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State Policies to Strengthen the Early Years: Child Tax Credit

CYNTHIA OSBORNE, PhD

Executive Director, Prenatal-to-3 Policy Impact Center
Professor of Early Childhood Education and Policy
Vanderbilt University, Peabody College of Education and Human Development



Who We Are

We are a nonpartisan research center at Vanderbilt University.

What We Do

We aim to accelerate states' equitable implementation of evidence-based policies that help all children thrive from the start.



Science of the Developing Child Informs Policy Goals



Safe, stable, stimulating, nurturing interactions between an infant and a parent or caregiver **promote optimal brain and body development**



Our health and wellbeing prenatally and in the first 3 years of life **affect all future learning, behavior, and health**



The absence of a comprehensive system of support can **compromise a child's ability to learn and grow throughout life**

8 Prenatal-to-3 Policy Goals

Access to
Needed
Services



Parents' Ability to
Work & Provide
Care



Sufficient
Household
Resources



Healthy &
Equitable
Births



Parental Health
& Emotional
Wellbeing



Nurturing and
Responsive Child-
Parent Relationships



Nurturing and
Responsive Child
Care in Safe
Settings



Optimal Child
Health &
Development



Building a Prenatal-to-3 System of Care

Early Care & Learning

Child & Parent Health



Economic & Family Supports



Federal Child Tax Credit

Federal Child Tax Credit

- Designed to **promote economic stability** for families and **reduce child poverty** by **offsetting some of the costs of raising children**
- For tax year 2025, the total federal credit is up to \$2,200 per child under the age of 17 (includes phase-in and out)
- Only partially refundable: maximum of \$1,700 per child can be refunded

2021 Temporary Expansion

Under the American Rescue Plan Act (ARPA), the federal CTC was temporarily expanded in 2021. This included:

- Credit of up to \$3,600 per child under 6
- Credit of up to \$3,000 per child age 6-17
- Full refundability; advanced monthly payments

How Did the 2021 Expansion of the Federal CTC Impact PN-3 Outcomes?

Parental Health & Emotional Wellbeing



- Decreased depressive and anxiety symptoms, especially among Black parents

Parents' Ability to Work



- Little to no adverse impacts on employment

Sufficient Household Resources



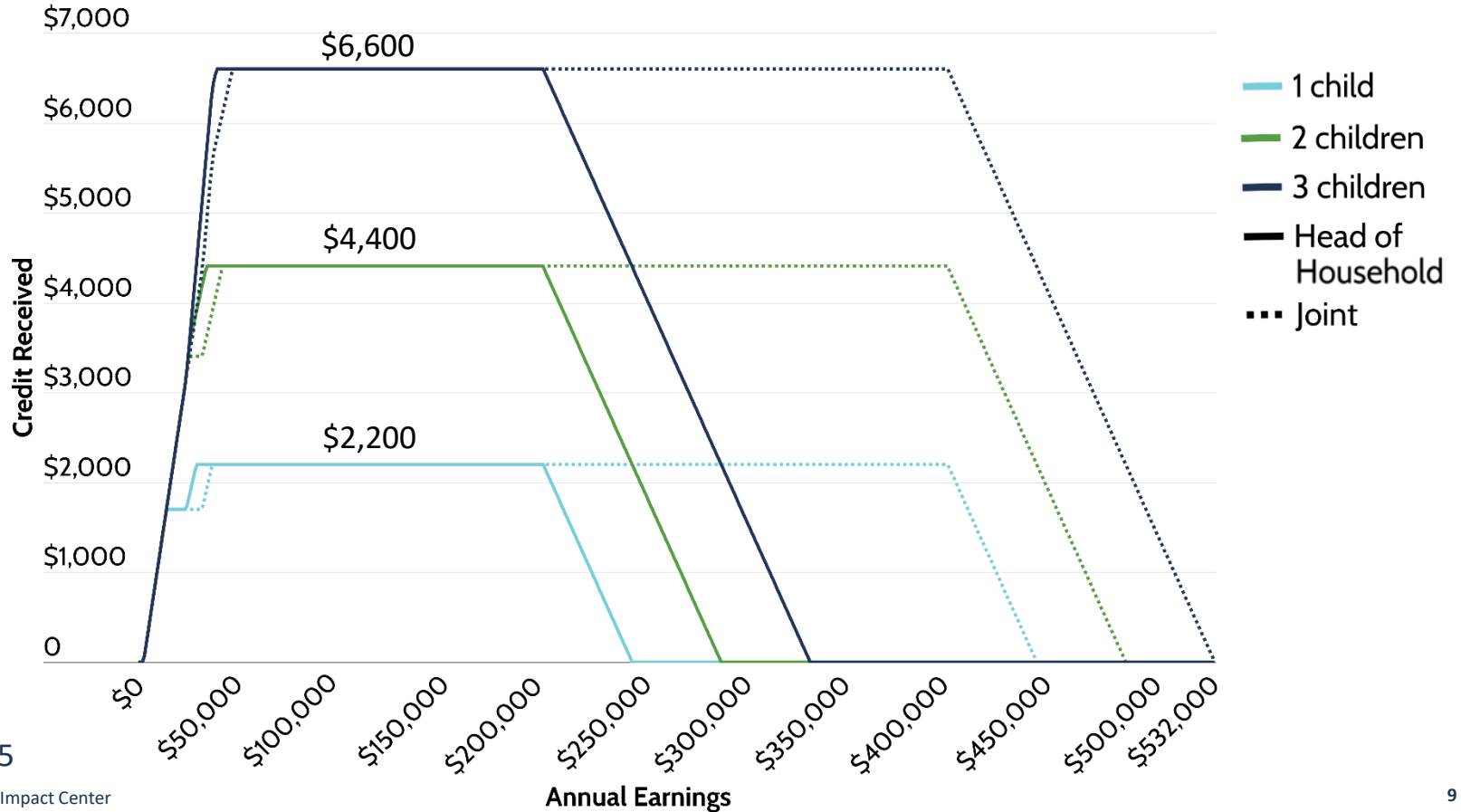
- Lifted 2.1 million children out of poverty
- Improved food security

Optimal Child Health & Development



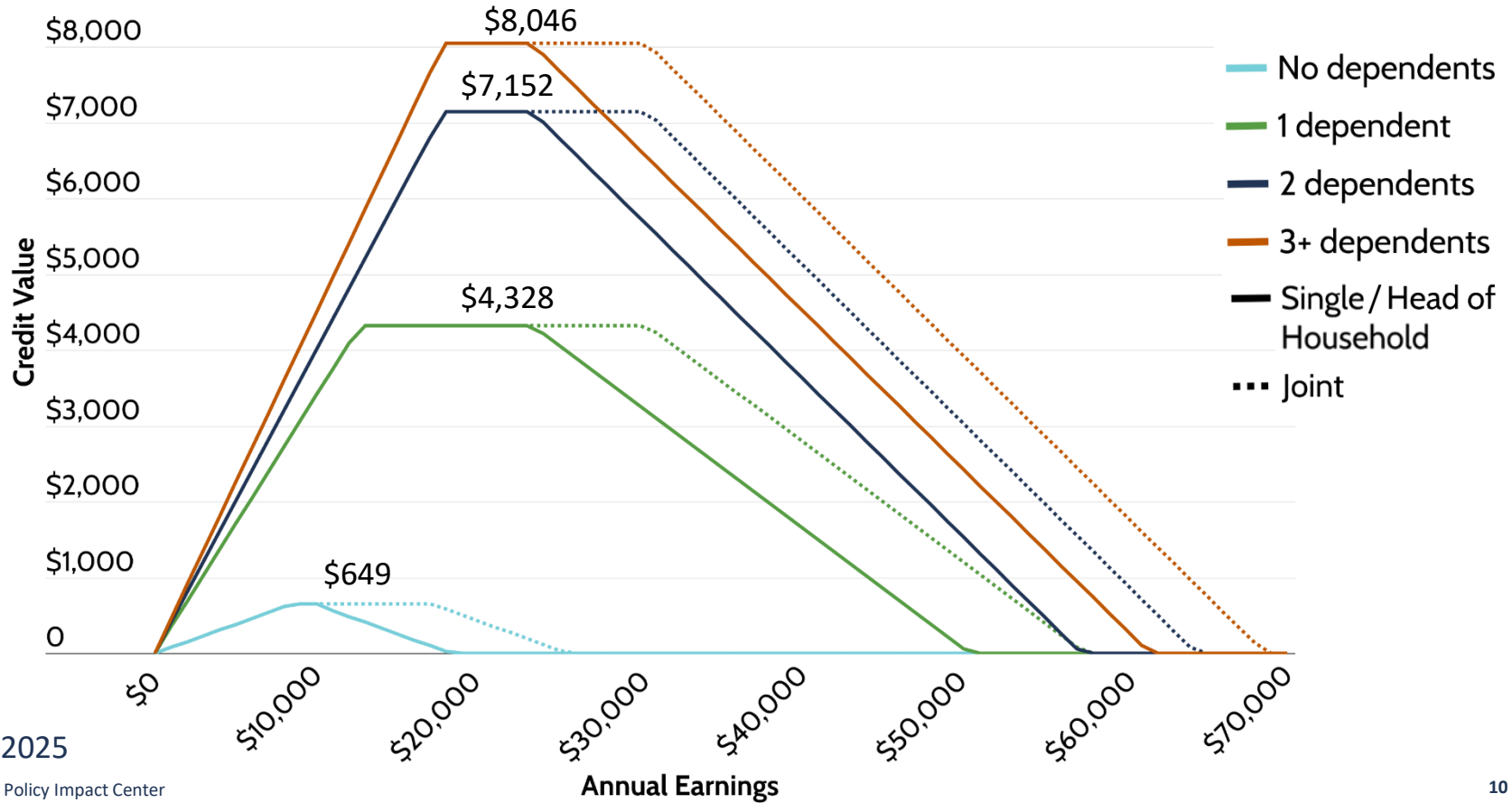
- Improved nutrition outcomes

Partially Refundable Federal Child Tax Credit



Tax Year 2025

Refundable Federal Earned Income Tax Credit



Tax Year 2025

Federal CTC and the Federal EITC

- The EITC is targeted to low and moderate-income workers:
 - For a family with 1 child,
 - EITC begins phasing out at \$23,350
 - CTC begins phasing out at \$200,000
- Credit phase-ins differ for low-income earners:
 - For a family with 1 child:
 - Full value of the EITC (\$4,328) is reached at \$12,730
 - Full value of the CTC (\$2,200) is reached at \$29,000



State Child Tax Credits

How Do State CTCs Impact PN-3 Outcomes?

