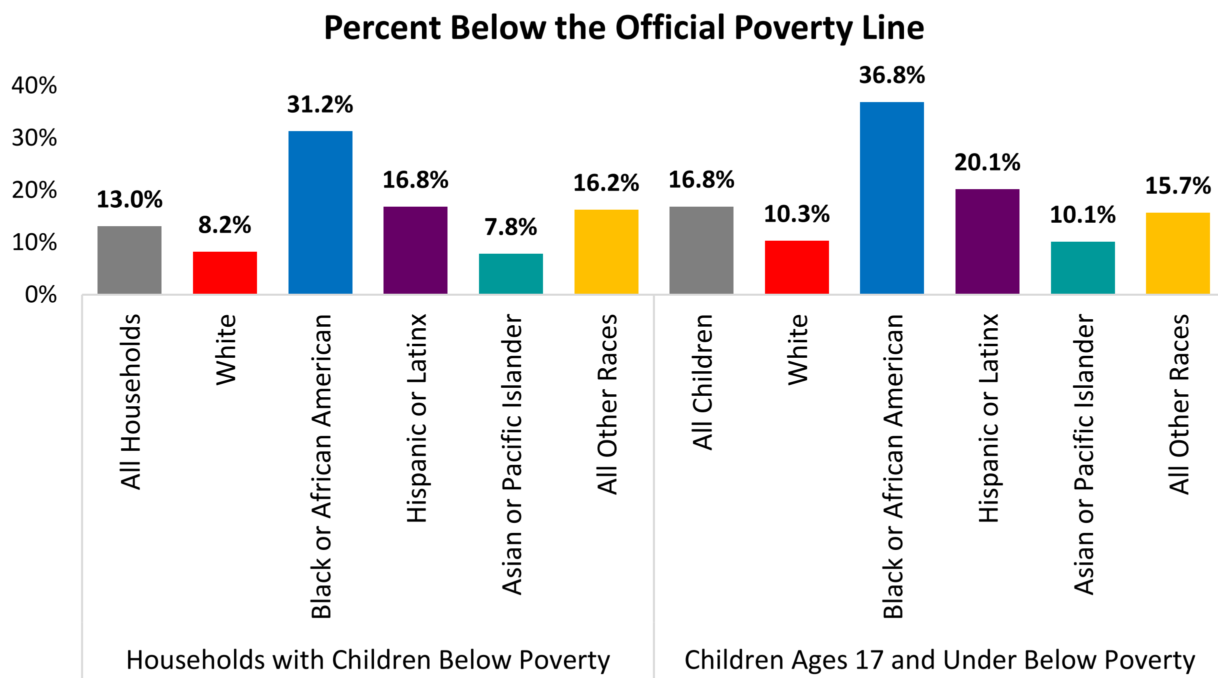
Source(s): Authors' analysis of 2017-2021 *American Community Survey* data from the U.S. Census Bureau (1-year estimates) (Ruggles et al., 2023). Households with children include parents with children under the age of 19 years old and all grandparents, siblings, and other caretakers with dependents under the age of 19 years old.

This racial income inequality is deepened by a state and local tax system that levies higher effective tax rates on working- and middle-income families (Figure 2). Households of color pay a greater share of their incomes in taxes relative to white households in Illinois. In effect, many tax policies can perpetuate racialized inequality through provisions that disproportionately benefit white families (Bellisle, Harty, & Letiecq, 2021).

With this as context, Child Tax Credits have proven to improve racial equity through the tax code. In particular, Child Tax Credits that are fully refundable can have large positive impacts on Black and Latinx children as well as on children in rural areas (Collyer, Harris, & Wimer, 2019; Goldin & Michelmore, 2021). For example, after the federal CTC was expanded, Black and Latinx children experienced the largest reductions in poverty. One study found that the expanded CTC reduced Black childhood poverty by 5.0 percentage points and Latinx childhood poverty by 3.9 percentage points, compared to a 1.8 percentage-point decrease in poverty among white children (Marr et al., 2022). Another study estimated a 6.6 percentage-point poverty reduction for Black children and a 7.2 percentage-point decrease for Latinx children, compared to a drop of 3.7 percentage points for white children (Parolin, Collyer, & Curran, 2022).

Numerous studies emphasize that Black and Latinx families saw the largest reductions in material hardships and food insecurity due to the expanded CTC. While income instability occurs among families of all backgrounds, it is disproportionately experienced by Black and Latinx families. In one study, about half of all Black and Latinx households reported at least one major hardship, such as the inability to afford housing, utilities, or food (Hardy, 2022). The expanded CTC strongly reduced food insufficiency for white, Black, and Latinx households alike, but had somewhat larger effects on Black and Latinx households (Parolin et al., 2021b). Conversely, the expiration of the expanded CTC payments was associated with a 2.2 percentage-point rise in "sometimes" or "often" not having enough to eat among households with children by July 2022. These increases in food insufficiency were uneven: 1.2 percentage points for white individuals, 3.9 percentage points for Black individuals, and 4.1 percentage points for Latinx individuals (Bovell-Ammon et al., 2022). These and other studies demonstrate how a CTC can improve racial equity even as it provides tax relief to all families with children (Iruka et al., 2021; Williams, 2023; Acs & Werner, 2021; Curran, 2021; Iruka et al., 2021; NWLC, 2021).

Figure 5: Poverty Rate of Households with Children and Poverty Rate of Children in Illinois, 2017-2021



Source(s): Authors' analysis of 2017-2021 *American Community Survey* data from the U.S. Census Bureau (1-year estimates) (Ruggles et al., 2023). Households with children include parents with children under the age of 19 years old and all grandparents, siblings, and other caretakers with dependents under the age of 19 years old.

A Child Tax Credit Can Boost the Economy

Implementing a state Child Tax Credit can grow the Illinois economy by stimulating more consumer demand. Economic research has demonstrated that low-income and middle-class families spend larger shares of their incomes than the wealthy (Dynan et al., 2004; Hobijn & Nussbacher, 2015; Carroll et al., 2017). For example, a worker earning $35,000 per year and receiving a $1,000 refund is likely to spend that money back in the economy at local stores, restaurants, and car dealerships. On the other hand, a $1,000 check is much less impactful for an executive making $1 million per year. Because working- and middle-income households drive consumer spending, a tax credit targeted at them can boost the economy.

A common concern expressed by some politicians and commentators is that a Child Tax Credit could reduce labor force participation, with parents and caregivers exiting the workforce. For example, U.S. Senator Marco Rubio criticized the federal expansion of the CTC, claiming that "cash payments with no strings attached" did not reflect the "inherent value and dignity of work" (Rubio, 2021). Some Congressional advisors claimed that the CTC extension was a disincentive to work and would cause more than one million workers to exit the labor force, leading to childhood poverty declines of "only" 22 percent (Dante & Sheffield, 2021). This criticism assumes that the CTC functions similar to the since-reformed Aid to Families with Dependent Children (AFDC) federal program, which often locked low-income single parents into welfare dependency because the cash benefit significantly declined as parents earned even a meager income (Hamilton, 2020; Dolan, 2020). However, the maximum value of the CTC did not decrease until a family had a middle-class income under the temporary expansion, which was markedly different than the AFDC.

Indeed, real-world data from multiple sources—including the *Current Population Survey*, *Household Pulse Survey*, and a mobile app that manages Supplemental Nutrition Assistance Program (SNAP) payments—all reveal that the expanded CTC had no impact on labor force participation (Aranat et al., 2022; Enriquez, Jones, & Tedeschi, 2023; Pilkauskas et al., 2022). The policy change had no net-negative effect on employment or total hours worked for those who qualified for the expanded CTC payments (Aranat et al., 2022; Enriquez, Jones, & Tedeschi, 2023; Roll, Hamilton, & Chun, 2022). Additional research "found no significant differences in employment for low-income, middle-income, or high-income families receiving the CTC" and no evidence that it increased the share of parents choosing to stay home with their children rather than work (Roll, Hamilton, & Chun, 2022). Among the most economically disadvantaged households, there were also no effects on employment decisions and labor force participation (Pilkauskas et al., 2022). That is because families with low incomes largely used the Child Tax Credit as a complement to, not a substitute for, earnings from work—helping them to pay for housing, utilities, and necessities like food, clothing, and diapers (Hardy, 2022; Pilkauskas et al., 2022; Marr et al., 2022).[8]

Other research suggests that the expanded CTC may have spurred entrepreneurship, particularly among families of color (Jirari, 2022; Santens, 2022). These findings align with evidence from several pilot programs of universal basic income systems in which many recipients report using the additional unconditional cash to start and sustain small businesses (Bozarth & Greer, 2022; Feinberg & Kuehn, 2020).

Figure 6: Employment Rate of Illinois Adults with and without Children, by Age Group, 2017-2021

Employment Rate of Illinois Residents	Adults with Children	Adults without Children	Parent Difference
All Adults Ages 18-65	80.7%	69.5%	+11.2%
Men Ages 18-65	91.1%	70.0%	+21.1%
Women Ages 18-65	72.2%	68.8%	+3.4%
All Adults Ages 25-54	81.3%	79.0%	+2.3%
Men Ages 25-54	91.9%	78.4%	+13.6%
Women Ages 25-54	72.8%	79.9%	-7.1%

Source(s): Authors' analysis of 2017-2021 *American Community Survey* data from the U.S. Census Bureau (1-year estimates) (Ruggles et al., 2023). This analysis focuses exclusively on parents and nonparents between the ages of 18 and 64 years old and between the ages of 25 and 54 years old, and does not include grandparents, siblings, and caretakers of dependent children.

Parents have high employment rates in Illinois (Figure 6).[9] Working-age adults with children in their homes are more likely to be employed than their counterparts without children. Among adults between the ages of 18 and 65 years old, those with children are 11 percentage points more likely to work than those without. Fathers are 21 percentage points more likely to be employed than men without children in their households and mothers are 3 percentage points more likely to be employed than women without children in their households.

[8] While the data show that Child Tax Credits do not negatively affect labor force participation, it is important to note that minor reductions can positively impact children, particularly during critical development periods—such as by mothers who take extended periods of maternity leave. For example, minor reductions in labor force participation can produce positive effects on physical, mental, and social well-being among both parents and children and long-term positive impacts on education, employment, and social integration for children (Bibler, Guettabi, & Reimer, 2023; Garfinkel et al., 2021; Jones, Milligan, & Stabile, 2019; Sauval et al., 2022).

