Modeling a State Child Tax Credit in Connecticut

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This memo considers the proposal of a refundable child tax credit (CTC) of $600 per child in Connecticut. The following simulations compare the impacts of the proposed CTC to existing CTCs in neighboring states, model the impacts of the CTC for families at different income levels, and demonstrate how state policy choices have affected family resources over time.

Meet Lina

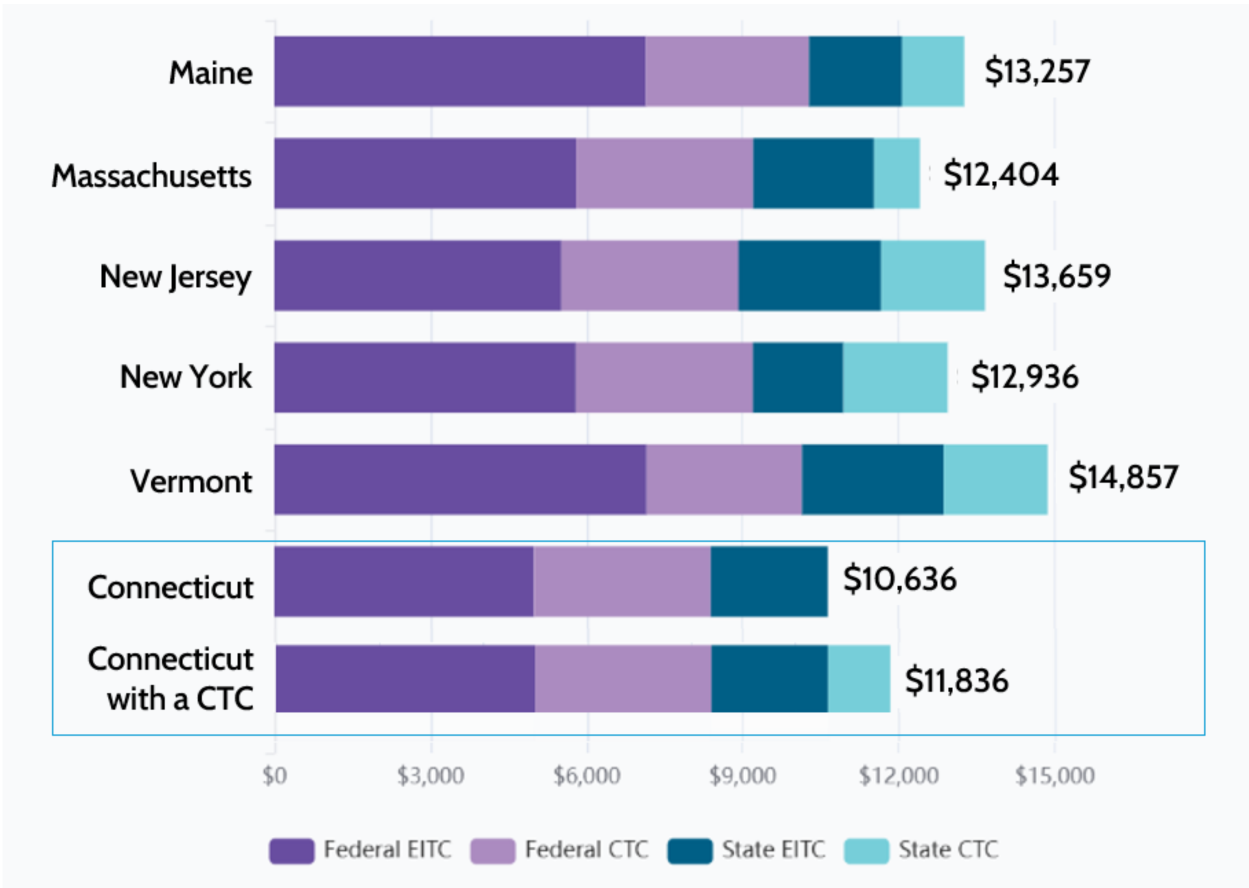
The simulations in this memo calculate the family resources available to Lina, the model family used in the Policy Impact Calculator (PIC). Lina is a single parent to an infant and a toddler, who works full-time earning the state minimum wage. She sends her children to center-based child care priced at the 75th percentile of the state's market rate. She also takes 12 weeks of leave following the birth of her child. The following simulations and findings are based on Lina and her family.

State by State Comparison

The proposed state CTC in Connecticut would be fully refundable, worth $600 per child (up to 3 children) and available to families with annual earnings up to $100,000 for single filers and $200,000 for joint filers.

Many states neighboring Connecticut have implemented refundable CTCs. The chart below demonstrates the tax benefits available to Lina in five nearby states with an existing CTC (Maine, Massachusetts, New Jersey, New York, and Vermont), and compares them to Connecticut, both in current policy and with the proposed CTC. This data includes the recent $250 boost to Connecticut's state earned income tax credit (EITC), passed in the state budget bill in 2025.