Early findings show state CTCs are promising to reduce child poverty, strengthen family economic stability, and reduce child maltreatment.

Sufficient Household Resources



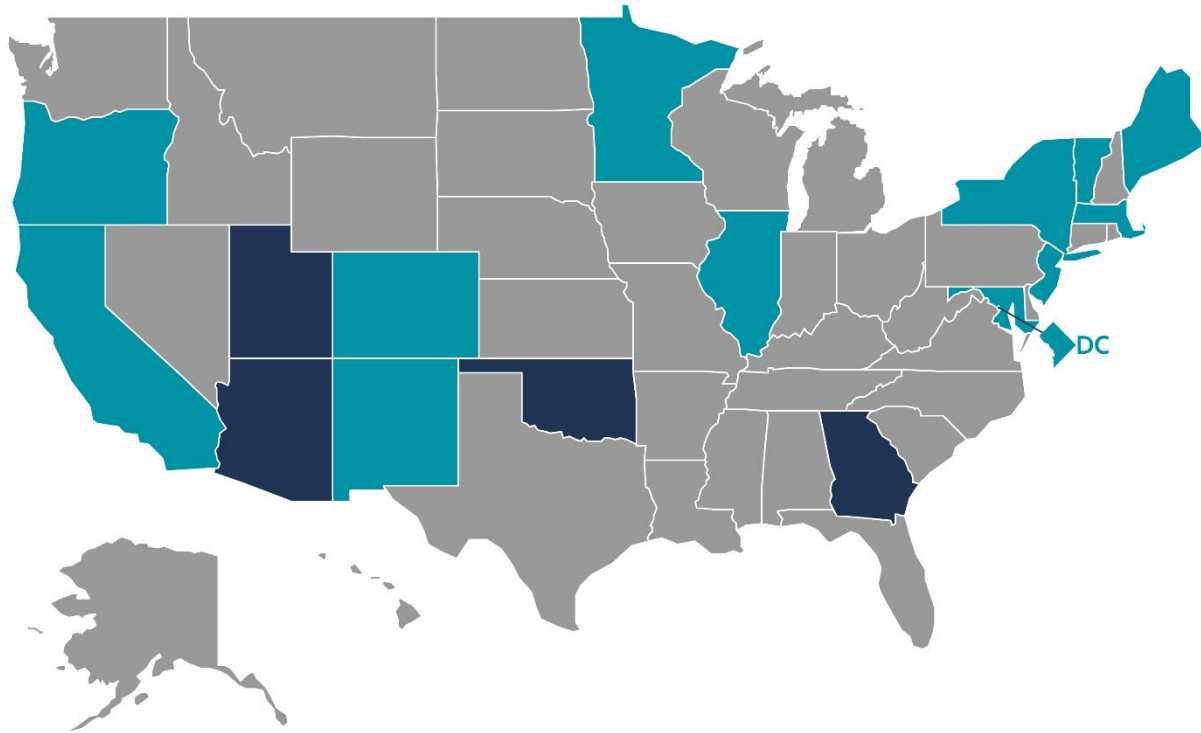
- Credits valued between \$1,200 and \$1,800 per child and targeted to low-income families may reduce child poverty rates by up to 25%
- Modest improvements on children's resources in relation to their needs

Optimal Child Health & Development



- Reduced child maltreatment reports among Black and Hispanic families

17 States Have Implemented a State CTC

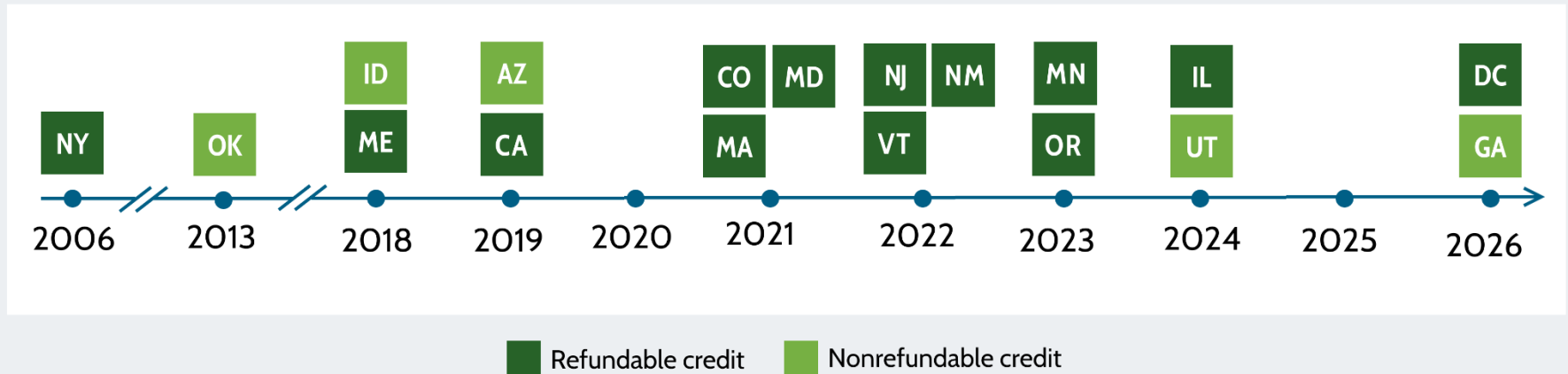


Tax Year 2026

As of January 2026

● No ● Nonrefundable CTC ● Refundable CTC

State Child Tax Credit Implementation Timeline



Note: Idaho's CTC was enacted for TY 2019 through TY 2025. The state did not renew the credit so it will sunset at the end of TY 2025.

Recent State CTC Policy Changes

Enacted CTC



TY 2026
\$1,000
Refundable



TY 2026
\$250
Nonrefundable

Increased Generosity

Enacted 2025, incremental increases until 2027



TY 2025
< 4 years: \$1,000
4 to 17: \$250

Increased Generosity

Due to previously enacted legislation



2024 20%  2025 40%

Expanded Eligibility



State CTC Policy Levers

State CTCs vary based on the following policy levers:

Refundability

Partial or full refundability

Structure

Per child or per household,
dependent caps, ties to other
credits

Eligibility

Child age, income eligibility

Value

Maximum value, phase-ins,
phase-outs, inflation
adjustments

Refundability

Refundable credit: If the tax credit exceeds a filer's tax liability, then the filer receives the excess credit as a payment from the state.

Nonrefundable credit: If the tax credit exceeds a filer's tax liability, they do not receive the excess credit. Their tax liability is reduced to \$0, and that is the extent of the benefit.

Refundability ensures that working families with low incomes can receive the full value of the credit.

Structure

The most common structure of a state CTC is a **per-child credit**, with a decrease in value above a certain income threshold.

Other examples of state CTC structures:



California has a credit
per household



Illinois has a credit that's
40% of the state EITC



Massachusetts has a
flat per-child credit



Oklahoma has a credit that's
5% of the federal CTC

Income Eligibility

Many states target their CTCs to certain income levels.

- **Phase-ins** scale the value of the credit with earnings: the value of the credit increases as income increases.
- **Phase-outs** reduce the value of the credit as income increases beyond the specified threshold, gradually decreasing the credit until it phases out entirely.
- **Step-downs** tier incomes into ranges, and each income range receives a different value credit.

Child Eligibility

States choose the age and number of children per family who are eligible for the CTC.

Children under 18

DC MN

Children under 17

AZ CO* ID ME NM NY OK

Children under 6

CA CO** GA MD NJ OR UT

Credit value varies with child age

CO* ME NY

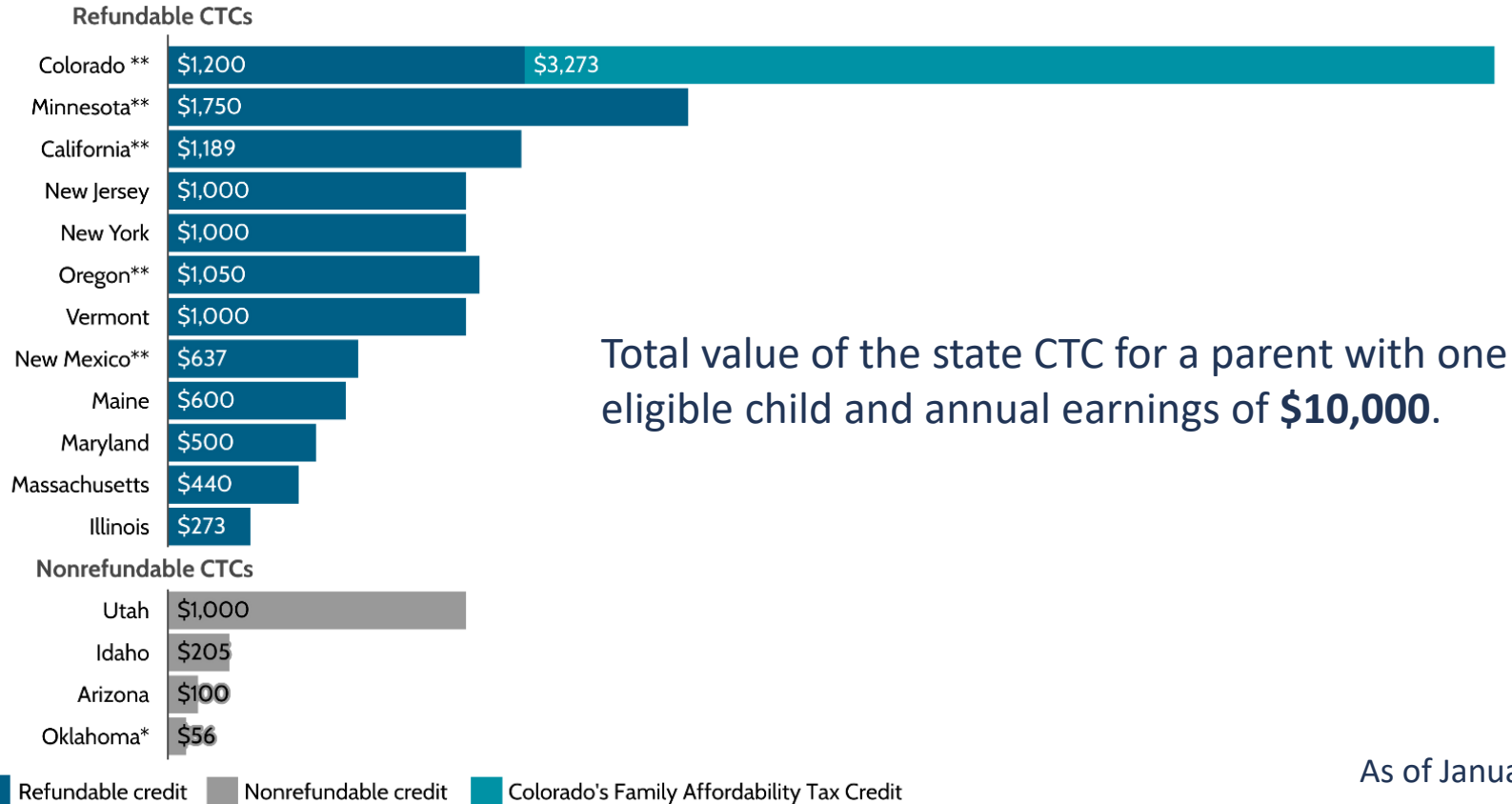
Dependent cap

CA IL OR

* Colorado's Family Affordability Tax Credit (FATC)