[9] This is despite the high average cost of child care in the state, which is estimated at $10,400 per year for 4 year olds and $13,800 per year for infants—making Illinois the 10th most expensive state for child care (EPI, 2019).

However, when more narrowly focused on adults between the ages of 25 and 54 years old—which is considered the "prime-age" workforce because it "excludes young age brackets where many people are still in school and older age brackets where retirement becomes increasingly common"—the gap narrows (Montgomery, 2022). Prime-age adults with children are 2 percentage points more likely to be employed than those without children, but fathers in this age range are 14 percentage points more likely to be working while mothers are 7 percentage points less likely to be in the workforce.[10]

The expansion of the Child Tax Credit boosted the U.S. economy. One estimate suggests that the CTC expansion injected $27 billion of consumer spending into the economy, saving or creating nearly 511,000 full-time equivalent jobs (Hammond & Orr, 2021). In Illinois, this included $1 billion in incremental consumer spending that saved or created over 18,000 full-time equivalent jobs (Hammond & Orr, 2021). Every dollar committed by the federal government towards the expanded CTC produced $1.25 in gross domestic product (GDP) growth, a 25 percent return on investment (Zandi & Yaros, 2021). This is a significantly larger "bang for the buck" for taxpayers than cuts in the corporate income tax rate or in the capital gains tax rate, which have fiscal multipliers of just $0.32 to $0.38 per dollar in lost revenue (Zandi & Yaros, 2021). Put simply, the CTC expansion was a key contributor to the fast economic recovery from the COVID-19 pandemic recession, helping the unemployment rate fall to its lowest level in five decades (Quinlan, 2023; Mutikani, 2023).

Lastly, a state-level Child Tax Credit could make Illinois a more attractive state for women workers. Research shows that states that protect reproductive healthcare rights have higher female college graduation rates, more women in the workforce, and lower rates of child poverty (Meyer, Srinivasan, & Sabharwal, 2021; ANSIRH, 2020). In Illinois, women workers earn 8 percent more and childhood poverty is 13 percent lower than in states that have banned abortion (Dunn, Manzo, & Bruno, 2022). With a Child Tax Credit, Illinois would not only support residents' private decisions, but also help them afford the costs of raising children when they do decide to grow their families. As a result, implementing a Child Tax Credit could be an additional tool to attract working parents to Illinois, expanding the state's labor force and growing the economy.

An Analysis of Seven Potential Child Tax Credit Structures in Illinois

The emerging research shows that Child Tax Credits can reduce child poverty and food insecurity, uplift working families, make the tax code less regressive, improve racial equity, and boost the economy. With these outcomes in mind, the Project for Middle Class Renewal (PMCR) at the University of Illinois at Urbana-Champaign and the Illinois Economic Policy Institute (ILEPI) have jointly analyzed seven different scenarios for a possible Child Tax Credit in Illinois. The scenarios are intended to serve as examples to educate lawmakers and the public. PMCR and ILEPI neither propose nor endorse any one of the seven different scenarios.

Because tax forms are generally filed by households—such as married couples filing jointly or single individuals—the most accurate projections on potential Child Tax Credit structures requires the unit of analysis to be the household using the *American Community Survey* data from 2017 through 2021. From a methodological perspective, household weights from the U.S. Census Bureau are utilized to adjust the sample

[10] Note that the prime-age employment rates of 81.3 percent for adults ages 25-54 with children and 79.0 percent for adults ages 25-54 without children were both higher than the average employment-to-population ratio for 25-54 year olds nationally from January 2017 through December 2021, which was 78.2 percent (BLS, 2023). While Illinois tends to have a higher unemployment rate—which only includes people who are *looking* for work—than the U.S. average, it also tends to have a higher employment rate. This means that Illinois consistently has fewer people who are out of the labor force and not seeking employment opportunities altogether.

to match the overall Illinois population (IPUMS, 2023).[11] This report thus incorporates the Census data to calculate the average number of children and dependents for each household by income bracket.

This report also assumes that 100 percent of eligible households would claim a state-level CTC if one were enacted in Illinois. There are some researchers who employ uptake rates of just 80 percent (Miller, 2023b). This is a defensible assumption because 79 percent of eligible households reported receiving credits when the federal CTC was expanded and only 76 percent to 79 percent of eligible taxpayers claimed the Earned Income Credit (EIC) in Illinois between 2013 and 2020 (Hamilton et al., 2022; IRS, 2024). However, the 79 percent uptake rate for expanded CTC benefits was *only* for the advance payments in the six months during 2021 when the monthly installments could be collected. The other 21 percent may still have received the expanded credits when they filed their 2021 federal income tax forms in 2022. Additionally, prior to its expansion, the federal CTC reached 89 percent of children in the United States, with the remaining 11 percent not seeing credits simply because either their households earn too little and the federal CTC is not refundable or because their households earn too much and the federal CTC phases out (Goldin & Michelmore, 2021; Collyer, Harris, & Wimer, 2019). A CTC can also be less complex than the EIC and included as a line item on individual income tax forms. Finally, it is a goal of any policy enactment to reach 100 percent of those eligible, so it may be fiscally responsible to plan for full participation, as uptake rates that are too low could lead to unplanned budget deficits. This analysis thus assumes a participation rate of 100 percent in each scenario, with all people claiming the credit to lower their year-end tax liabilities and increase their refunds.

Each scenario includes credits either per child or per household as well as an assessment of economic and social effects. The credits are hypothetical for comparative purposes. Working families and middle-income households who experience tax cuts are most likely to spend extra take-home income back in the economy. This dynamic, and the resultant economic effects, are assessed using IMPLAN, an input-output economic modeling software that is considered the "gold standard" in economic impact analysis (Vowels, 2012). IMPLAN uses U.S. Census Bureau data to account for the interrelationship between households and businesses, following a dollar as it cycles throughout the economy (IMPLAN, 2023).

Each scenario is evaluated against five possible goals based on what lawmakers may wish to achieve. The goals are derived from the body of Child Tax Credit research and predicated on metrics that deliver substantial positive outcomes for children, families, and taxpayers. These goals include:

1. reducing childhood poverty by at least 10 percent in Illinois,
2. directly impacting at least half of all Illinois children,
3. cutting income taxes by at least 10 percent for eligible households with children,
4. improving racial equity in the state, and
5. boosting Illinois' economy by at least $1 billion per year.

Achieving all or most of these goals can occur at a small-to-modest upfront fiscal cost equivalent to between 1 and 4 percent of the annual General Fund budget (Verthein, Bolton, & Kapp, 2023; Sturm, 2023).

Full results for all seven scenarios are presented in Figure 7. All effects presented in Figure 7 would be experienced following the first full year of implementation of the Child Tax Credit.

[11] Note that the household analysis is dependent upon the characteristics of the first person listed on *American Community Survey* response form submitted to U.S. Census Bureau: "Users should also be sure to select one person (e.g., PERNUM = 1) to represent the entire household" (IPUMS, 2023). If a four-person household with a married couple and two children is led by a husband and wife from different racial or ethnic backgrounds, but the first person identified on the survey is white while the second is Latinx, then the rest of the household is categorized as white for the purposes of this study. This would have the effect of underrepresenting the racial diversity of the children—who are persons three and four in this example.

Figure 7: Full Impacts of All Seven Potential Child Tax Credit Scenarios on Households in Illinois

Illinois Child Tax Credit Scenarios	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
Justification	SB 1444 & 3950 (2023)	Scaled-Back Scenario 1 (2024)	Colorado Version of Scenario 1	SB 3774 & HB 4920 (2022)	Scenario 4 for Young Children	Universal Arizona	Nation-Leading Model
Description	$700 Per Child (with Phaseout)	$300 Per Child (with Phaseout)	$1,200 Per Child (with Phaseout)	$600 Per Household with Children	$600 Per Household with Young Children	$250 Per Child (Up to Max Credit of $750)	$2,000 Per Child for Low-Income
State Impact							
Households with Children Impacted	840,100	840,100	840,100	1,390,381	466,981	1,390,381	532,696
Share of Households with Children	60.4%	60.4%	60.4%	100.0%	33.6%	100.0%	38.3%
Children 18 and Under Impacted	1,766,841	1,766,841	1,766,841	2,860,947	600,655	2,656,250	1,135,977
Share of Children	61.8%	61.8%	61.8%	100.0%	21.0%*	92.8%	39.7%
Directly Affected Households							
Average Tax Credit	+$1,302	+$560	+$2,240	+$600	+$600	+$478	+$4,265
Average State Tax Cut	-71.1%	-30.6%	-122.3%	-12.2%	-13.0%	-9.7%	-645.0%
For White Households	-52.7%	-22.7%	-90.7%	-9.8%	-10.5%	-7.7%	-506.9%
For Black Households	-130.3%	-56.0%	-223.8%	-29.0%	-37.5%	-22.5%	-1,030.4%
For Latinx Households	-97.8%	-42.0%	-168.0%	-23.2%	-25.4%	-20.4%	-681.2%
For Asian Households	-50.2%	-21.6%	-86.4%	-8.4%	-8.5%	-6.3%	-542.6%
Social Impact							
Share of CTC Value to White Households	43.8%	43.8%	43.8%	58.3%	57.8%	57.2%	37.0%
Share of CTC Value to Black Households	18.5%	18.5%	18.5%	13.0%	12.4%	12.7%	22.9%
Share of CTC Value to Latinx Households	31.1%	31.1%	31.1%	19.9%	19.6%	21.8%	34.0%
Share of CTC Value to Asian Households	4.3%	4.3%	4.3%	6.5%	7.4%	6.0%	3.7%
Geographic Impact							
Share of CTC Value to Chicago Area	64.0%	64.0%	64.0%	67.9%	66.9%	68.2%	65.1%
Share of CTC Value to Downstate	36.0%	36.0%	36.0%	32.1%	33.1%	31.8%	34.9%
Poverty Impact							
Change in Childhood Poverty	-7.6%	-3.3%	-13.8%	-3.3%	-1.2%	-2.7%	-22.9%
Number of Children in Poverty	-32,465	-13,914	-58,461	-14,070	-5,067	-11,497	-97,435
Economic and Fiscal Impacts							
Output or Business Sales (in Millions)	$1,478.7	$636.2	$2,544.4	$974.7	$338.4	$798.2	$3,288.8
Total Cost Per Year (in Millions)	$1,093.6	$470.5	$1,881.7	$834.2	$280.2	$664.1	$2,272.0
Multiplier Per Dollar Invested	$1.35	$1.35	$1.35	$1.17	$1.21	$1.20	$1.45
Jobs Created or Saved	7,766	3,342	13,364	5,121	1,777	4,193	17,503

Source(s): Authors' analysis of 2017-2021 *American Community Survey* data from the U.S. Census Bureau (1-year estimates) (Ruggles et al., 2023) and 2023 economic impact data using an IMPLAN input-output model (IMPLAN, 2023). The estimated change in childhood poverty is the authors' extrapolation of results from three academic studies (Parolin, Collyer, & Curran, 2022; Burns & Fox, 2023; Collyer, Hardy, & Wimer, 2023). For more on how the estimated change in childhood poverty is calculated, see the Appendix. *NOTE: 21.0% is the share of all children and dependents ages 18 and under affected. In Scenario 5, 100.0% of children and dependents age 4 and under would be impacted.