Note that this chart only highlights federal and state EITCs and CTCs and does not represent the total family resources available in each state. Each tax benefit shown is the refunded portion of the tax credit, after federal or state tax liabilities are reduced to $0. Tax credit values vary among states due to state minimum wage (which impacts eligible earnings) and state tax credit design.



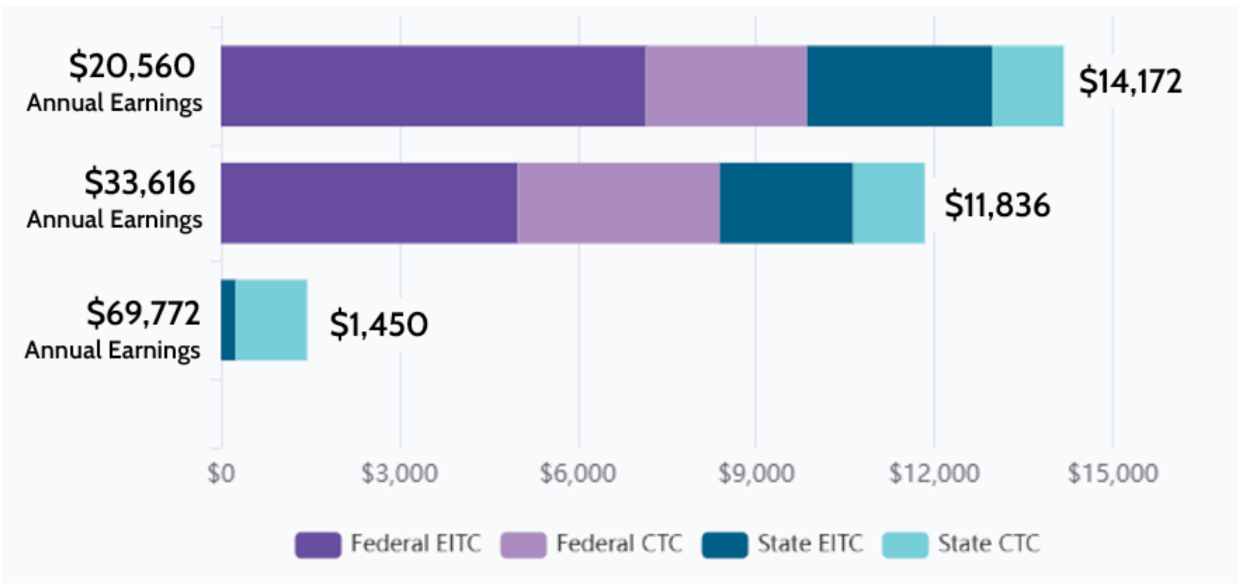
With the proposed CTC, Connecticut would provide an additional $1,200 in tax benefits to Lina and her family.

Modeling the CTC at Different Income Levels

The following model demonstrates the impacts of the proposed CTC on family tax benefits for Lina at different income levels. To demonstrate how the state CTC would interact with other tax benefits available to families, the annual earnings reflect the earnings at which the federal EITC is fully maximized, begins phasing out, and is completely phased out. The simulation models family resources for Lina with the following annual earnings:

- $20,560, receiving the maximum federal EITC
- $33,616, earning the state's minimum wage, receiving the federal EITC just after the credit's phase-out begins
- $69,772, receiving no federal EITC

These earnings include paid family and medical leave benefits that Lina receives during 12 weeks of parental leave following birth. Note that the simulation only demonstrates refunded federal and state tax benefits, not the total family resources available to the family in the state.



