

# Tax Credits are Anti-Poverty Tools

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# Overview

**What are tax credits and how they alleviate poverty**

**Tax credits in OK and modernization options**



# Tax credits can drastically alleviate poverty



# Terminology

## Tax credits:

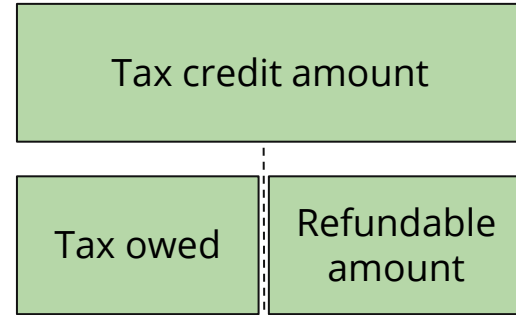
dollar for dollar amount that reduces what you owe in taxes

## Refundable credits:

Leftover credit amount after paying taxes that is returned to taxpayer

## Regressive tax:

A tax applied uniformly regardless of income putting a higher burden on lower incomes. Ex. Sales tax



# Tax credits provide vital support.

Refundable tax credits are proven tool for reducing poverty

Refundable tax credits help people purchase necessities and plan for the future

Refundable tax credits improve educational achievement

Tax Credits have been shown to have positive effects on the labor market



# Tax Credits in OK

# Tax Credits



# Sales Tax Relief Credit (STRC)

**Alleviates poverty by  
reducing the regressivity of  
sales taxes.**



# Sales Tax Relief Credit

~ \$ 33 M  
in tax year 2020

Created to offset the cost of the state sales tax for low-income families

Amount unchanged since 1990

Available to eligible income thresholds:  
Individuals: \$20k  
Families/elderly/persons with disability: \$50K

State	Credit amount*	Refundable
New Mexico	\$600 per person	✓
Maine	\$255 maximum	✓
Kansas	\$125 per person	✗
Idaho	\$100 per person	✓
Hawaii	\$70-\$220 per person	✓
Oklahoma	\$40 per person	✓
Arizona	\$25 per person	✓

\* Credits in other states are designed to offset sales tax or taxes on food. [1]





# Modernizing options

Increase credit amount  
from \$40 to \$200 per  
person

Increase the Income  
eligibility for the credit

Implement a phase out  
scheme to avoid benefit  
cliffs

## Proposed phase out scheme

	Annual Income						
	< \$30K	\$35K	\$40K	\$45K	\$50K	\$55K	\$60K
	Credit amount per person in Household						
Single filers	\$200	\$100	\$0	\$0	\$0	\$0	\$0
Families/Seniors/people with disabilities	\$200	\$200	\$200	\$150	\$100	\$50	\$0



# Earned Income Tax Credit (EITC)

**A targeted way to boost  
economic security.**



# Earned Income Tax Credit

~ \$ 13 M  
in tax year 2020

State	% of federal credit	Refundable
Missouri	10%	✗
Kansas	17%	✓
Colorado	50%	✓
New Mexico	25%	✓
Oklahoma	5% of 2020	✓

- **OK EITC: 5% of the 2020 federal EITC**
- **4 of our 6 neighboring states have larger EITC**
- **Increasing OK EITC**

For a family with 1 dependent

Current OK EITC

\$179



# Modernization Options

Tie the state EITC credit to the annual federal credit to account for inflation

Expand the credit to 25% of the most recent federal EITC

Ensure all taxpayers can access these programs



# OK Child Tax Credit

**A tool to drastically decrease child poverty.**



# Child Tax Credits

~ \$ 37 M  
in tax year 2020

Created to provide financial relief to low-income families and their children

2021 federal expansion **reduced child poverty** by nearly one-third in just six months

OK CTC credit: 5% of federal CTC and **Non-refundable**

Families have to choose between **5 % of CTC** or **20% of CDCTC**

Available to families with eligible income

Incomes less than \$100k



# Modernizing Options

Make it refundable

Create an independent  
state CTC  
Index to inflation

Increase the percentage  
to %45 - %60

State	Credit Amount per child	Refundable
CO	\$2400 (5-17); \$3200 (>5)	✓
MN	\$1700	✓
NJ, VT, OR, UT	\$1000	✓✓✓X
NM	\$600	✓
MI, MD, MA, ID	\$200 - \$500	✓✓✓X
OK	\$100	X

5% = \$100  
30% = \$600  
45% = \$900  
60% = \$1200



# Questions?

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