Scenario 1: $700 Per Child Up to $75,000 for Joint Filers or $50,000 for Single Filers

Scenario 1 is an analysis of a proposed Illinois Child Tax Credit in Senate Bill 1444, introduced by State Senator Mike Simmons, and House Bill 3950, introduced by State Representative Marcus Evans, Jr., in February 2023 (ILGA, 2023a; ILGA, 2023b). Under the proposed legislation, a primary guardian who earns $50,000 or less in net income as a single filer or joint filers earning $75,000 or less in net income would receive $700 per child ages 17 years old or younger (Connolly, 2023).[12] Single guardians with net incomes between $50,001 and $80,000 and joint filers earning net incomes between $75,001 and $105,000 would receive partial credits that "shall be reduced by $24 for each $1,000" increase in net income (ILGA, 2023a; ILGA, 2023b). Figure 8 displays the schedule of CTC payments per child by net income under the proposal.[13] The CTC proposed by State Sen. Simmons and State Rep. Evans would be refundable.[14]

Note that *net income* is different than annual income (or adjusted gross income). Illinois residents are taxed based on net income, which is annual income minus exemptions like the personal exemption, Social Security benefits and retirement income, military pay, and certain business subtractions (IDOR, 2022).[15]

Figure 8: Schedule of Child Tax Credit Phaseout for SB 1444 and HB 3950

Net Income of Household		Tax Credit	Net Income of Household		Tax Credit
Joint Filers	All Other Filers	Per Child	Joint Filers	All Other Filers	Per Child
$75,000 or Less	$50,000 or Less	$700	$90,000	$65,000	$340
$76,000	$51,000	$676	$91,000	$66,000	$316
$77,000	$52,000	$652	$92,000	$67,000	$292
$78,000	$53,000	$628	$93,000	$68,000	$268
$79,000	$54,000	$604	$94,000	$69,000	$244
$80,000	$55,000	$580	$95,000	$70,000	$220
$81,000	$56,000	$556	$96,000	$71,000	$196
$82,000	$57,000	$532	$97,000	$72,000	$172
$83,000	$58,000	$508	$98,000	$73,000	$148
$84,000	$59,000	$484	$99,000	$74,000	$124
$85,000	$60,000	$460	$100,000	$75,000	$100
$86,000	$61,000	$436	$101,000	$76,000	$76
$87,000	$62,000	$412	$102,000	$77,000	$52
$88,000	$63,000	$388	$103,000	$78,000	$28
$89,000	$64,000	$364	$104,000	$79,000	$4

Source(s): Authors' literal reading of Senate Bill 1444 and House Bill 3950, introduced in February 2023 (ILGA, 2023a; ILGA, 2023b).

With this targeted $700-per-child proposal, it is advantageous to begin with a deep dive before reviewing the summary of expected impacts (Figure 9). For simplicity, the analysis assumes that married couples file joint tax returns and all unmarried individuals are single filers. The data show that the two groups of parents who would receive full credits under Senate Bill 1444 and House Bill 3950—single filers with net incomes of $50,000 or less and joint filers with net incomes of $75,000 or less—are disproportionately households of color and

[12] This Child Tax Credit would align with the average across the country. Currently, in the 15 states with Child Tax Credits effective January 2024, the maximum credit averages $716 per child (the median is $660 per child). For more, see Table B in the Appendix.

[13] Some news outlets and organizations have reported that households would qualify for partial credits if they earn less than $100,000 as joint filers or less than $75,000 for all other filers (Connolly, 2023; ESIL, 2023). However, the bill text neither says that the minimum credit is $100 per child nor that the maximum net income to be eligible to receive the credit is $100,000 for joint filers or $75,000 for all other filers (ILGA, 2023a; ILGA, 2023b). This study analyzes the first draft of the bill as written.

[14] The bill text reads: "If the amount of the credit exceeds the taxpayer's income tax liability under this Act for the applicable tax year, then the excess credit shall be refunded to the taxpayer" (ILGA, 2023a; ILGA, 2023b).

[15] Note that the personal exemption is currently $2,425 plus an exemption allowance of $2,425 per dependent (IDOR, 2023a).

Downstate residents. Among the single filers who would receive full credits, 39 percent are white parents and guardians, 32 percent are Black, and 24 percent are Latinx with 39 percent located Downstate. Among married couples who would receive full credits, 57 percent are white, 22 percent are Black, 15 percent are Latinx, and 35 percent live outside of the Chicago area. By contrast, the households with net incomes above the eligibility threshold are 75 percent white, 5 percent Black, and 8 percent Latinx, with 76 percent living in the Chicago area versus only 24 percent Downstate (Figure 9).

The 2023 proposal in the Illinois General Assembly would have no cap on the number of dependents who can be claimed on the Child Tax Credit (ILGA, 2023a; ILGA, 2023b). Consequently, based on the average number of children for households in each income bracket by filing status, the $700 value per child would yield average annual credits of $1,401 for single-parent households with children earning $50,000 or less and $1,582 for married-couple households with children earning $75,000 or less.

Figure 9: Impact of Scenario 4 on Households by Net Income and Filing Status

Illinois Child Tax Credit Scenario 4: Senate Bill 1444 and House Bill 3950					
Deep Dive: Households with Children By *Net Income* of First Person on Census Form	**$50,000 and Under Single**	**$75,000 and Under Married**	**$50,001-$79,000 Single**	**$75,001 to $104,000 Married**	**All Others with Higher Net Incomes**
Impacted by the Tax Credit	Yes	Yes	Yes	Yes	No
CTC Eligibility	Full	Full	Partial	Partial	None
Average Net Income (Taxable Income)	$19,099	$40,488	$62,388	$89,583	$214,107
Number of Households Impacted	228,250	300,359	57,539	149,822	506,065
Number of Children Impacted	459,292	601,151	104,339	309,954	1,001,116
Average Children or Dependents	2.00	2.26	1.81	2.07	1.98
White Households	38.9%	47.8%	57.0%	66.0%	75.4%
Black or African American Households	32.1%	8.5%	22.4%	6.7%	5.0%
Latinx or Hispanic Households	24.4%	34.7%	15.3%	17.8%	8.0%
Asian or Pacific Islander Households	1.8%	6.9%	2.7%	7.5%	9.2%
Chicago Area Households	61.0%	65.4%	64.8%	61.5%	76.3%
Downstate Households	39.0%	34.6%	35.2%	38.5%	23.7%
Average State Income Tax After EIC	$509	$1,696	$3,015	$4,325	$10,368
Effective State Tax Rate After EIC	2.7%	4.2%	4.8%	4.8%	4.7%
Average Child Tax Credit (CTC)	*-$1,401*	*-$1,582*	*-$714*	*-$705*	--
Average State Income Tax After CTC	-$892	$114	$2,301	$3,619	$10,357
Average Effective State Tax Rate After CTC	-4.7%	0.3%	3.7%	4.0%	4.8%
Average State Income Tax Cut from CTC	**-275.0%**	**-93.3%**	**-23.7%**	**-16.3%**	**0.0%**

Source(s): Authors' analysis of 2017-2021 *American Community Survey* data from the U.S. Census Bureau (1-year estimates) (Ruggles et al., 2023) and 2023 economic impact data using an IMPLAN input-output model (IMPLAN, 2023). The estimated change in childhood poverty is the authors' extrapolation of results from three academic studies (Parolin, Collyer, & Curran, 2022; Burns & Fox, 2023; Collyer, Hardy, & Wimer, 2023). For more on how the estimated change in childhood poverty is calculated, see the Appendix.

Currently, the average single parent with children or dependents age 17 or younger earning $50,000 in annual net income or less pays an average of $509 in state income taxes after exemptions and the Earned Income Credit (EIC) are factored in (Figure 9). The average married coupled with children or dependents age 17 or younger earning $75,000 in annual net income or less pays an estimated $1,696 in state income taxes after exemptions and EIC adjustments. As a result, under this structure, the Child Tax Credits would fully offset state income taxes for the average low-income single-parent household, turning their tax liability into an $892 tax refund and producing a 275 percent tax cut, and nearly offset taxes for the average married-couple household (a 93 percent tax cut). The households with partial credits would see their state income tax amounts decrease by 16 percent to 24 percent, on average (Figure 9).

Scenario 1 would directly impact 840,000 households and 1.8 million children, representing three-fifths of all households with children (60 percent) and three-fifths of all dependents age 18 and under (62 percent) (Figure 7). Among directly affected households, the average individual income tax cut would be 71 percent, including 53 percent for white households, 130 percent for Black households, and 98 percent for Latinx households. Fully 56 percent of the CTC value would accrue to households of color and 36 percent would go Downstate.

This Child Tax Credit structure would have large social and economic effects because it is focused on working-class and middle-income families. The $700 per child targeted credit would reduce childhood poverty by 8 percent, lifting 32,500 children out of poverty. It would also save or create 7,800 jobs and enhance business output by $1.5 billion (Figure 7). This CTC structure directly affects families who need it most, makes the tax code less regressive, improves racial equity, and delivers robust economic growth.

