State of the States: Understanding State-Level Cash Aid through Income Tax Systems

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Recent legislation enacted in Colorado, New Jersey, and Vermont
Colorado

- Increased state’s EITC match from 10% to 25%
  - ITIN filers made eligible for state EITC
- Created a state CTC
  - Calculated as percentage of federal CTC (% varies with income)
  - Children younger than age 6 are eligible
  - Credit is available to children with ITINs
  - Credit phases out between roughly $25,000 and $85,000
- Legislation also capped, limited other state tax deductions
New Jersey

- Created state CTC
  - $500 credit per child
  - Children younger than age 6 are eligible
  - Credit phases out between $30,000 and $80,000
  - Credit is available to children with ITINs
- All “childless adults” made eligible for the state’s EITC
  - Federal EITC limited to childless adults ages 25 to 65
  - New Jersey’s EITC is 40% of the federal credit
Vermont

- Created state CTC
  - $1,000 credit per child
  - Children younger than age 6 are eligible
  - Credit phases out between $125,000 and $175,000
- Increased state EITC from 36% to 38% of federal credit
  - Legislation also expanded child and dependent care credit, increased exemption for Social Security income, exempted some military pension income, and allows filer to fully deduct student loan interest (all provisions have income restrictions)
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