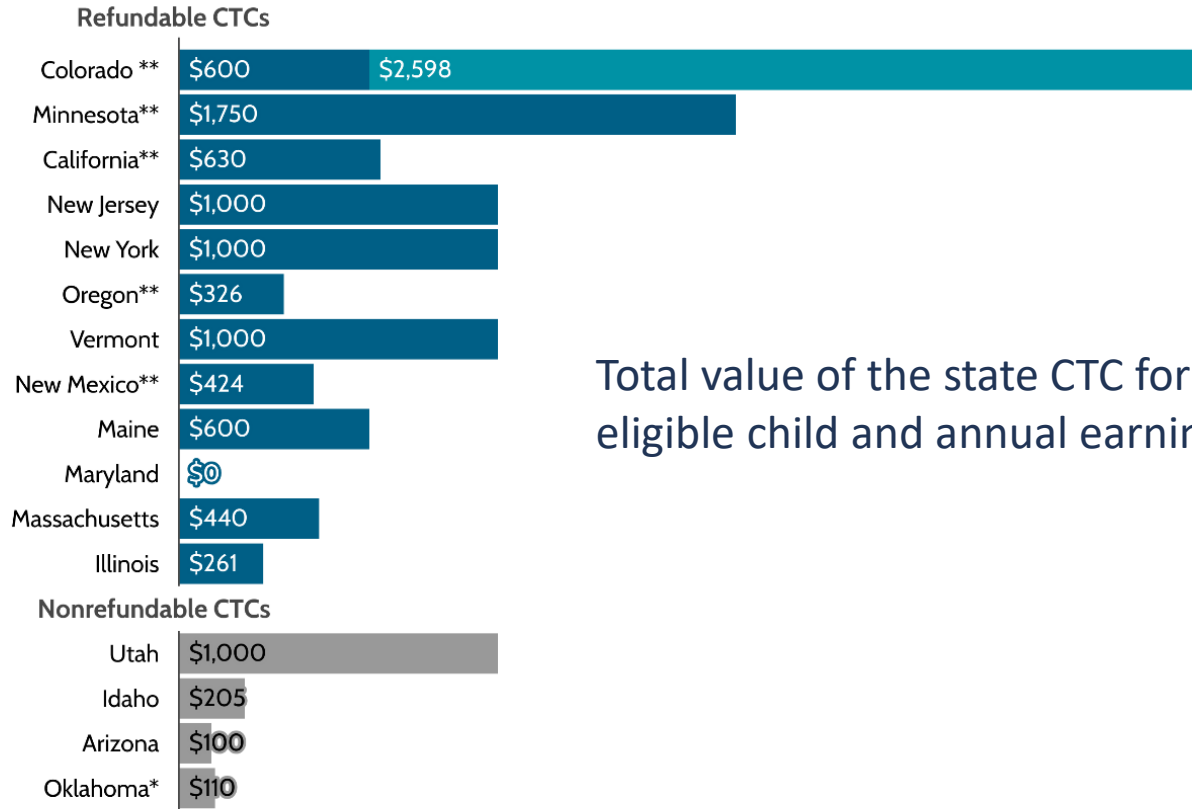
** Colorado's Child Tax Credit (CTC)

Variation in State Child Tax Credit Values, by Income Level



As of January 2026

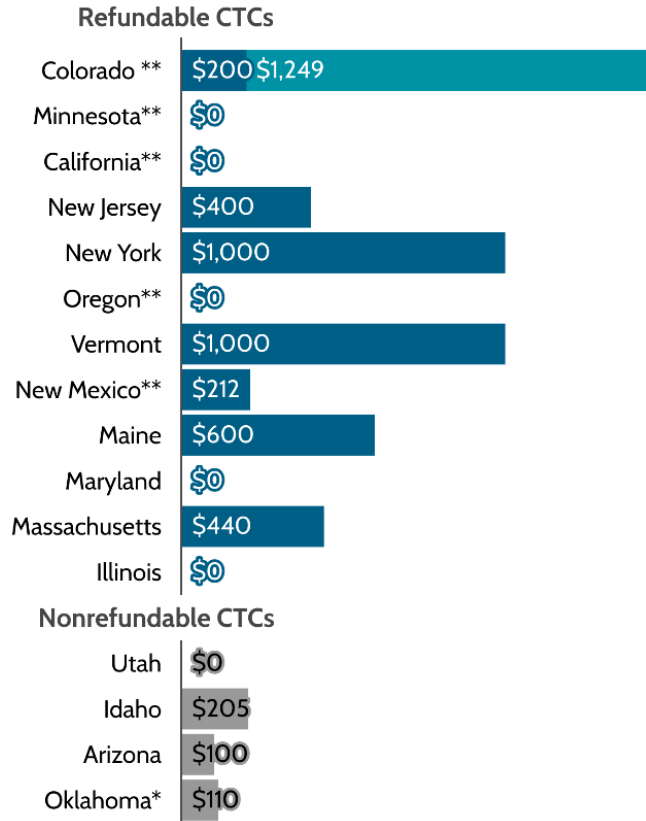
Variation in State Child Tax Credit Values, by Income Level



Total value of the state CTC for a parent with one eligible child and annual earnings of **\$30,000**.

As of January 2026

Variation in State Child Tax Credit Values, by Income Level



Total value of the state CTC for a parent with one eligible child and annual earnings of **\$60,000**.

As of January 2026

Variation in State Child Tax Credits as of January 2026

State	Maximum Credit	Refundability	Structure	Income Eligibility	Child Age	Indexed for Inflation	ITIN Filers
Arizona	\$100	Nonrefundable	Per child	Phase-out begins at \$200,000 single and \$400,000 joint	< 17		
California	\$1,189	Refundable	Per household	Phase-out begins at \$27,245	< 6	✓	✓
Colorado	\$1,200	Refundable	Per child	Step-down tiers: smaller credit begins at \$25,000 single and \$35,000 joint, no credit over \$75,000 single and \$85,000 joint	< 6		✓
District of Columbia ¹	\$1,000	Refundable	Per child	Phase-out begins \$55,000 single and \$70,000 joint	< 18	✓	
Georgia ¹	\$250	Nonrefundable	Per child	No income limit	< 6		
Idaho ²	\$205	Nonrefundable	Per child	No income limit	< 17		
Illinois	\$346 ³	Refundable	40% of state EITC	Phase-out begins at \$23,350 single and \$30,470 joint (federal EITC threshold)	< 12	✓	✓
Maine	\$600 for children under 6, \$300 for children 6-16	Refundable	Per child	Phase-out begins at \$100,000 single and \$150,000 joint	< 17	✓	✓
Maryland	\$500	Refundable	Per-child	Phase-out begins at \$15,000	< 6		✓
Massachusetts	\$440	Refundable	Per child	No income limit	< 13		✓
Minnesota	\$1,750	Refundable	Per child	Phase-out begins at \$31,950 single and \$37,910 joint	< 18	✓	✓
New Jersey	\$1,000	Refundable	Per child	Step-down tiers: reduced credit begins at \$30,000, no credit over \$80,000	< 6		✓
New Mexico	\$637	Refundable	Per child	Step-down tiers: reduced credit begins at \$25,000, credit is \$26 for all incomes over \$350,000	< 17	✓	✓
New York	\$1,000 for children under 4, \$500 for children 4-16	Refundable	Per child	Phase-out begins at \$55,000 single and \$110,000 joint	< 17		✓
Oklahoma	\$110	Nonrefundable	5% of federal CTC or 20% of federal CDCTC	Income limit of \$100,000	< 17	✓	
Oregon	\$1,050	Refundable	Per child	Phase-out begins at \$26,550	< 6	✓	✓
Utah	\$1,000	Nonrefundable	Per child	Phase-out begins at \$43,000 single and \$54,000 joint	< 6		
Vermont	\$1,000	Refundable	Per child	Phase-out begins at \$125,000	< 7		✓