Scenario 2: $300 Per Child Up to $75,000 for Joint Filers or $50,000 for Single Filers

Scenario 2 is a scaled-back version of Scenario 1. In April 2023, following news that individual income tax receipts came in below expectations, the Illinois Cost-of-Living Refund Coalition, a coalition of over 40 organizations including Economic Security for Illinois, proposed modifying Senate Bill 1444 and House Bill 3950 (Moore, 2023; Miller, 2023b). The coalition proposed reducing the maximum value of the credit from $700 per child to $300 per child to "create a credit that is large and inclusive enough to make a meaningful difference in the lives of Illinois families, while balancing the realities of this year's budget" (Miller, 2023b).[16] In January 2024, State Representative Mary Beth Canty, a co-sponsor of House Bill 3950, said "[w]hat we're looking to do is a $300 per dependent child refundable tax credit" (Hernandez, 2024). To maintain the same phaseout schedule, the credits would be reduced by $10 for each $1,000 increase in net income above the $75,000 for joint filers and above the $50,000 for all other filers (Figure 10).

Figure 10: Schedule of Child Tax Credit Phaseout for Modified $300 Version of SB 1444 and HB 3950

Net Income of Household		Tax Credit	Net Income of Household		Tax Credit
Joint Filers	All Other Filers	Per Child	Joint Filers	All Other Filers	Per Child
$75,000 or Less	$50,000 or Less	$300	$90,000	$65,000	$150
$76,000	$51,000	$290	$91,000	$66,000	$140
$77,000	$52,000	$280	$92,000	$67,000	$130
$78,000	$53,000	$270	$93,000	$68,000	$120
$79,000	$54,000	$260	$94,000	$69,000	$110
$80,000	$55,000	$250	$95,000	$70,000	$100
$81,000	$56,000	$240	$96,000	$71,000	$90
$82,000	$57,000	$230	$97,000	$72,000	$80
$83,000	$58,000	$220	$98,000	$73,000	$70
$84,000	$59,000	$210	$99,000	$74,000	$60
$85,000	$60,000	$200	$100,000	$75,000	$50
$86,000	$61,000	$190	$101,000	$76,000	$40
$87,000	$62,000	$180	$102,000	$77,000	$30
$88,000	$63,000	$170	$103,000	$78,000	$20
$89,000	$64,000	$160	$104,000	$79,000	$10

Source(s): Authors' literal reading of Senate Bill 1444 and House Bill 3950, combined with a press release from the Cost-of-Living Refund Coalition (ILGA, 2023a; ILGA, 2023b; Miller, 2023b). NOTE: The authors assumed a phaseout schedule of $10 per $1,000 increase to maintain the same income schedule as the initial proposal in Senate Bill 1444 and House Bill 3950.

[16] Note, however, that only five states with Child Tax Credits have maximum values of $300 or below: Arizona ($250), Idaho ($205), Maine ($300), Massachusetts ($180), and Oklahoma ($100). Three (Arizona, Idaho, and Massachusetts) have no phaseouts while Oklahoma's CTC is for adjusted gross income below $100,000. Arizona's CTC expires after tax year 2024. For more, see Table B in the Appendix.

Under the scaled-back version, the average directly affected household would experience a state income tax cut of 31 percent (Figure 7). Tax cuts would average 23 percent for white households, 56 percent for Black households, and 42 percent for Latinx households. Like Scenario 1, Scenario 2 would directly impact 1.8 million children (62 percent) and 840,000 households (60 percent). The smaller credit would be expected to lift 13,900 children out of poverty in Illinois, reducing childhood poverty by 3 percent. This CTC structure would increase sales at Illinois businesses by $636 million and save or create 3,300 total jobs. Ultimately, the modified version of Senate Bill 1444 and House Bill 3950 would deliver tax relief, improve racial equity, and make the tax code less regressive, but would have a smaller impact on economic growth (Figure 7).

Scenario 3: $1,200 Per Child Up to $75,000 for Joint Filers or $50,000 for Single Filers

Scenario 3 is a scaled-up version of Scenario 1. With Oregon, Utah, and Minnesota enacting Child Tax Credits of between $1,000 and $1,750 per child for low-income households in 2023, Illinois may wish to consider a higher maximum value to be more comparable to its peers nationally (Serre, 2023; Romero, 2023; Buie, 2023; Washington, 2023; Wright, 2023). Colorado also reformed its CTC to a maximum of $1,200 per child under 6 years old for low-income households (Get Ahead Colorado, 2023). Scenario 3 is thus an enhanced version of Scenario 1 that uses the value recently enacted in Colorado, with a refundable $1,200 credit per child for single filers earning $50,000 or less in net income and joint filers earning $75,000 or less in net income and the same phaseout schedule as Scenarios 1 and 2 (Figure 11).

Figure 11: Schedule of Child Tax Credit Phaseout for Modified $1,200 Version of SB 1444 and HB 3950

Net Income of Household		Tax Credit Per Child	Net Income of Household		Tax Credit Per Child
Joint Filers	All Other Filers		Joint Filers	All Other Filers	
$75,000 or Less	$50,000 or Less	$1,200	$90,000	$65,000	$600
$76,000	$51,000	$1,160	$91,000	$66,000	$560
$77,000	$52,000	$1,120	$92,000	$67,000	$520
$78,000	$53,000	$1,080	$93,000	$68,000	$480
$79,000	$54,000	$1,040	$94,000	$69,000	$440
$80,000	$55,000	$1,000	$95,000	$70,000	$400
$81,000	$56,000	$960	$96,000	$71,000	$360
$82,000	$57,000	$920	$97,000	$72,000	$320
$83,000	$58,000	$880	$98,000	$73,000	$280
$84,000	$59,000	$840	$99,000	$74,000	$240
$85,000	$60,000	$800	$100,000	$75,000	$200
$86,000	$61,000	$760	$101,000	$76,000	$160
$87,000	$62,000	$720	$102,000	$77,000	$120
$88,000	$63,000	$680	$103,000	$78,000	$80
$89,000	$64,000	$640	$104,000	$79,000	$40

Source(s): Authors' modified version of scaled-up Senate Bill 1444 and House Bill 3950 (ILGA, 2023a; ILGA, 2023b). NOTE: The authors assumed a phaseout schedule of $40 per $1,000 increase to maintain the same income schedule as the initial proposal in Senate Bill 1444 and House Bill 3950.

Under the scaled-up version, 840,000 households (60 percent) and 1.8 million children (62 percent) would once again be affected, with 56 percent of CTC benefits accruing to households of color and 36 percent going Downstate (Figure 7). However, at 122 percent, the average income tax cut would be substantial, turning tax liabilities into direct checks for affected households. State tax cuts would average 91 percent for white households, 224 percent for Black households, and 168 percent for Latinx households.

Most importantly, one-in-seven impoverished children (14 percent), or 58,500 children, would be lifted out of poverty. By combatting child poverty and delivering tax relief to low- and middle-income households, a $1,200 per child credit that is phased out would save or create 13,400 jobs in Illinois and boost business output by

$2.5 billion annually. Overall, this CTC structure would have a large impact on childhood poverty, improve racial equity, make the tax code much less regressive, drive economic growth, and make Illinois' Child Tax Credit one of the strongest in the country.

Scenario 4: $600 Per Household with Children

Scenario 4 presents an alternative approach. In 2022, Senate Bill 3774 and House Bill HB 4920 in 2022 were introduced by State Senator Omar Aquino and State Representative Carol Ammons (Martire, Flanagan, & Wasik, 2022). These bills proposed a $600 refundable Child Tax Credit for households with at least one child who claimed the Earned Income Credit (EIC) as well as for unpaid caregivers with no income. This equals $50 per month.

Scenario 4 is a modified and expanded version of this proposal, with a simple Child Tax Credit structure in which each household can claim a $600 refundable tax credit if they can claim at least one dependent who is 18 years old or younger. The tax credit would be universal and could be claimed by all tax filers in Illinois on their individual income tax forms regardless of income and retirement status. Each tax filer would receive the credit as long as they have one child, but the credit would not increase with the number of children in the household. Under Scenario 4, a working-class single mother to a two-year-old daughter who earns $40,000 per year would receive a $600 tax credit, and so would a wealthy couple with four children reporting $400,000 in net income on their joint tax return.

Under this CTC structure, every household with a child at home would receive an annual tax cut of $600, directly affecting 1.4 million households and 2.9 million children and dependents 18 years old or younger (Figure 7). Approximately 42 percent of the CTC value would accrue to households of color and 32 percent would go to Downstate households. A flat, universal $600-per-household credit would lift approximately 14,000 children out of poverty, reducing childhood poverty by about 3 percent in Illinois. This CTC would boost business output by $975 million, saving or creating about 5,100 jobs (Figure 7).

Figure 12: Impact of Scenario 1 on Households by Racial or Ethnic Background in Illinois

Illinois Child Tax Credit Scenario 1: $600 Per Household with at Least One Child 18 Years Old and Under				
Deep Dive: By Racial or Ethnic Background of First Person on Census Form	**All Households**	**White Households**	**Black Households**	**Latinx Households**
Average Net Income (Taxable Income)	$105,339	$129,069	$48,720	$58,755
Number of Households Impacted	1,390,381	810,183	180,868	276,647
Number of Children Impacted	2,860,947	1,615,610	377,353	634,981
Average Children or Dependents	2.06	1.99	2.09	2.30
Average State Income Tax	$5,093	$6,237	$2,358	$2,843
Average Effective State Tax Rate	4.8%	4.8%	4.8%	4.8%
Average Earned Income Credit (EIC)	-$158	-$100	-$290	-$262
Average State Income Tax After EIC	$4,934	$6,138	$2,067	$2,581
Average State Tax Rate After EIC	4.7%	4.8%	4.2%	4.4%
Child Tax Credit (CTC): Per Household	*-$600*	*-$600*	*-$600*	*-$600*
Average State Income Tax After CTC	$4,334	$5,538	$1,467	$1,981
Average Effective State Tax Rate After CTC	4.1%	4.3%	3.0%	3.4%
Average State Income Tax Cut from CTC	**-12.2%**	**-9.8%**	**-29.0%**	**-23.2%**

Source(s): Authors' analysis of 2017-2021 *American Community Survey* data from the U.S. Census Bureau (1-year estimates) (Ruggles et al., 2023) and 2023 economic impact data using an IMPLAN input-output model (IMPLAN, 2023). The estimated change in childhood poverty is the authors' extrapolation of results from three academic studies (Parolin, Collyer, & Curran, 2022; Burns & Fox, 2023; Collyer, Hardy, & Wimer, 2023). For more on how the estimated change in childhood poverty is calculated, see the Appendix.

