THE CASE FOR THE CONNECTICUT CHILD TAX CREDIT

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Just Facts

The High and Growing Cost of Raising Children

The current average cost of raising a child in the U.S. is $15,390 a year, and in Northeast, which includes Connecticut, the average cost is even higher at $16,990 a year.

The current average high cost of raising a child for all families is based on spending $3,370 a year on child care for young children. This significantly understates the current high cost of raising a child for families that require full-time child care because those families spend an average of $12,520 a year on child care alone.

Due to the growing cost of health care, child care, and education, growth in the cost of raising a child over the last two decades has outpaced growth in the typical family’s income, making it increasingly unaffordable to raise a child, especially for families that require full-time child care.

The high and growing cost of raising a child, especially for families that require full-time child care, has contributed to a decline in the natural rate of population change, which has slowed population growth in the U.S. and even more so in Connecticut. This in turn has contributed to slow economic growth in the U.S. and even slower growth in Connecticut, which hurts all of the state’s families.

Support for the High and Growing Cost of Raising Children: The Federal Income Tax

The federal income tax adjusts for family size through the child tax credit (CTC), lowering the income tax burden for a family with children compared to a family with the same income but no children.

The federal income tax also adjusts for child care expenses through the child and dependent care tax credit (CDCTC), further lowering the income tax burden for a family with children and full-time child care expenses compared to a family with the same income and same number of children but no child care expenses.

Support for the High and Growing Cost of Raising Children: State Income Taxes

Connecticut is one of only four states with an income tax—and one of only two states with an independent income tax—that does not adjust for family size or child care expenses to help offset the high and growing cost of raising children.

Connecticut is the only high cost of living state with an income tax that does not adjust for family size or child care expenses to help offset the high and growing cost of raising children.
Connecticut’s average middle-class family with no children pays nearly twice as much in the federal income tax than the state income tax. However, due to the federal CTC and lack of a state CTC, the same family with two children pays nearly as much in the state income tax as the federal income tax; and due to the federal CTC and CDCTC and lack of a state CTC and CDCTC, the same family with two children and child care expenses pays more in the state income tax than the federal income tax.

If Connecticut’s average middle-class family moved to New York, its overall state income tax burden would be lower due to a tax cut of up to $750 per child.

If Connecticut’s average middle-class family moved to California, its overall state income tax burden would be lower due to a tax cut of up to $590 per child.

**Options for the Connecticut Child Tax Credit (CT CTC)**

Option 1. Establish a CT CTC that is a phased-in $420 refundable credit or $600 nonrefundable credit.

Option 2. Establish a CT CTC that is a $450 refundable credit with no phase in.

Option 1a / 2a. Inflation index either CT CTC option.

Either CT CTC option would make Connecticut’s tax system fairer, which would help working- and middle-class families with children make ends meet, especially if the state provides timely support.

Either CT CTC option could be combined with the existing Connecticut earned income tax credit (CT EITC) to provide a more equal or an even greater level of timely support to working-class families, which struggle to make ends meet at a higher rate and disproportionately includes families of color.

Either CT CTC option would provide support for over 600,000 children, including up to 95,000 children living in poverty, which disproportionately includes children of color.

Either CT CTC option would help grow Connecticut’s economy, which would benefit all of the state’s families.

Either CT CTC option could be funded over the medium to long term by closing or reducing Connecticut’s estimated $2.6 billion income tax gap.