Intersections with a State EITC

Various Types of State Tax Benefits

**Earned
Income Tax
Credit (EITC)**

**Child Tax
Credit (CTC)**

**Child and
Dependent
Care Tax
Credit
(CDCTC)**

**Employer
Child Care
Tax Credits**

**Newborn Tax
Credits**

**Standard
Deductions**

**Dependent
Deductions
and
Exemptions**

**Tax
Forgiveness
for Low
Incomes**

**Free Tax
Preparation
Assistance**

Impact of the State EITC of at Least 10% of the Federal Credit



Increased likelihood of maternal employment, especially among unmarried mothers



Increased mothers' wages

Increased household income of families with young children

Decreased child poverty

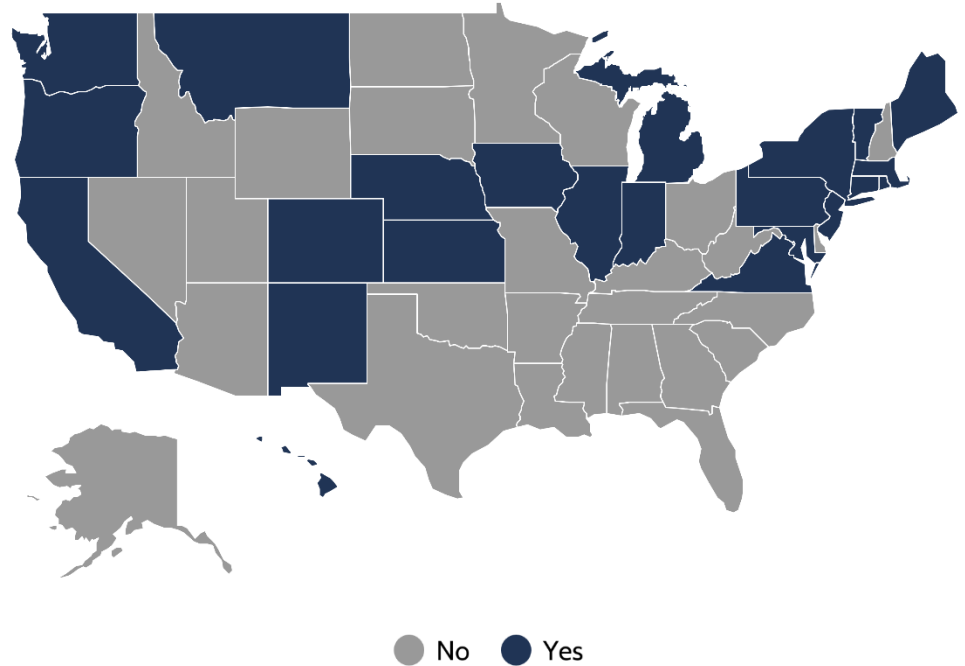


Increased birthweight, varying by generosity

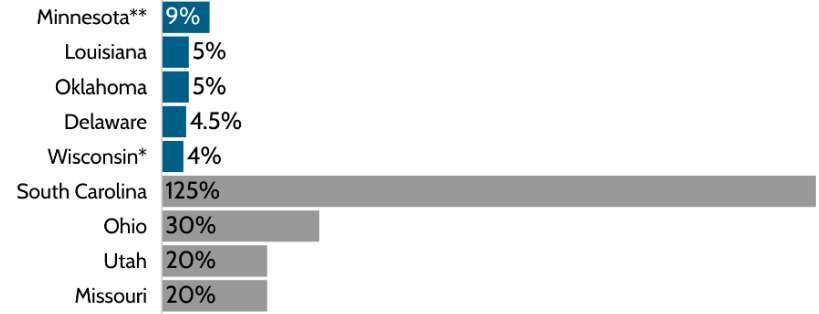
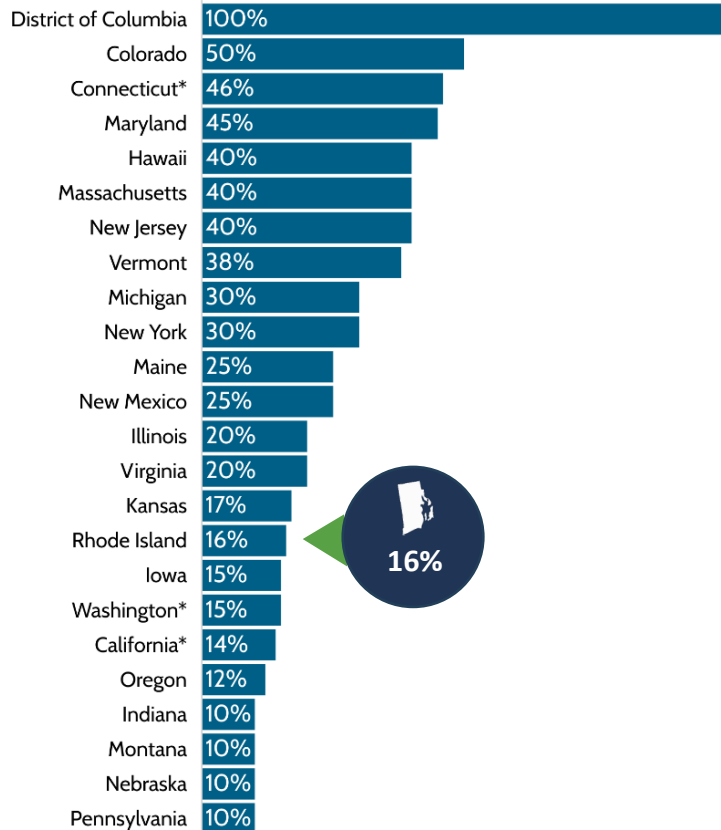
Reduced low birthweight births, especially among Black mothers

24 States Have Implemented a Refundable EITC of at Least 10% of the Federal EITC

- 5 additional states have a refundable EITC that is less than 10% of the federal credit, and 4 states have a nonrefundable EITC.
- In November 2025, Pennsylvania enacted a new refundable 10% state EITC.



Variation in the State EITC is Substantial



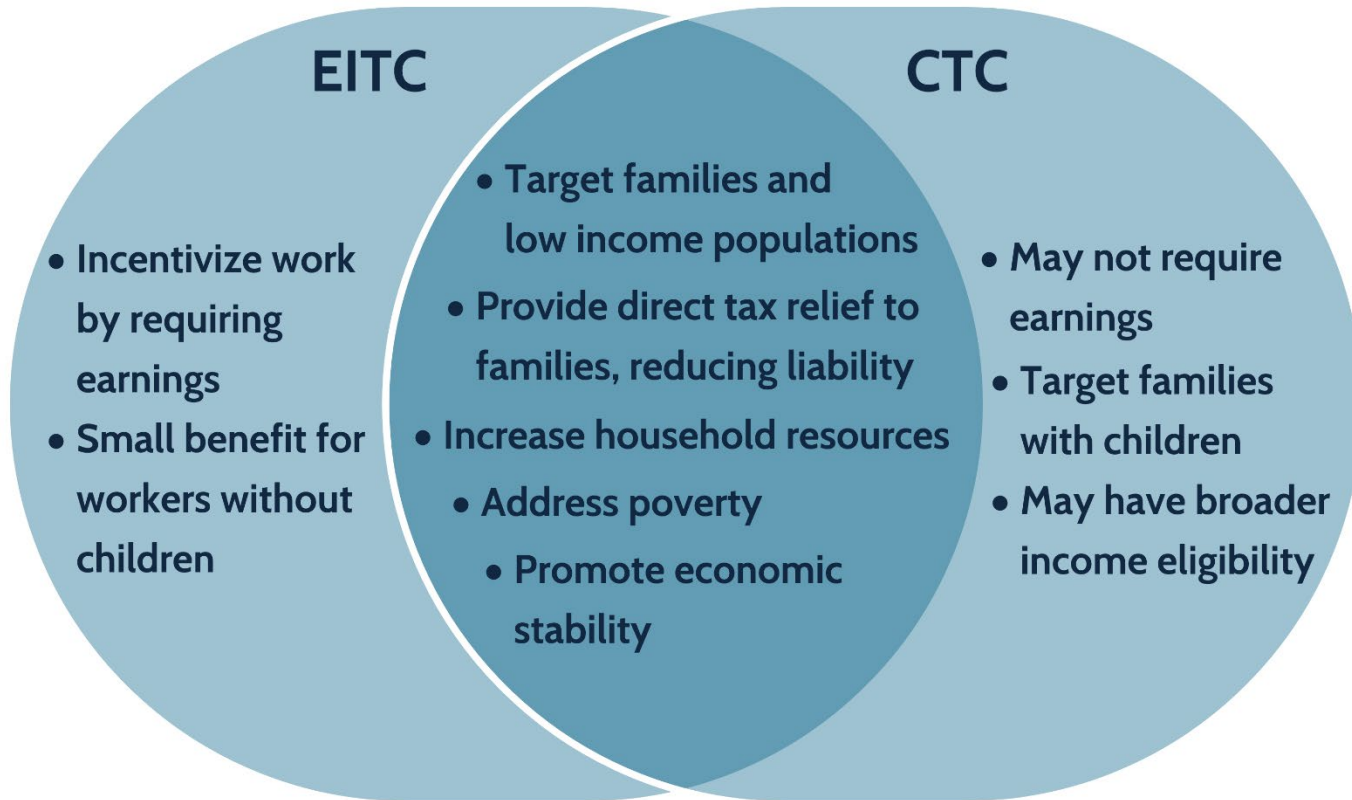
■ Refundable credit ■ Nonrefundable credit