Currently, the average Illinois household with at least one child or dependent age 18 or younger has an annual net income of about $105,000 on average and pays a little more than $4,900 in state income taxes after exemptions and the Earned Income Credit (EIC) is factored in (Figure 12). With a $600 tax credit, households with children would see their state income taxes drop to an average of about $4,300 annually, a tax cut of 12 percent. Although the tax credit would be $600 for all households regardless of their racial or ethnic composition, impacts would be larger for Black and Latinx households with children because they tend to earn lower annual incomes. While white parents would experience a 10 percent decrease in their annual state income taxes on average, Black parents would experience a 29 percent tax cut and Latinx parents would experience a 23 percent tax cut (Figure 12).

The $600-per-household CTC is universal, delivers tax relief for all Illinois families, and promotes racial equity. However, the value of the credit does not increase with the number of children in each household and the impact on child poverty is relatively small compared to other CTC designs.

Scenario 5: $600 Per Household with Children Ages 4 and Under

Scenario 5 is similar to the previous structure but only applies to households with at least one dependent who is 4 years old or younger. The Child Tax Credit is a refundable $600, or $50 per month, and would be universal regardless of income and retirement status. Each tax filer would receive the credit as long as they have or are the caretaker of at least one child who has not yet reached the age of 5. This CTC is targeted at parents with young children, for whom childcare costs are significantly higher because they do not yet have the option to send their children to K-12 public schools that are funded by tax dollars.

This more limited CTC would directly impact 467,000 Illinois households and about 600,000 children ages 4 years old and younger, accounting for 34 percent of all households with children and 21 percent of all dependents 18 years old and under in the state (Figure 7).[17] An estimated 58 percent of the CTC value would go to white households and 42 percent would accrue to households of color. Fully 67 percent of the tax relief would be in the Chicago area and 33 percent would occur Downstate. Households with younger children earn lower incomes than their peers with older children, so Scenario 5 has a slightly larger tax impact on directly affected households.[18] Households with at least one child between the ages of 0 and 4 years old would see their state income taxes (after accounting for the EIC) decrease from an average of about $4,600 per year to around $4,000 per year, a tax cut of 13 percent. Among directly affected households, white parents would experience a 10 percent tax cut, Black parents would experience a 38 percent tax cut, and Latinx parents would experience a 25 percent tax cut. Because the tax credit is more limited, it would only reduce childhood poverty by 1 percent in Illinois—bringing 5,100 children above the official poverty line. The program would have a smaller economic impact, increasing business sales by $338 million annually and saving or creating around 1,800 jobs (Figure 7). Nevertheless, this CTC would be universal for families with young children and provide targeted tax relief mostly to parents who are younger when they generally earn lower incomes.

Scenario 6: $250 Per Child Up to a Maximum Credit of $750

Scenario 6 is a refundable Child Tax Credit of $250 per dependent who is 18 years old or younger but is capped at a maximum of three children, or $750 per year (Figure 7). This is similar to Arizona's model and is a universal program regardless of income. Arizona's model is $250 per dependent age 16 years old and under and $100

[17] The share of households with children impacted is higher than the share of children impacted because many households with children between the ages of 0 and 4 years old *also* have older dependents between the ages of 5 and 18 years old.

[18] Parents and the heads of households with young children are, on average, younger and earlier in their working years than their peers with older children, which results in lower average incomes.

per dependent age 17 years old, up to three dependents. Through 2022, Connecticut had a similar $250 credit per dependent (NCSL, 2023).

This "modified Arizona" system would directly impact all 1.4 million Illinois households with children (100 percent) but only 2.7 million children (93 percent) because the number of children covered is capped (Figure 7). Like the other universal programs, about 43 percent of the CTC value would be delivered to households of color and 32 percent would occur Downstate. The $250-per-child credit would lift 11,500 children out of poverty, equal to a 3 percent reduction in childhood poverty in Illinois. Scenario 3 would cut state income taxes by an average of just under 10 percent for eligible households, including 8 percent for white households, 23 percent for Black households, and 20 percent for Latinx households. The average tax cut of $478 for directly affected households would grow the state's economy by $798 million and save or create 4,200 jobs (Figure 7).

Despite capping the number of children covered, households with three or more children would generally experience the largest effective tax cuts under this type of Child Tax Credit (Figure 13). On average, households with three or more children have lower incomes than their counterparts with just two children. As a result, state income tax liability would decrease by an average of 17 percent for households with three or more children, 9 percent for households with two children, and 5 percent for households with one child. Even though the "modified Arizona" CTC is universal and applies to all parents and caretakers regardless of income, it would make Illinois' tax code less regressive and help working families deal with the costs of raising children.

Figure 13: Impact of Scenario 3 on Households by Number of Children in Illinois

Illinois Child Tax Credit Scenario 3: $250 Per Child Up to a Maximum of $750				
Deep Dive: By Number of Children Ages 17 and Under Living with the First Person on Census Form	**All Households with Children**	**Households with One Child**	**Households with Two Children**	**Households with Three or More Children**
Average Net Income (Taxable Income)	$105,339	$101,240	$118,252	$95,595
Number of Households Impacted	1,390,381	439,371	553,104	370,223
Number of Children Impacted	2,860,947	439,371	1,106,209	1,110,670
Average Children or Dependents	2.06	1.00	2.00	3.41
Average State Income Tax	$5,093	$4,893	$5,718	$4,621
Average Effective State Tax Rate	4.8%	4.8%	4.8%	4.8%
Average Earned Income Credit (EIC)	-$158	-$111	-$144	-$228
Average State Income Tax After EIC	$4,934	$4,782	$5,574	$4,393
Average State Tax Rate After EIC	4.7%	4.7%	4.7%	4.6%
Child Tax Credit (CTC): Per Household	*-$478*	*-$250*	*-$500*	*-$750*
Average State Income Tax After CTC	$4,334	$4,532	$5,074	$3,643
Average Effective State Tax Rate After CTC	4.1%	4.5%	4.3%	3.8%
Average State Income Tax Cut from CTC	**-9.7%**	**-5.2%**	**-9.0%**	**-17.1%**

Source(s): Authors' analysis of 2017-2021 *American Community Survey* data from the U.S. Census Bureau (1-year estimates) (Ruggles et al., 2023) and 2023 economic impact data using an IMPLAN input-output model (IMPLAN, 2023). The estimated change in childhood poverty is the authors' extrapolation of results from three academic studies (Parolin, Collyer, & Curran, 2022; Burns & Fox, 2023; Collyer, Hardy, & Wimer, 2023). For more on how the estimated change in childhood poverty is calculated, see the Appendix.

Scenario 7: $2,000 Per Child Up to $50,000 in Net Income

Lastly, the state could seek to become a national leader with the highest tax credit per child of any CTC enacted in the United States. Scenario 7 is a targeted and refundable Child Tax Credit of $2,000 per dependent who is 18 years old or younger for households with net incomes up to $50,000 per year. This structure would not be universal and would not differentiate by filing status. Any tax filer—single, joint, or otherwise—earning $50,001 or more would not be eligible to receive the credit.

The working-class families directly affected by the $2,000 Child Tax Credit would experience a considerable boost to their incomes (Figure 7). Scenario 7 would deliver an average of more than $4,200 in tax credits to nearly 533,000 low-income households (38 percent) containing more than 1.1 million children (40 percent). All directly affected households would see their income taxes owed drop to zero and instead receive annual "child allowance" refund checks. The average individual income tax cut would equal 645 percent, and Black households would experience a tax cut of 1,030 percent. Approximately 37 percent of the value would go to white households, 23 percent would accrue to Black Households, and 34 percent would be delivered to Latinx Households.

This extremely targeted CTC would have the largest impact on poverty, bringing nearly one-in-four impoverished children (23 percent) above the poverty line, reducing childhood poverty for 97,400 residents who are 18 years old or younger in Illinois. This CTC structure would also grow Illinois' business revenues by $3.3 billion and save or create 17,500 jobs (Figure 7).

However, this CTC proposal is not universal, there would be a "benefit cliff" where earning just above $50,000 per year would lead to losing $2,000 per child in refundable tax credits, and the lack of distinction by tax filing status would cause a "marriage penalty" if couples lose the CTC by filing jointly. This may create incentives for families to file taxes individually in the state.

Summary of the Seven Child Tax Credit Scenarios

Figure 14 summarizes the seven scenarios.[19] Scenario 1—the Senate Bill 1444 and House Bill 3950 example—would impact six-in-10 children, reduce child poverty by 8 percent, and boost the economy by $1.5 billion per year. Scenario 2, which modifies Scenario 1 to lower the maximum value of the credit to $300 per child as proposed in 2024, would have smaller impacts on childhood poverty reduction (3 percent) and the economy ($636 million per year). Scenario 3 modifies Scenario 1 to raise the maximum value of the credit to $1,200 per child and would have substantial impacts on reducing childhood poverty (13 percent) and growing the economy ($2.5 billion per year). The $600 per household in Scenario 4 would be the most universal, offer modest tax cuts to all households with children, and reduce childhood poverty by a small amount (3 percent). Scenario 5's $600 for households with children ages 4 and under would impact all Illinois families with young children but would have the smallest effect on lowering childhood poverty (1 percent). Scenario 6 would have a credit of $250 per child up to a maximum of $750 but would also have a small effect on cutting child poverty (3 percent) and offer the least amount of tax relief to directly affected households, on average. Lastly, Scenario 7—the $2,000 per child for net incomes of $50,000 or less example—would be the most targeted, impacting only two-in-five Illinois children (40 percent), but would eliminate poverty for nearly 100,000 children, or almost one-in-four impoverished children (23 percent). By effectively delivering "child allowance" refund payments to low-income households, Scenario 7 would provide a considerable boost of $3.3 billion annually to the Illinois economy (Figure 14).

