

May 4, 2023

Chair Grohoski, Chair Perry, Distinguished Members of the Joint Standing Committee on Taxation:

My name is Alan Cobo-Lewis. I live in Orono. I am testifying **FOR LD 1544**, An Act to Improve Economic Security for Maine Children by Establishing the Maine Dependent Tax Credit.

Children are our future. But children live disproportionately in poverty: In 2021, 11.5% of Mainers lived in poverty¹ while 13.8% of Maine children lived in poverty²—a rate one-fifth higher than in the population at large.

An economic analysis³ has found that the federal child tax credit benefits approximately 90% of US children to some extent—but there are striking disparities by income and race. The vast majority of children in the bottom tenth of the income distribution are ineligible, and most in the bottom 30% are eligible for only a partial credit.

There are also racial disparities when the benefit isn't fully refundable, with Black families benefitting less than other families³.

Making the federal child tax credit fully refundable was important when it was temporarily in effect, reducing hunger among children from low-income families by one-quarter⁴.

Maine can't restore the federal enhanced child tax credit. But Maine can pass LD 1544 to:

- Raise Maine's own credit to \$350,
- Index the credit to inflation (important in the current environment), and
- Make Maine's credit fully refundable to taxpayers with Maine adjusted gross income at or below \$200,000 (or \$400,000 in the case of joint returns)—especially important to effectively target inequities and child poverty.

I hope the Committee will vote Ought To Pass.

¹ Statista (2023, April 5). Poverty rate in Maine from 2000 to 2021. Retrieved 05/04/2023 from <https://www.statista.com/statistics/205471/poverty-rate-in-maine/#:~:text=In%202021%2C%20about%2011.5%20percent,level%20of%20the%20United%20States.>

² Annie E Casey Foundation Datacenter (2022, December). Retrieved 05/04/2023 from <https://datacenter.aecf.org/data/tables/1562-children-in-poverty-by-county-2005-2021#detailed/2/any/false/2048,574,1729,37,871,870,573,869,36,868/any/11725,3331>

³ Goldin, Jacob; Michelmore, Katherine. (2020, October; Revised 2021, October). Who benefits from the child tax credit? NBER Working Paper No. 27940. Cambridge, MA: National Bureau of Economic Research. <https://doi.org/10.3386/w27940>

⁴ Parolin, Zachary; Ananat, Elizabeth; Collyer, Sophie M.; Curran, Megan; Wimer, Christopher. (2021, September). The initial effects of the expanded child tax credit on material hardship. NBER Working Paper No. 29285. Cambridge, MA: National Bureau of Economic Research. <https://doi.org/10.3386/w29285>