No EITC: AL, AZ, AR, GA, ID, KY, MS, NC, ND, WV

No EITC, no income tax: AK, FL, NV, NH, SD, TN, TX, WY

As of December 2025, tax year 2025

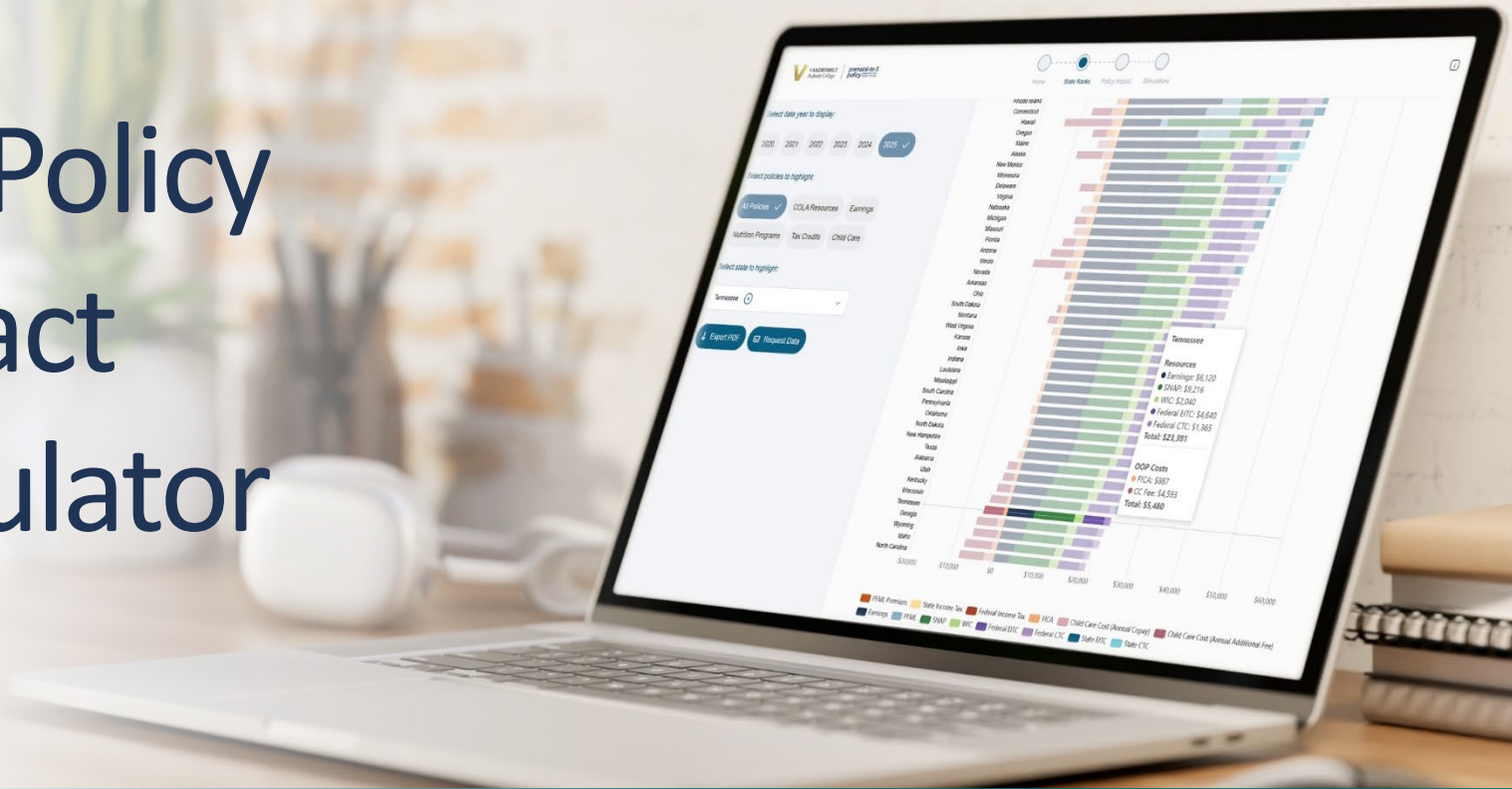
How State EITCs and State CTCs Intersect



How do state policy choices impact family resources?



The Policy Impact Calculator



Meet Lina.



- Single mother with an infant and toddler
- Works full time all year, and earns the state's minimum wage
- Receives the benefits she is eligible for and files her taxes
- Takes 12 weeks of leave following her infant's birth
- Sends her children to center-based care that charges the 75th percentile of the market rate

Policy Impact Calculator



Earnings from the state minimum wage and paid family and medical leave benefits



Out-of-pocket child care expenses after receiving a child care subsidy



Federal nutrition benefits



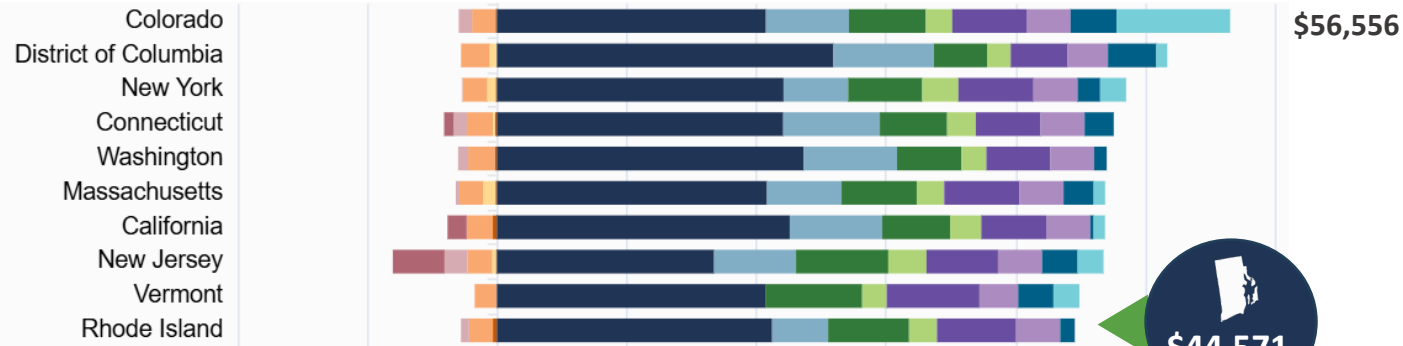
Federal and state income taxes and credits

Use the calculator to:

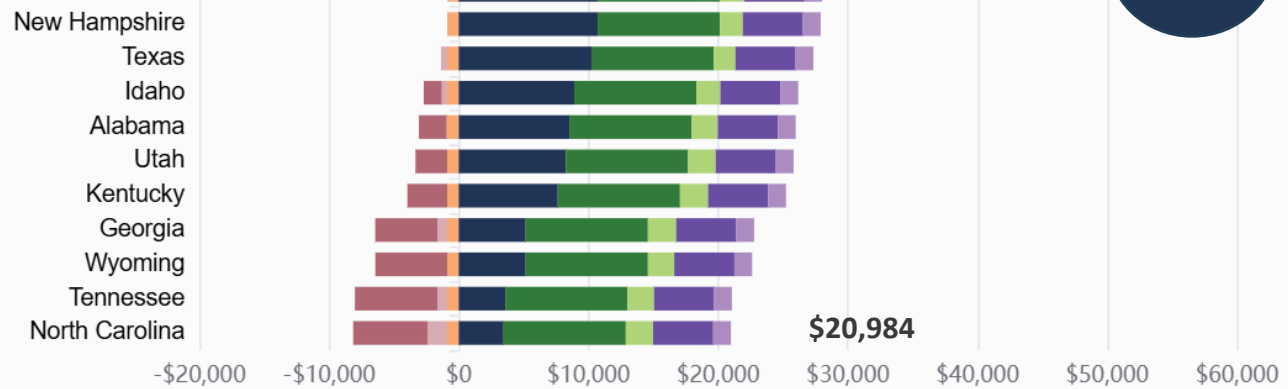
- **Explore how your state ranks** on the Policy Impact Calculator using annual data, starting in 2020.
- **Explore how federal and state policy choices interact** to reach Lina's total resources. See which policies have the biggest impact on family resources.
- **See comparisons over time and across states and simulate policy changes** to see their potential impact.



Policy Impact Calculator: Top and Bottom 10 States in 2025



\$44,571



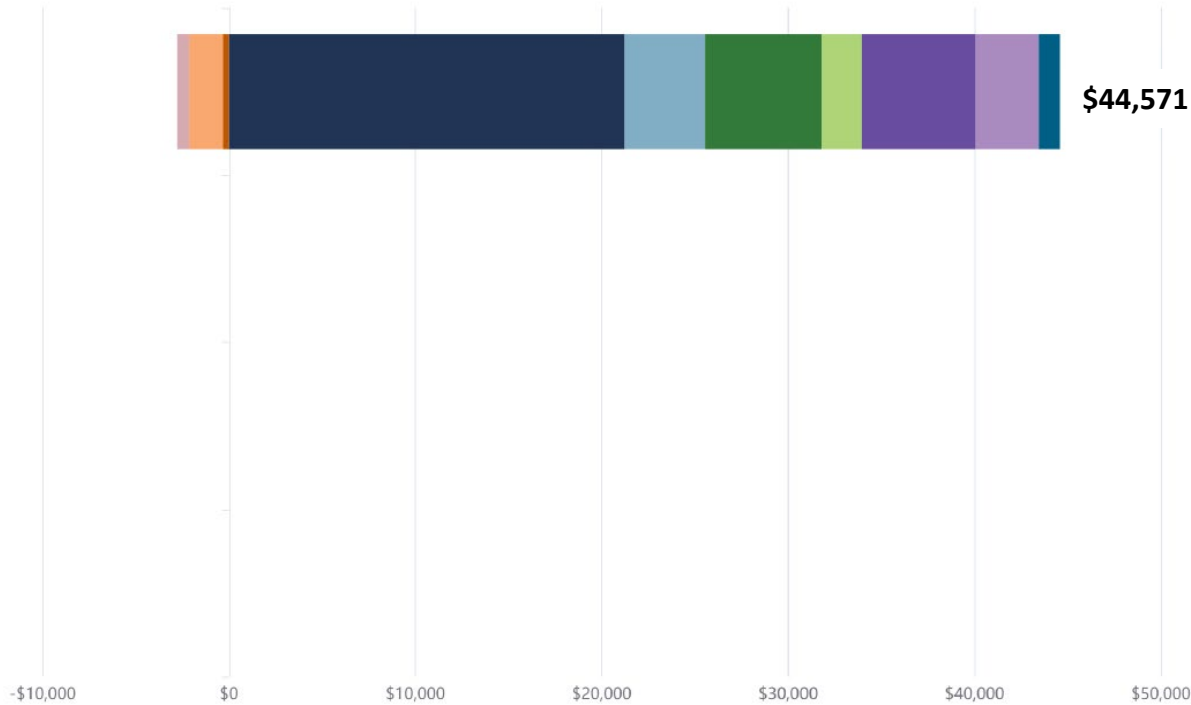
- PFML Premium
- State Income Tax
- Federal Income Tax
- FICA
- Child Care Cost (Annual Copay)
- Child Care Cost (Annual Additional Fee)
- Earnings
- PFML
- SNAP
- WIC
- Federal EITC
- Federal CTC
- State EITC
- State CTC

How Do the Policy Choices in Rhode Island Impact Family Resources?



How Do the Policy Choices in My State Impact Family Resources?