These seven scenarios demonstrate how Illinois can implement a Child Tax Credit that accomplishes important policy goals (Figure 15). Illinois could significantly reduce childhood poverty by at least 10 percent (two out of the seven scenarios) while directly impacting a majority of Illinois children under a refundable Child Tax Credit (five out of the seven scenarios) and delivering an income tax cut of at least 10 percent for eligible households (six out of the seven scenarios). A state-level Child Tax Credit can also promote racial equity (seven out of the

[19] For additional context, Tables E and F in the Appendix compare potential Child Tax Credit amounts for each of the seven scenarios for married couples with net incomes of $25,000 and $100,000 per year and contrast them with the tax credit they would receive in the 15 other states that have or will have CTCs by 2024. In each Table, there are three stylized examples: married couples with one child who is 3 years old, married couples with one child who is 7 years old, and married couples with two children ages 3 and 7 years old.

seven scenarios) and boost Illinois' economy by at least $1 billion per year (three of the seven scenarios). Two scenarios achieve four out of these five goals: Scenario 1, or the Senate Bill 1444 and House Bill 3950 proposal, and Scenario 7, or the $2,000 per child for low-income-households example. Ultimately, only one achieves all five of the policy goals: Scenario 3, or the structure with a $1,200 credit per child and the same phaseout as in Senate Bill 1444 and House Bill 3950 (Figure 15).

Figure 14: Summary of the Economic and Social Impacts of the Seven Child Tax Credit Scenarios

Scenario	Impact on Childhood Poverty	Share of Children Impacted	Average Tax Cut for Affected Households	CTC Value to Households of Color	Economic Output (in Millions)
Scenario 1	-7.6%	61.8%	-71.1%	56.2%	$1,478.7
Scenario 2	-3.3%	61.8%	-30.6%	56.2%	$636.2
Scenario 3	-13.8%	61.8%	-122.3%	56.2%	$2,544.4
Scenario 4	-3.3%	100.0%	-12.2%	41.7%	$974.7
Scenario 5	-1.2%	21.0%*	-13.0%	42.2%	$338.4
Scenario 6	-2.7%	92.8%	-9.7%	42.8%	$798.2
Scenario 7	-22.9%	39.7%	-645.0%	63.0%	$3,288.8

Source(s): Authors' analysis of 2017-2021 *American Community Survey* data from the U.S. Census Bureau (1-year estimates) (Ruggles et al., 2023) and 2023 economic impact data using an IMPLAN input-output model (IMPLAN, 2023). The estimated change in childhood poverty is the authors' extrapolation of results from three academic studies (Parolin, Collyer, & Curran, 2022; Burns & Fox, 2023; Collyer, Hardy, & Wimer, 2023). For more on how the estimated change in childhood poverty is calculated, see the Appendix. *NOTE: 21.0% is the share of all children and dependents ages 18 and under affected. However, in Scenario 2, 100.0% of children and dependents age 4 and under would be impacted.

Figure 15: The Achievement of Five Potential Policy Goals, by Child Tax Credit Scenario

Scenario	Type of Refundable CTC	≥10% Drop in Child Poverty	Impacts ≥50% Children	≥10% Tax Cut for Eligible Households	Improves Racial Equity	≥$1 Billion Economic Impact	Number of Goals Achieved
Scenario 1	Targeted	*No*	**Yes**	**Yes**	**Yes**	**Yes**	4
Scenario 2	Targeted	*No*	**Yes**	**Yes**	**Yes**	*No*	3
Scenario 3	Targeted	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	5
Scenario 4	Universal	*No*	**Yes**	**Yes**	**Yes**	*No*	3
Scenario 5	Targeted	*No*	*No*	**Yes**	**Yes**	*No*	2
Scenario 6	Universal	*No*	**Yes**	*No*	**Yes**	*No*	2
Scenario 7	Targeted	**Yes**	*No*	**Yes**	**Yes**	**Yes**	4

Source(s): Authors' analysis of 2017-2021 *American Community Survey* data from the U.S. Census Bureau (1-year estimates) (Ruggles et al., 2023) and 2023 economic impact data using an IMPLAN input-output model (IMPLAN, 2023). The estimated change in childhood poverty is the authors' extrapolation of results from three academic studies (Parolin, Collyer, & Curran, 2022; Burns & Fox, 2023; Collyer, Hardy, & Wimer, 2023). For more on how the estimated change in childhood poverty is calculated, see the Appendix.

The Fiscal and Return on Investment Impacts of a Child Tax Credit

The Child Tax Credit designs that have the largest impacts on childhood poverty also tend to come with the highest upfront annual costs to the General Fund budget (Figure 16). For example, Scenario 7, a $2,000 credit per child for households with net incomes under $50,000, would reduce child poverty in Illinois by 23 percent. The estimated total cost of the program, however, would be about $2.3 billion per year. This means that the State of Illinois would forgo $2.3 billion in tax revenues as individual income taxes are cut for low-income households due to the Child Tax Credit structure. Conversely, Scenario 5, which is a $600 credit per household with children ages 4 years old and under, would reduce child poverty by 1 percent but cost significantly less, carrying a price tag of $280 million per year. Under the seven scenarios, a state-level Child Tax Credit initially costs between 0.5 percent and 4 percent of the General Fund budget (Verthein, Bolton, & Kapp, 2023; Sturm, 2023). In four of the seven scenarios, the upfront cost is less than $1 billion per year, or less than 2 percent of the General Fund budget (Figure 16).[20]

While a Child Tax Credit could be seen as expensive in an era when budgets may be tightening, an alternative perspective may be to view it not as a cost, but rather as an *investment* in children and in working families that can drive economic growth. Indeed, each of the CTC structures analyzed would yield a positive return on investment from the initial tax relief to Illinois households. Every dollar committed by the State of Illinois towards a Child Tax Credit would produce between $1.17 and $1.45 in economic output, or sales at Illinois' businesses, with the greatest impacts generated from those structures targeted at low-income and middle-income households (Figure 16). This corroborates research showing that the expanded federal CTC had an economic multiplier of $1.25 per dollar invested (Zandi & Yaros, 2021). These economic impacts occur within the same year as the fiscal impacts to the state.

Figure 16: Summary of the Fiscal and Economic Impacts of the Seven Child Tax Credit Scenarios

Scenario	Impact on Childhood Poverty	Estimated Annual Cost (in Millions)	Economic Output (in Millions)	Multiplier Effect Per Dollar
Scenario 1	-7.6%	$1,093.6	$1,478.7	$1.35
Scenario 2	-3.3%	$470.5	$636.2	$1.35
Scenario 3	-13.8%	$1,881.7	$2,544.4	$1.35
Scenario 4	-3.3%	$834.2	$974.7	$1.17
Scenario 5	-1.2%	$280.2	$338.4	$1.21
Scenario 6	-2.7%	$664.1	$798.2	$1.20
Scenario 7	-22.9%	$2,272.0	$3,288.8	$1.45

Source(s): Authors' analysis of 2017-2021 *American Community Survey* data from the U.S. Census Bureau (1-year estimates) (Ruggles et al., 2023) and 2023 economic impact data using an IMPLAN input-output model (IMPLAN, 2023). The estimated change in childhood poverty is the authors' extrapolation of results from three academic studies (Parolin, Collyer, & Curran, 2022; Burns & Fox, 2023; Collyer, Hardy, & Wimer, 2023). For more on how the estimated change in childhood poverty is calculated, see the Appendix.

It is important to note that the total cost of each scenario is the annual estimate for the specific Child Tax Credit structure itself, but that the *net fiscal impact* to the State of Illinois is likely much lower. By lifting children out of poverty and reducing food insufficiency, a CTC could reduce state expenditures on the Special Supplemental Nutrition Program for Women, Infants and Children (WIC), the Earned Income Credit (EIC), and other human services and government assistance programs intended for impoverished families (Garfinkel et al., 2022).

To illustrate, Figure 17 shows the change in actual state spending for the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) and the average Earned Income Credit (EIC) value during the period when the federal Child Tax Credit expansion was in effect, according to annual budget books from the Office of Management and Budget and tax statistics from the Illinois Department of Revenue (Illinois OMB, 2023; IDOR, 2023b). In the two fiscal years prior to the federal CTC expansion, Illinois spent $307 million on its WIC program. In fiscal year 2022, which ran from July 2021 through June 2022 and overlapped with the federal CTC expansion, WIC program expenditures decreased by $43 million, a drop of 14 percent. Similarly, working families claiming the EIC received an average EIC value of $438 in the two tax years prior to the federal CTC

[20] In the short term, implementing a Child Tax Credit without limiting spending on other items would require raising revenue from new sources. While other revenue sources are not the focus of this report, broadening the sales tax to include services that are taxed in neighboring states would generate $1.2 billion to $1.9 billion annually (Varner, 2017; CMAP, 2023). Lawmakers could also return the Estate Tax "Exclusion Limit" to $1 million, which would make the state's tax code less regressive and would generate $300 million annually by collecting additional revenue from the state's wealthiest individuals (Bellisle et al., 2023; Davis et al., 2024).

expansion. That fell by 16 percent to $366 in tax year 2021, when the expanded CTC could be claimed (Figure 17).

The fiscal cost of the EIC increases as the workforce expands, because people must be employed and earn an income in order to claim the credit. However, because Child Tax Credits increase household income and lift workers out of poverty, they reduce the amount they can claim in Earned Income Credits. As a result, Figure 17 calculates the change to the state budget associated with the lower average EIC value based on the 2021 number of tax filers claiming the EIC, revealing that the state spent $71 million less than it otherwise would have under average benefit levels in previous years (Figure 17).

Figure 17: State Expenditures on WIC and EIC Programs Prior to and During the Federal CTC Expansion

State of Illinois Human Services or Government Assistance Program	Two-Year Average Prior to CTC Expansion	During Year of Federal CTC Expansion	Dollar Change to State Budget	Percent Change to State Budget
Women, Infants and Children (WIC) Spending	$307,420,350	$264,145,700	-$43,274,650	-14.1%
Earned Income Credit (EIC): Average Value	$438.27	$366.35	-$71.92	-16.4%
EIC Spending: Assuming 2021 Participation	$434,217,211	$363,141,866	-$71,292,821	-16.4%
Total State Spending on WIC and EIC	**$741,637,561**	**$627,287,566**	**-$114,567,471**	**-15.4%**

Source(s): Authors' analysis of the *Illinois State Budget: Fiscal Year 2024*, *Illinois State Budget: Fiscal Year 2023*, and *Illinois State Budget: Fiscal Year 2022* from the Illinois Office of Management and Budget, which include "actual spending" amounts for fiscal years 2020, 2021, and 2022 for the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) (Illinois OMB, 2023). Illinois' fiscal year 2022 ran from July 1, 2021 through June 30, 2022, which included the period when the federal Child Tax Credit was expanded as well as the tax filing period when residents could claim the credit as part of their tax refunds. The two-year average for WIC spending prior to the federal CTC expansion is fiscal years 2020 and 2021. The Figure also includes the authors' analysis of "Individual Income Tax Stratifications" (final reports) for tax years 2021, 2020, and 2019 from the Illinois Department of Revenue for data on Earned Income Credit (EIC) claimants and value (IDOR, 2023b). In tax year 2021, there were 991,239 tax filers who claimed EIC benefits, an increase over previous years due to strong employment growth in the recovery following the pandemic-induced recession. Note that individual income tax forms for 2021 were due April 18, 2022 and the two-year average for EIC spending prior to the federal CTC expansion is tax years 2019 and 2020.