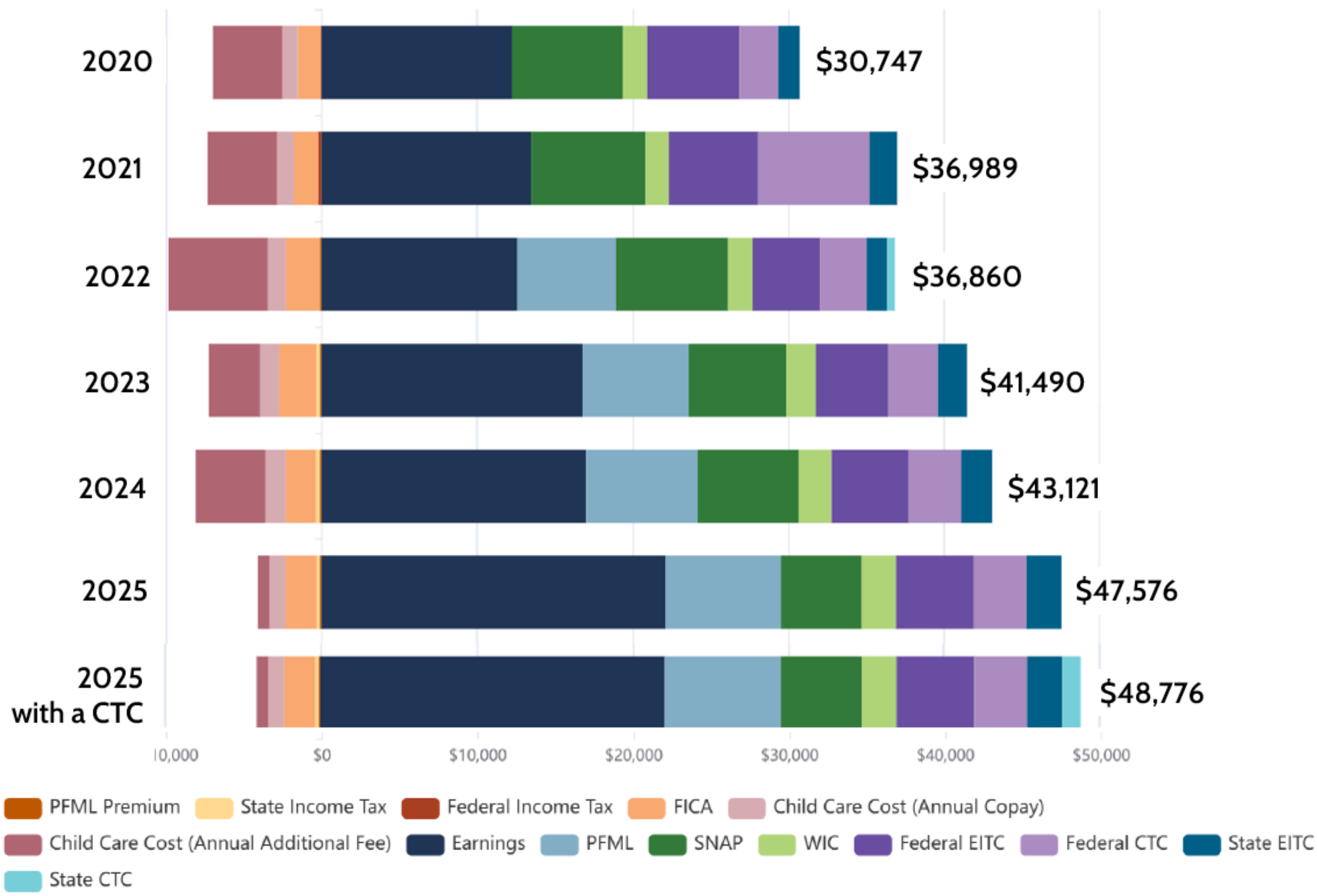
Each income level receives a different federal EITC and CTC benefit due to the different phase-in and phase-out rates of each credit. The highest income level does not receive a refund of the federal CTC because the federal tax liability exceeds the $4,400 credit. Since the proposed state CTC is fully refundable with no phase-in or earnings requirement, each of the simulated income levels receives the same credit of $600 per child, increasing total family resources by $1,200.

Policy Impacts Over Time in Connecticut

Changes in policy over time have impacted the amount of resources available to families. The chart below demonstrates these changes and their impact on Lina's total family resources in Connecticut, beginning in 2020.

Resources increased by a measurable amount between 2020 and 2021 due to the temporary expansion of the federal child tax credit, which increased Lina's refunded credit from $2,505 to $7,200. This temporary expansion lifted 2.1 million children in the United States out of poverty. [Rigorous research] also shows that the expansion improved family economic and food security and improved the mental health of parents, with limited to no impacts on employment or labor force participation.

In 2022, Connecticut implemented a paid family and medical leave program. However, this initial increase in family resources was offset by increased child care costs. In the Policy Impact Calculator, child care additional fees are the difference between the state's subsidy reimbursement rate and the 75th percentile of the most recent market rate survey. In 2024, the reimbursement rate for infants and toddlers in center-based care in Connecticut was $213 below the 75th percentile—for two children using a subsidy and 12 months of care, that was an additional fee of $5,112 per year for Lina's family. In July 2025, the state significantly increased reimbursement rates, making that additional fee only $35 per month per child ($840 per year for Lina's family).



If implemented in Connecticut, a refundable child tax credit worth $600 per child would increase family resources by $1,200 for Lina and her two children.

This $1,200 could provide 8 weeks of groceries for Lina and her family, or 6 months' worth of diapers for her infant and toddler. Additionally, strong research and simulation studies have shown that state CTCs can reduce poverty rates among children, increase household resources, and improve optimal child health and development.