Total Family Resources in Rhode Island in 2025



State Rank
10th

- PFML Premium
- State Income Tax
- Federal Income Tax
- FICA
- Child Care Cost (Annual Copay)
- Child Care Cost (Annual Additional Fee)
- Earnings
- PFML
- SNAP
- WIC
- Federal EITC
- Federal CTC
- State EITC
- State CTC

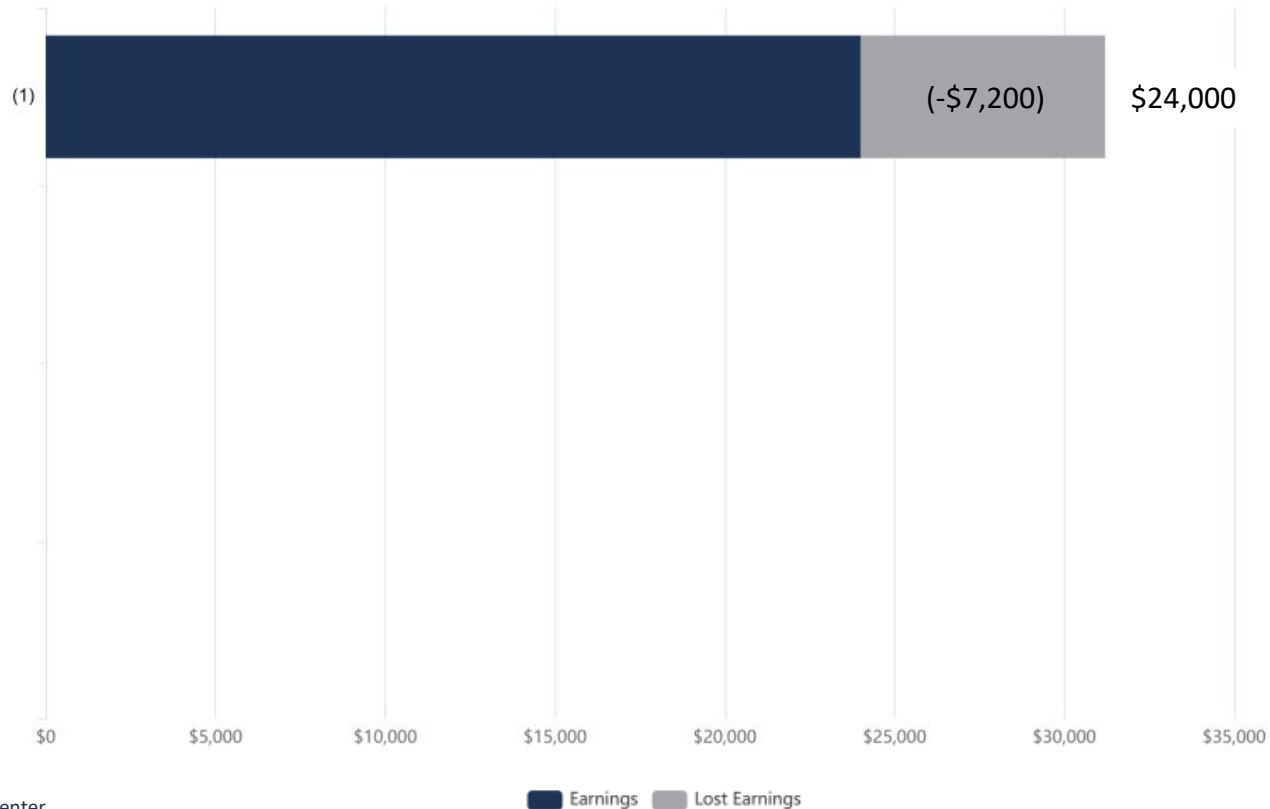
Total Gross Earnings from the State Minimum Wage

(1) Annual minimum wage earnings (52 weeks)



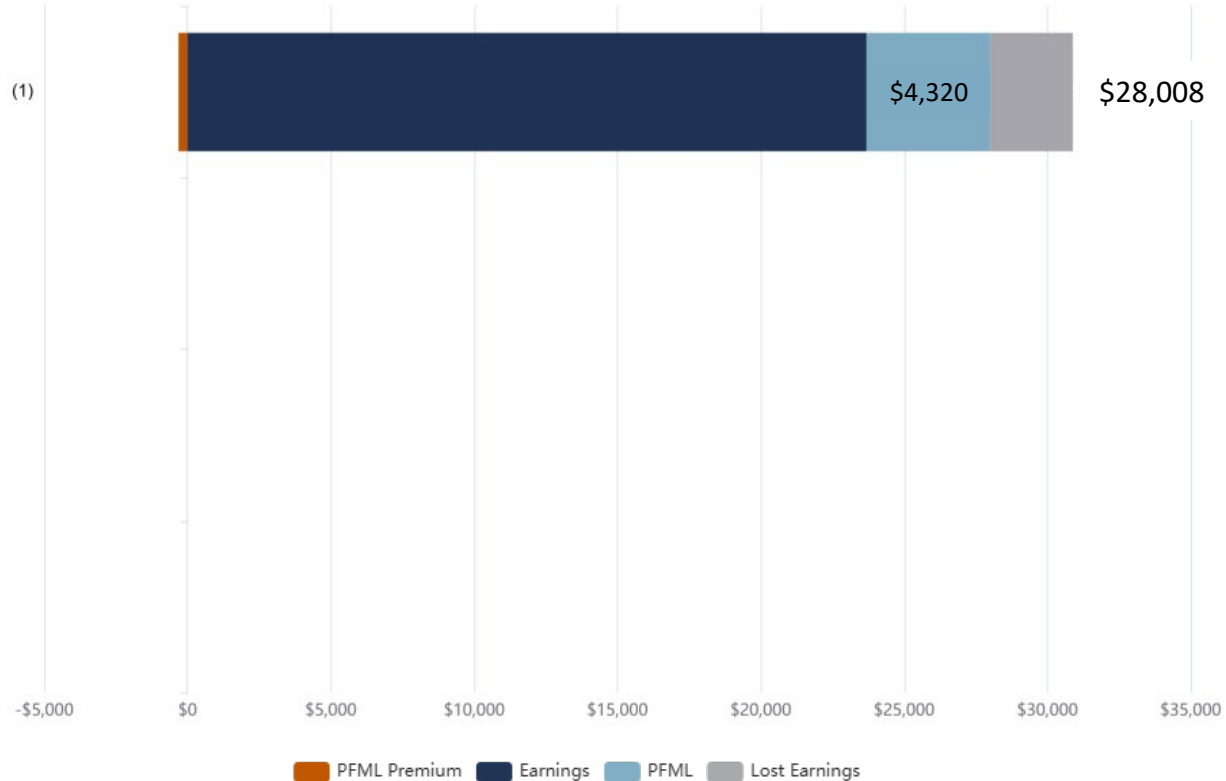
Unpaid Leave Leads to Lost Earnings

(1) Annual minimum wage earnings (40 weeks) – lost earnings from 12 weeks of family leave



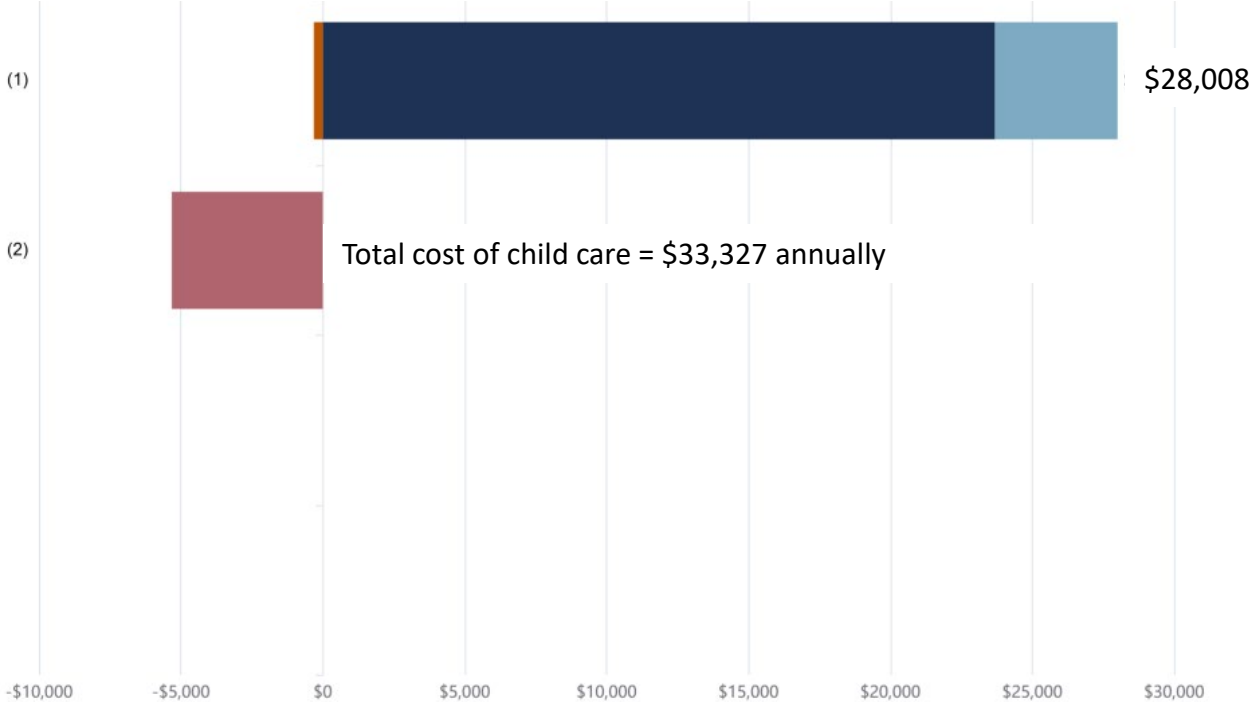
Paid Family and Medical Leave Can Protect Lost Earnings

(1) Annual minimum wage earnings (40 weeks) – lost earnings from 12 weeks of family leave + 12 weeks of Paid Family and Medical Leave