In total, Illinois spent $115 million (15 percent) less on its WIC and EIC programs during the year that the federal CTC was expanded than it did in the two years prior (Figure 17). While reduced expenditures on human services and government assistance programs cannot be fully attributed to the federal CTC expansion, it is likely that the policy change did contribute substantially to these state savings. Any state-level implementation of a Child Tax Credit would also likely produce lower WIC and EIC costs to the State of Illinois that would help offset the initial fiscal impact of the CTC policy.

Finally, Child Tax Credits deliver long-run gains that offset much of the short-term costs. At the federal level, an extensive benefit-cost analysis of a permanent expansion of the enhanced Child Tax Credit found that the annual cost of $97 billion for the program would return a total benefit of $929 billion, including $243 billion in long-term taxpayer savings (Garfinkel et al., 2022). Child Tax Credits can thus return more than $9.50 in long-term social benefits, of which $2.50 is long-term taxpayer savings per dollar invested. These taxpayer savings accrue over time due to the improved economic and educational prospects of children, improved health and longevity of both children and parents, and reduced levels of overall crime (Garfinkel et al., 2022). These potential downstream savings for Illinois are not included in the present analysis.

Awareness and Administration of a State-Level Child Tax Credit

Effective public policy requires effective administration and public awareness. As mentioned previously, 79 percent of eligible households reported receiving monthly Child Tax Credits when the federal program was expanded (Hamilton et al., 2022). In Illinois, only 76 percent to 79 percent of eligible taxpayers claim the Earned

Income Credit (EIC) every year (IRS, 2024). Despite their eligibility, many families experience various challenges and barriers to accessing tax credits, including insufficient computer access and language barriers (Zucker, Dawson McGuinness, & Olson, 2020).

If the state implements a Child Tax Credit, the Illinois General Assembly and Illinois Department of Revenue (IDOR) should make claiming the credit simple and easy on individual income tax forms. Furthermore, IDOR could expand its simplified tax filing pilot which used reported wage information received from employers and data from the Internal Revenue Service (IRS) to generate auto-populated returns. IDOR then sent a simplified tax return to taxpayers who did not file state tax returns and invited them to send in the return to claim their tax refund and state EIC. Over two years, this pilot returned $12 million in tax refunds to residents of Illinois (Rangel & Dugan Adell, 2022). Expanding this program to include a state CTC could simplify the tax filing process for many Illinois households with children.

The state should also devote resources to educating the public and raising awareness, especially in low-income communities, rural communities, and among families for whom English is not the primary language spoken at home. The Illinois General Assembly and Illinois Department of Revenue could create an online portal for families to use to claim CTC payment, similar to the non-filing portal the IRS created for families to access their Economic Stimulus Payments and the "GetCTC" portal that allowed families to access their CTCs starting in May 2022 (Zucker, McGuiness, & Olson, 2020). Finally, the state could use various government data sources to do targeted outreach to families who may be least likely to file tax returns and connect them to the appropriate resources in order to claim the credit.

Conclusion

Public policy, budgeting, and politics are about choices. After the federal Child Tax Credit expansion expired and other federal programs that delivered relief to American families ended, the poverty rate recorded its first increase in more than a decade and poverty among children more than doubled (Casselman & DePillis, 2023). If the expanded Child Tax Credit had remained in place, childhood poverty would be 35 percent lower and 3.1 million fewer children would be living below poverty across the United States, including tens of thousands in Illinois (Koutavas et al., 2023). Without federal action, lawmakers in Illinois may consider joining 15 other states in enacting a state-level Child Tax Credit.

Adopting a Child Tax Credit would have positive economic and social effects in Illinois. A well-designed system would substantially reduce childhood poverty, directly impact a strong majority of children, uplift working families, and conclusively make Illinois' tax system less regressive by delivering meaningful relief to low- and middle-income households. A state-level Child Tax Credit would also improve racial equity and function as an investment in children and in working families, boosting the overall economy. Ultimately, implementing a Child Tax Credit would not only be pro-family, but also pro-equity and pro-growth.

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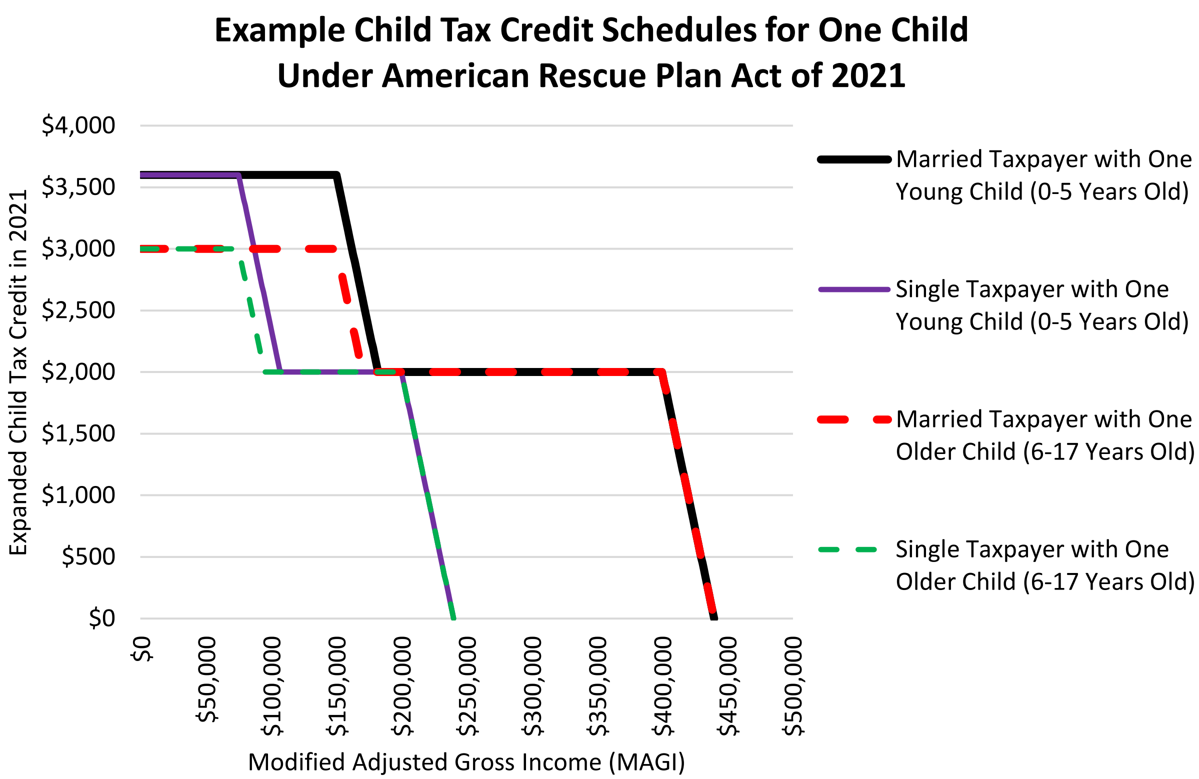
Appendix

Table A: Federal Child Tax Credit Amount for Taxpayers with One Child in 2021, Stylized Examples



Source(s): Authors' reproduction of stylized examples assuming the taxpayers each have one qualifying child and all income is earned income, with no other sources of income and no above-the-line deductions claimed from the Congressional Research Service (Crandall-Hollick, 2021b).

Table B: Summary of State-Level Child Tax Credit Structures, January 2024

State	Refundable	Credit Amount	Eligibility
Arizona	Yes	$250 per child under 17 and $100 per child age 17, up to $750 max	All full-year residents claiming a dependent with at least $1 of tax liability. Expires after tax year 2024
California	Yes	$1,000 to each family with child under 6	Family earnings under $25,000 with a phaseout. Must also qualify for California EITC
Colorado	Yes	10% to 60% of federal credit for children under 6 ($200 to $1,200)	Phaseout begins at $25,000 (single) and $35,000 or less (joint)
Connecticut (Expired in 2022)	*Yes*	*$250 per child, up to $750 max*	*Incomes below: $100,000 for single filers, $160,000 for head of household, $200,000 for joint filers*
Idaho	No	$205 per child	Defined by Section 24(c) of Internal Revenue Code
Maine	Yes	$300 per child or dependent under 17	Phaseout begins at $200,000 (single) and $400,000 (joint)
Maryland	Yes	$500 per child under 6	Adjusted gross income $15,000 or less
Massachusetts	Yes	$180 per dependent, $360 for two or more dependents	Dependents are children under 12, adults 65 and older, and anyone with disability
Minnesota	Yes	$1,750 per child under 18	Adjusted gross income $35,000 for joint filers and $29,500 for all other filers, with phaseout
New Jersey	Yes	$1,000 per child under 6	Income below $30,000. Phased out by income
New Mexico	Yes	$25 to $600 per child under 17	Income guidelines and must be child or step child of taxpayer; phaseout begins at $25,000
New York	Yes	Greater of 33% of federal credit or $100 multiplied by number of children	Child must qualify for federal CTC (be under age 17); phaseout begins at $75,000 (single) and $110,000 (joint)
Oklahoma	No	5% of federal credit	Adjusted gross income below $100,000 for couples
Oregon	Yes	$1,000 per dependent under age 6	Adjusted gross income $25,000 or less, with phaseout to $30,000
Utah	No	$1,000 per dependent ages 1-3	Adjusted gross income $43,000 if single or head of household or $54,000 if filing jointly, with phaseouts at $53,000 and $64,000 respectively
Vermont	Yes	$1,000 per child under 6	Phaseout begins at $125,000

Source(s): Authors' reproduction of National Conference of State Legislatures information with additional notes and updates from other sources (NCSL, 2023; Waxman & Ninh, 2023; Wright, 2023; Dillard & Saraiva, 2023; Pupke, 2023; McCabe, 2023; Moore, 2022; Serre, 2023; Romero, 2023; Washington, 2023; Buie, 2023; Griffith, 2023; Get Ahead Colorado, 2023; Hirneisen, 2023; State of Maine, 2023). Currently, the median maximum credit in these 15 states is $660 and the average is $716. Starting phaseouts for couples filing jointly have a range of $15,000 (Maryland) to $400,000 (Idaho and Maine corresponding to the federal CTC), with a median value of $44,500 and an average starting phaseout of $112,786. Note, however, that Massachusetts is not included because it does not have income limits and does not have any phaseout. Connecticut's $250 credit per child expired in 2022.