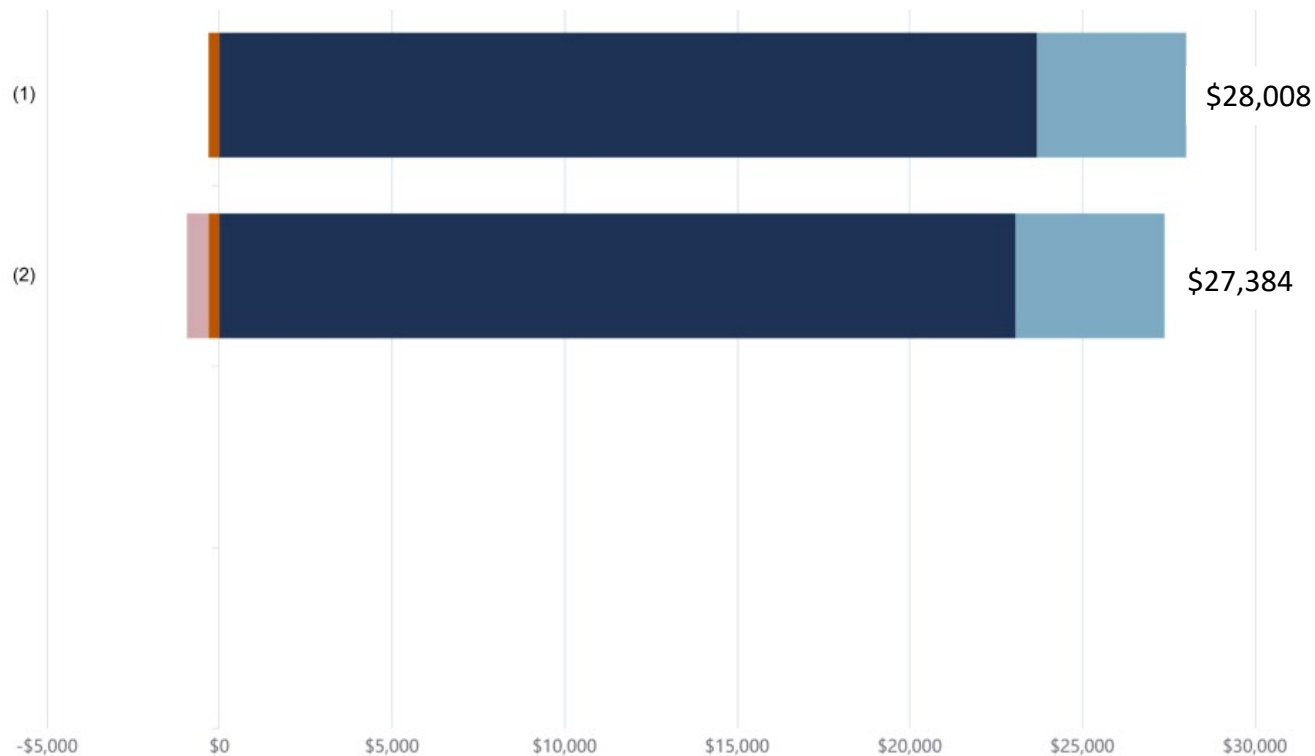
The Cost of Child Care Requires All of Lina's Earnings

(1) Annual minimum wage earnings (40 weeks), (2) Minus out-of-pocket child care expenses



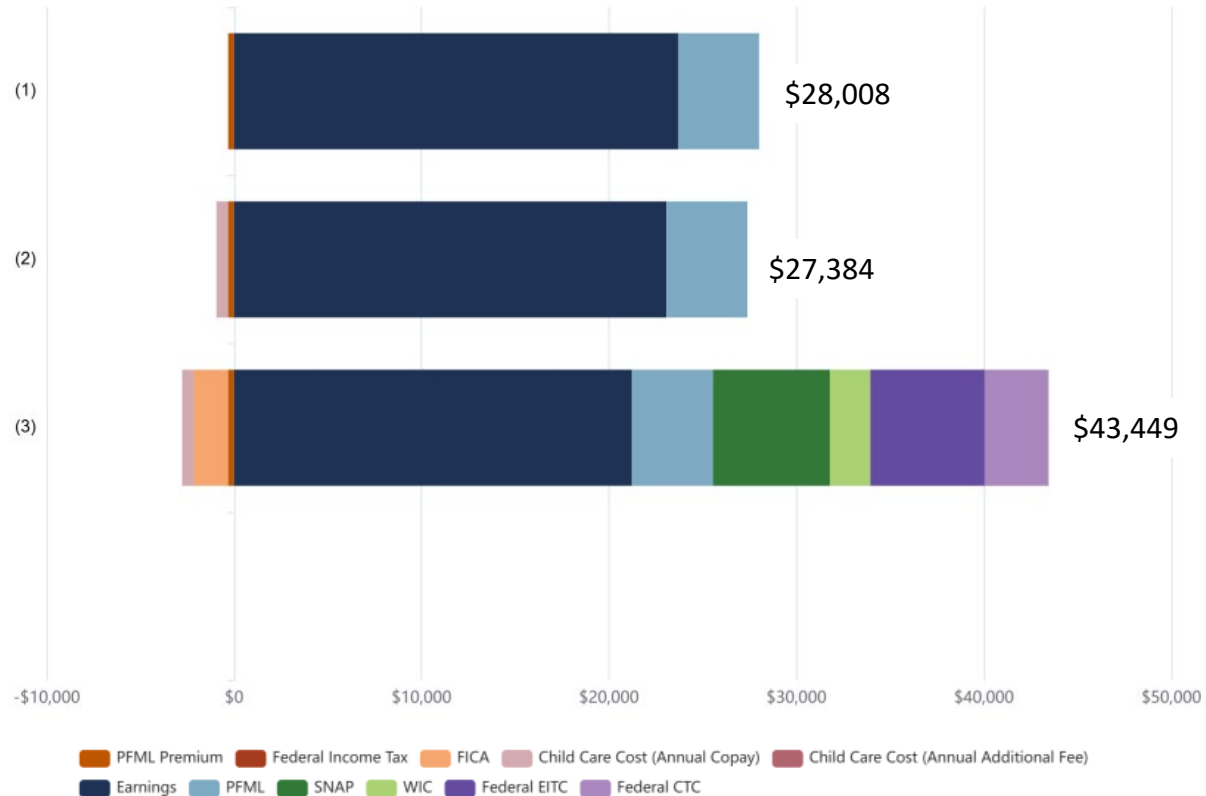
Subsidies Reduce Lina's Child Care Expenses and Protect Her Earnings

(1) Annual minimum wage earnings (40 weeks), (2) Minus out-of-pocket child care expenses w/subsidy



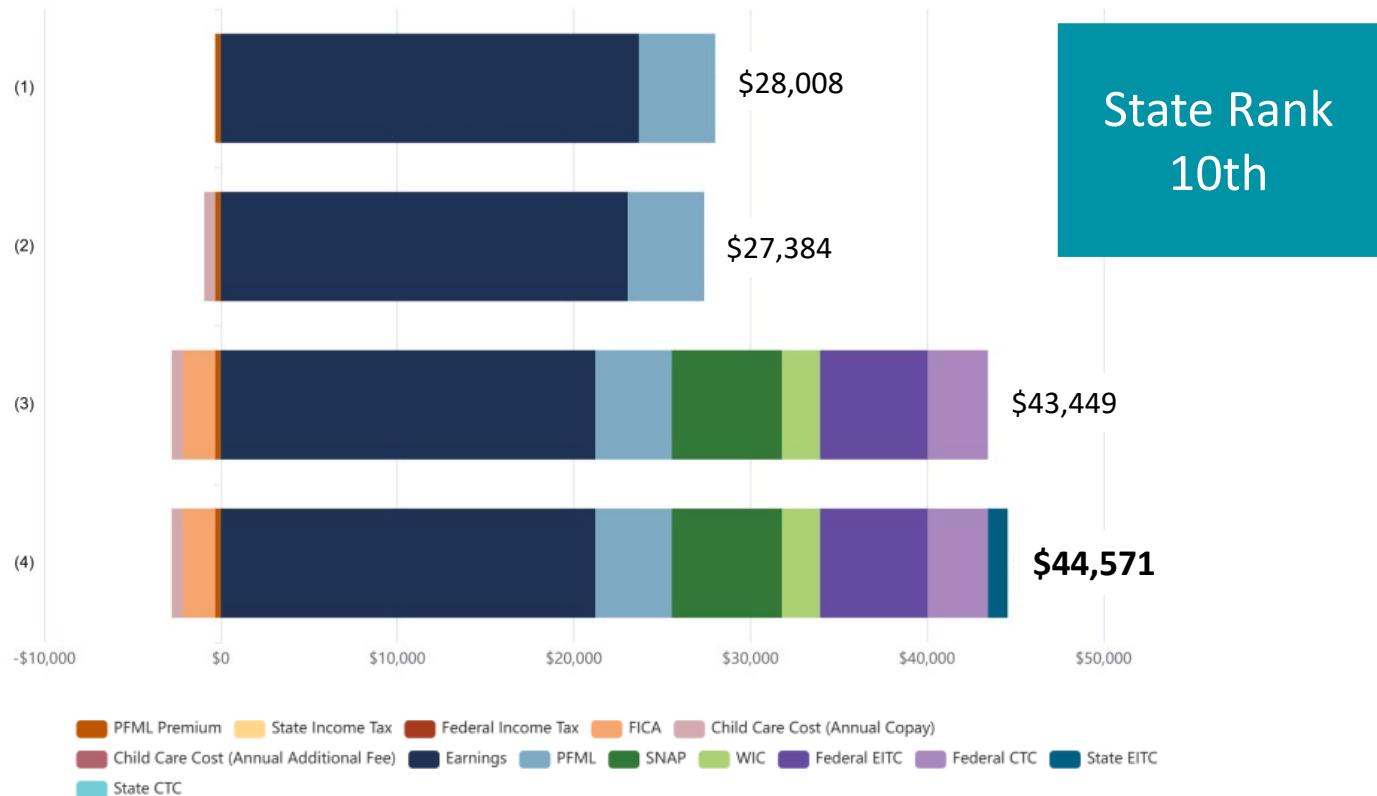
Federal Nutrition Programs and Tax Credits Supplement Earnings

- (1) Annual minimum wage earnings (40 weeks), (2) Minus out-of-pocket child care expenses w/subsidy,
(3) Plus net federal benefits



State Tax Credits Can Supplement Earnings

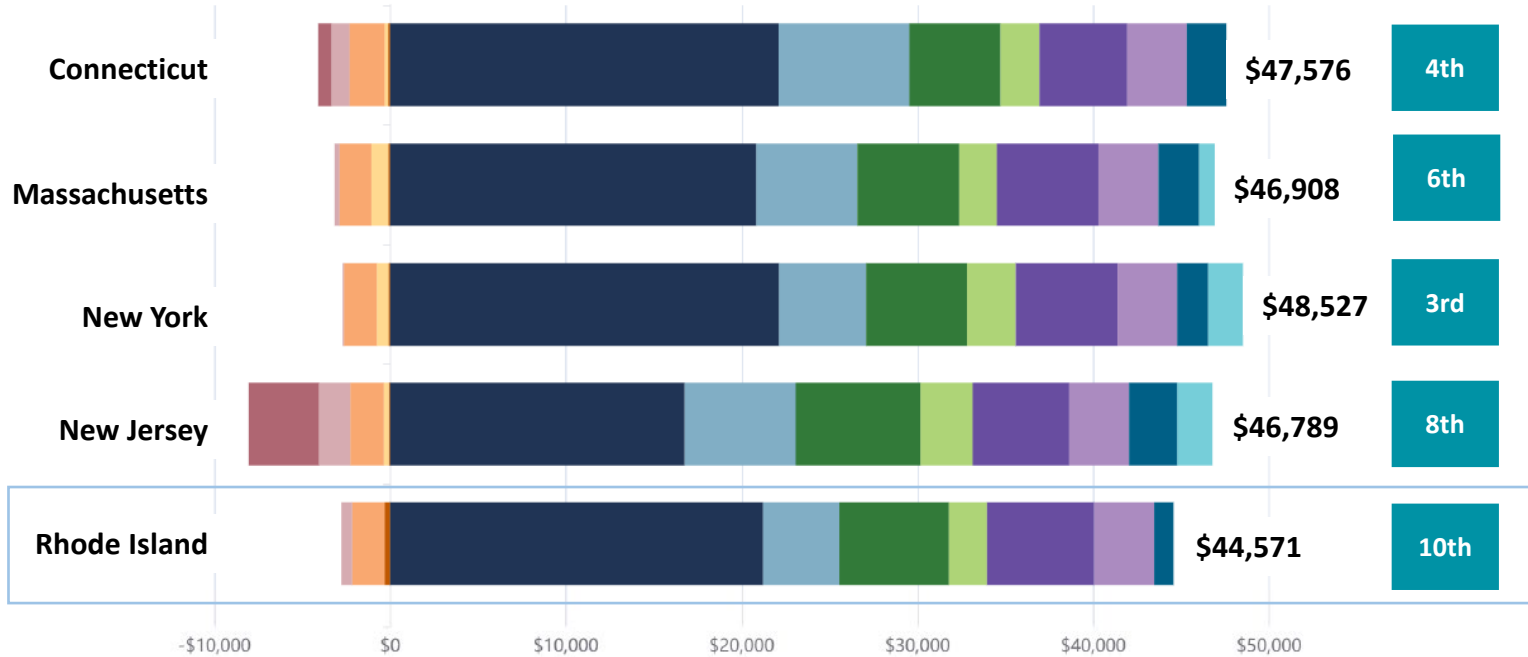
- (1) Annual minimum wage earnings (40 weeks), (2) Minus out-of-pocket child care expenses w/subsidy, (3) Plus net federal benefits, (4) Plus net state benefits



How Does Rhode Island Compare to Other States?



How Does Rhode Island Compare to Other States in 2025?



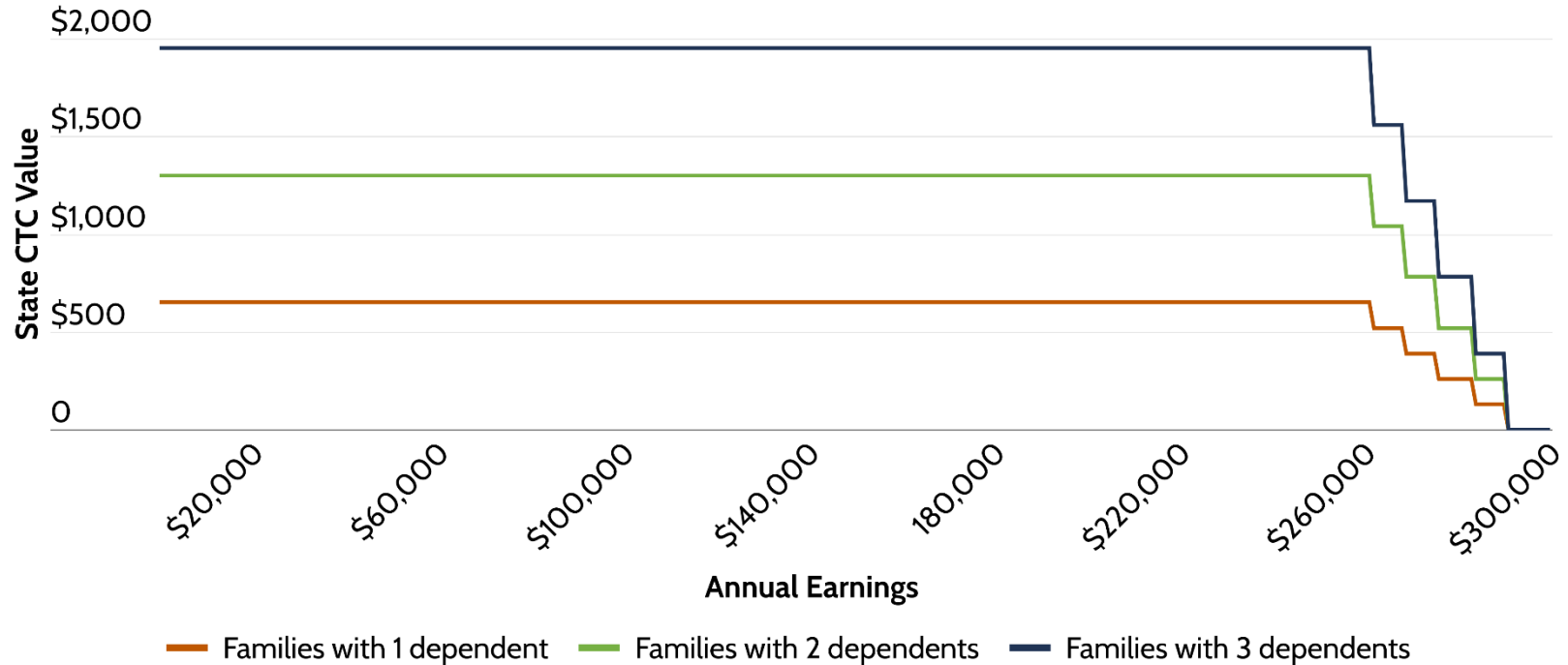
What if Rhode Island Implemented a State CTC?



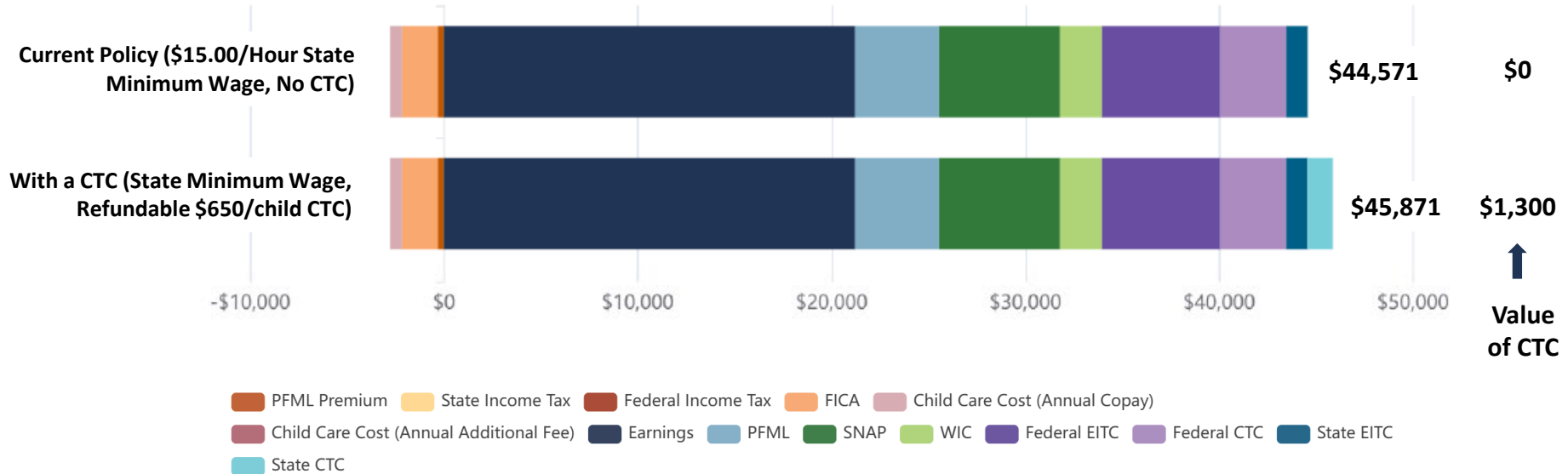
Modeling a State CTC in Rhode Island

Value of a Proposed CTC in Rhode Island

Refundable credit of \$650 per child 18 and under, phase-out beginning at \$261,000



Simulating a State CTC in Rhode Island



What Can an Extra \$1,300 Do for a Family?



6 months of
diapers for an
infant and
toddler

or



10 weeks of
groceries for a
parent, infant,
and toddler

Check Out the Policy Impact Calculator!



The Policy Impact Calculator

What level of resources does a single parent with an infant and a toddler have to provide for their children in your state? Use the Policy Impact Calculator to understand the level of resources available to a family of three based on each state's policy choices. Use the tool to explore state rankings, how resources interact to support a family, and the impact on total resources of making different state policy choices.

Click into one of the options below to explore.

State Resource Rankings

Explore how your state ranks on the Policy Impact Calculator using annual data, starting in 2020.

Learn more →

How Do Federal and State Policy Choices Impact Resources?

Explore how federal and state policy choices interact to reach Lina's total resources. See which policies have the biggest impact on family resources.

Learn more →

Simulate Policy Choices and Compare Data

How do state policy changes impact Lina's family resources? See comparisons over time and across states and simulate policy changes to see their potential impact.

Learn more →



[pn3policy.org/
policy-impact-
calculator](https://pn3policy.org/policy-impact-calculator)

Questions?