In estimating the effect of a state-level Child Tax Credit on child poverty in Illinois, an estimate was extrapolated from three sources assessing the effect of the temporary federal CTC expansion (Table C). The federal CTC expansion was refundable and allowed taxpayers earning below $2,500 to claim the credit. Each of the seven state-level scenarios assumes a refundable program and does not have a minimum income requirement. Additionally, the temporary federal expansion both increased the number of families who were eligible for the credit and increased the value of the credit they could claim. If Illinois were to adopt a state-level Child Tax Credit, it would represent an expansion in the number of families eligible for such a credit in the state—from zero to however many the program included—and increase their total Child Tax Credit value above the $2,000 per child maximum that they may be able to claim on their federal income tax form. As a result, the natural experiment of the federal CTC expansion is an appropriate analogue to a potential adoption of a state-level Child Tax Credit in Illinois. Three academic studies have found that expansion, which increased and expanded the CTC to $3,600 per child under the age of 6 years old and to $3,000 per child between the ages of 6 and 17 years old, reduced childhood poverty by an average of 36 percent, with a range of 26 percent to 44 percent (Table C).

Table C: Three Academic Studies on Impacts of Federal CTC Expansion on Childhood Poverty, 2022-2023

Study	Child Poverty Reduction Effect of CTC Expansion
Parolin, Collyer, & Curran, 2022	-29%
Burns & Fox, 2023	-36%
Collyer, Hardy, & Wimer, 2023	-44%
Average	**-36%**

Source(s): Three academic studies on the effects of the federal Child Tax Credit expansion on childhood poverty (Parolin, Collyer, & Curran, 2022; Burns & Fox, 2023; Collyer, Hardy, & Wimer, 2023).

Table D: Estimate of Each Scenario's Impact on Childhood Poverty in Illinois Using Three Studies

Scenario	1	2	3	4	5	6	7
Tax Credit Per Child (Average or Amount for Households in Poverty)	$700	$300	$1,200	$289	$104	$236	$2,000
Parolin, Collyer, & Curran, 2022	-6.1%	-2.6%	-11.0%	-2.6%	-1.0%	-2.2%	-18.3%
Burns & Fox, 2023	-7.6%	-3.2%	-13.6%	-3.3%	-1.2%	-2.7%	-22.7%
Collyer, Hardy, & Wimer, 2023	-9.3%	-4.0%	-16.7%	-4.0%	-1.4%	-3.3%	-27.8%
Average Child Poverty Reduction	**-7.6%**	**-3.3%**	**-13.8%**	**-3.3%**	**-1.2%**	**-2.7%**	**-22.9%**
Estimated Children Below Poverty	*-32,465*	*-13,914*	*-58,461*	*-14,070*	*-5,067*	*-11,497*	*-97,435*

Source(s): Authors' analysis of 2017-2021 *American Community Survey* data from the U.S. Census Bureau (1-year estimates) (Ruggles et al., 2023) and three academic studies on the effects of the federal Child Tax Credit expansion on childhood poverty (Parolin, Collyer, & Curran, 2022; Burns & Fox, 2023; Collyer, Hardy, & Wimer, 2023).

Table D incorporates each study's estimated impact on childhood poverty reduction from the expanded Child Tax Credit and adjusts the estimate linearly downward to the per-child value that would occur under each state-level scenario. In effect, the per-child state credit is divided by an average per-child federal credit of $3,167, and that ratio is multiplied by the poverty reduction estimate to arrive at a state-level estimate. The tax credit per child is calculated for households with net incomes at or below $75,000 for Scenarios 4 through 6. The effect reported throughout the report in each scenario is the average child poverty reduction weighted from the three academic studies. The estimated impact on the number of children below poverty is the estimated number of children and dependents who are 18 years old or younger living in households below the official poverty line in Illinois over the five-year period from 2017 through 2021 multiplied by the average child poverty reduction effect (Table D).

Tables E and F compare potential Child Tax Credit amounts for each of the seven scenarios and contrast them with the tax credit they would receive in the 15 other states that have or will have CTCs by 2024.

A household earning $25,000 or less would receive a refundable Child Tax Credit under nearly all seven scenarios (Table E). For households with one child, the credit would range from $250 under Scenario 6 up to $2,000 under Scenario 7, which is targeted at low-income families. The only exception is for the household with the child who is 7 years old under Scenario 5. For households with two children, the refundable credit would range from $500 to $4,000 under these proposals. In comparison, not all households with children who earn $25,000 or less have access to their CTCs in other states that have implemented programs. In Idaho, for example, the CTC is not refundable, so households earning $25,000 or less do not receive any tax credit value. Maryland's program is only for households with gross income of $15,000 or less. Ultimately, households earning $25,000 or less would have across-the-board access to a larger tax credit in Illinois than in most other states with CTCs under Scenarios 1, 3, and 7 (Table E).

Table E: Child Tax Credit Amounts for Married Couple with $25,000 Net Income, by Scenario or State

State Child Tax Credit for Married Couple Earning $25,000 Per Year			
Household Net Income: $25,000 Per Year	**One Child: 3 Years Old**	**One Child: 7 Years Old**	**Two Children: 3 and 7 Years Old**
Illinois Scenarios			
Scenario 1	$700	$700	$1,400
Scenario 2	$300	$300	$600
Scenario 3	$1,200	$1,200	$2,400
Scenario 4	$600	$600	$600
Scenario 5	$600	$0	$600
Scenario 6	$250	$250	$500
Scenario 7	$2,000	$2,000	$4,000
15 Other States			
Arizona	$250	$250	$500
California	$1,000	$0	$1,000
Colorado	$1,200	$0	$1,200
Idaho	$0	$0	$0
Maine	$300	$300	$600
Maryland	$0	$0	$0
Massachusetts	$180	$180	$360
Minnesota	$1,750	$1,750	$3,500
New Jersey	$1,000	$0	$500
New Mexico	$600	$600	$1,200
New York	$0	$660	$660
Oklahoma	$100	$100	$200
Oregon	$1,000	$0	$1,000
Utah	$1,000	$0	$1,000
Vermont	$1,000	$0	$1,000
Scenarios vs. 15 Other States			
Scenario 1 Better Than	8 States	14 States	14 States
Scenario 2 Better Than	6 States	11 States	6 States
Scenario 3 Better Than	13 States	14 States	14 States
Scenario 4 Better Than	7 States	12 States	6 States
Scenario 5 Better Than	7 States	0 States	6 States
Scenario 6 Better Than	5 States	10 States	4 States
Scenario 7 Better Than	15 States	15 States	15 States

Source(s): Authors' analysis using National Conference of State Legislatures information with additional notes and updates from other sources (NCSL, 2023; Waxman & Ninh, 2023; Wright, 2023; Pupke, 2023; McCabe, 2023; Moore, 2022; Serre, 2023; Romero, 2023; Washington, 2023; Buie, 2023; Griffith, 2023; Get Ahead Colorado, 2023; Hirneisen, 2023; State of Maine, 2023).

Middle-class families earning $100,000 per year in net income would gain access to a refundable Child Tax Credit in every scenario except under Scenario 7 and except for those with older children under Scenario 6 (Table F). The credit would range from $50 to $600 for those with one child and $100 to $600 for those with two children. In the 15 states that currently have CTCs, households with $100,000 in taxable income are only eligible to claim credits in eight states (53 percent). The value of the credit ranges from $75 to $1,000 for households with one child and from $150 to $1,320 for households with two children in these eight states. The hypothetical example shows that households earning $100,000 annually would generally have access to a larger tax credit in Illinois than in a majority of other states with CTCs under Scenarios 1, 3, 4, and 6 (Table F).

Table F: Child Tax Credit Amounts for Married Couple with $100,000 Net Income, by Scenario or State

State Child Tax Credit for Married Couple Earning $100,000 Per Year			
Household Net Income: $100,000 Per Year	One Child: 3 Years Old	One Child: 7 Years Old	Two Children: 3 and 7 Years Old
Illinois Scenarios			
Scenario 1	$100	$100	$200
Scenario 2	$50	$50	$100
Scenario 3	$200	$200	$400
Scenario 4	$600	$600	$600
Scenario 5	$600	$0	$600
Scenario 6	$250	$250	$500
Scenario 7	$0	$0	$0
15 Other States			
Arizona	$250	$250	$500
California	$0	$0	$0
Colorado	$0	$0	$0
Idaho	$205	$205	$410
Maine	$300	$300	$600
Maryland	$0	$0	$0
Massachusetts	$180	$180	$360
Minnesota	$0	$0	$0
New Jersey	$0	$0	$0
New Mexico	$75	$75	$150
New York	$660	$660	$1,320
Oklahoma	$100	$100	$200
Oregon	$0	$0	$0
Utah	$0	$0	$0
Vermont	$1,000	$0	$1,000
Scenarios vs. 15 Other States			
Scenario 1 Better Than	8 States	9 States	8 States
Scenario 2 Better Than	7 States	8 States	7 States
Scenario 3 Better Than	10 States	11 States	10 States
Scenario 4 Better Than	13 States	14 States	12 States
Scenario 5 Better Than	13 States	0 States	12 States
Scenario 6 Better Than	11 States	12 States	11 States
Scenario 7 Better Than	0 States	0 States	0 States

Source(s): Authors' analysis using National Conference of State Legislatures information with additional notes and updates from other sources (NCSL, 2023; Waxman & Ninh, 2023; Wright, 2023; Pupke, 2023; McCabe, 2023; Moore, 2022; Serre, 2023; Romero, 2023; Washington, 2023; Buie, 2023; Griffith, 2023; Get Ahead Colorado, 2023; Hirneisen, 2023; State of Maine, 2023).