NOVEMBER 2025

State Policy Lever Checklist

State Child Tax Credit

State child tax credits (CTCs) are targeted tax credits designed to benefit children and their families. Across states, CTCs vary in value, refundability, and eligibility for the credit. In designing a state CTC, state leaders should consider how the state CTC will interact with the existing tax code to impact family resources. Understanding how tax floors, tax rates, exemptions, and deductions may impact families' tax liability, and how other credits available to families may reduce liability, can help state leaders as they make policy design choices related to a state CTC.

The research is clear that money matters for children's wellbeing and achievement. Greater income allows parents to better meet children's basic needs, and financial stability can also reduce parental stress.

Most state CTCs were implemented or expanded following the success of the temporary expansion of the federal CTC in 2021 and have not been implemented for a sufficient amount of time to study rigorously. However, because research found numerous benefits of the expansion of the federal credit, and the emerging research on state CTCs is positive, state credits are promising for improving child and family outcomes.

Below is a list of policy considerations for state leaders to help maximize the effectiveness of a state CTC. **States should consider the implications of these policy choices and their collective impact on equitable access to the CTC among eligible families in their state.**

We use the following symbol to highlight where policy choices can promote greater equity.

Table of Contents

This checklist covers the following components of state CTCs:

A. Program Characteristics

Federal and state CTCs are designed to help parents offset the costs of raising children. States determine how credits are calculated, the maximum value of the credit, whether there is a cap on the number of children for whom the credit can be claimed, and whether the credit is refundable; all of which impact the benefits that eligible families receive.

As of tax year (TY) 2025,* 16 states have implemented a state CTC.

A1. How does your state structure its state CTC?

Most states provide a per-child credit and either provide the full credit to all eligible families or implement a phase-down of the credit as families' incomes increase. For example, Massachusetts provides a credit of $440 per child regardless of income. New Jersey provides a credit of $1,000 per child for families with incomes under $25,000, and the value of the credit declines as incomes increase up to $80,000. Three states, however, tie their state CTC to another state or federal credit.

> Per-child credits that phase down gradually above a certain threshold reduce the risk for benefit cliffs in comparison to strict income caps or tiered income brackets. Benefit cliffs occur when a slight increase in families' income puts them over the eligibility threshold or cutoff for a program, and the decrease in the program benefits a family receives is greater than their increase in income.

- ☐ Flat per-child credit for all eligible children.
- ☐ Per-child credit that phases down based on set income tiers. Income ranges include (select all that are applicable):
  - ☐ Below $______, the credit is $______.
  - ☐ Below $______ and above $______, the credit is $______.
  - ☐ Below $______ and above $______, the credit is $______.
  - ☐ Below $______ and above $______, the credit is $______.
  - ☐ Above $______, the credit is $______.
- ☐ Per-child credit that phases down by a set amount for additional income above a certain threshold.
  - ☐ For incomes above $______, the value of the credit is reduced by $______ for each additional $______ in income.
- ☐ Credit value is tied to another state or federal credit:
  - ☐ Credit is exactly ______ % of the ____________ credit as it was calculated in tax year ______.
  - ☐ Credit is ______ % of the ____________ credit as it was calculated in tax year ______ or ____________________________________ (details of either a percent of a different credit used to calculate or a flat credit), whichever is greater.
  - ☐ Other: ____

* Tax years refer to the year in which taxable earnings are received. For example, tax year (TY) 2025 refers to the earnings accumulated during the calendar year 2025 for which taxes are paid and refunds received during 2026.

A2. How does your state calculate the value of the state CTC for families with the lowest incomes?

The federal CTC includes a phase-in where families receive 15% of their income above $2,500 as a credit until the full value of the credit, $2000 per child, is reached. Therefore, the credit for families with the lowest incomes is only a portion of the full value of the credit. States that calculate their credit strictly based on the federal CTC, or another credit with a phase-in, will have a de facto phase-in as well. Although states with a per-child credit can have a phase-in that mirrors the federal credit, as of TY 2025 no states with a per-child credit have a phase-in and families with the lowest incomes can receive the full value of the credit.

> Because phase-ins act as minimum earning requirements, states can ensure the lowest income families with children receive the full benefit by not using a phase-in.

- ☐ Families with the lowest incomes are eligible for the full value of the credit because the structure of the credit does not include a phase-in.
- ☐ Families with the lowest incomes are eligible for a portion of the credit because the credit is based on the ________________ (federal or state credit), and therefore, has a phase-in before the full value of the credit is available.
- ☐ Families with the lowest incomes are eligible for a portion of the credit. For incomes below $_____ families receive ___________ until the full value of the credit is reached at $_______ income.

A3. Does your state allow the credit to be claimed for each child in a family, regardless of how many children are in the family?

Few states cap the number of children in one household that can receive a state CTC each year. After Massachusetts removed its dependent cap in the fall of 2023, only two states with state CTCs limit their credits in this manner: California (one dependent limit) and Oregon (five dependent limit). There are no dependent limits for the federal CTC.

> States that do not limit the number of children for whom the credit can be claimed ensure that children in larger families and families of different structures are not penalized and receive the full value of the credit they would otherwise be eligible for.

- ☐ Yes, there are no limits on the number of children for whom the state CTC can be claimed.
- ☐ No, the credit is per family (i.e., the state limit is one dependent).
- ☐ No, only up to ____ dependents qualify for the credit.

A4. What is the maximum value of your state CTC?

As of TY 2025, the maximum value of state CTCs range from $100 per child in Arizona to $1,750 per child in Minnesota. Maximum benefits for state CTCs have increased over the past several years.

- ☐ The maximum per-child, or per-family (if provided per family), credit is $ ______ in tax year _____ .

Because most existing state CTCs are provided as a per-child credit that is specified in legislation, the value of the credit will decrease over time due to inflation. To prevent credits from decreasing in value, states can require regular inflationary or cost-of-living adjustments to the maximum value of their credit. For example, New Mexico's statute requires annual adjustments to the value of the credit using the consumer price index as an indicator. Notably, the federal CTC is not adjusted for inflation. Therefore, state credits that are tied to the federal credit are not adjusted for inflation or cost-of-living changes.

- ☐ Yes, the credit is adjusted annually for inflation based on ______________ (indicator).
- ☐ No, but the credit will be adjusted annually for inflation based on ______________ (indicator) beginning in tax year _____ .
- ☐ No, the credit is not adjusted annually for inflation.
- ☐ No, the credit is tied to the federal credit, which is not adjusted annually for inflation.

A5. Is your state CTC refundable or nonrefundable?

Refundable state CTCs provide families with the full value of the credit, regardless of their tax liability. If the value of a refundable state CTC exceeds a household's state tax liability, then the remainder is provided as a payment from the state. Alternatively, a nonrefundable credit is capped at the lesser of a household's state tax liability or maximum credit.

Nonrefundable credits do not help families with the lowest levels of income because any household without enough income to incur a tax liability will not receive the credit. As of TY 2025, four states provide a nonrefundable state CTC, and 12 states provide a refundable credit.

> For families with little or no taxable income, a refundable state CTC can promote equity by offsetting state income taxes while also putting money back into families' pockets to help cover household expenses. Refundable state CTCs that do not have earnings requirements can ensure all children are eligible regardless of their parents' income.

- ☐ The maximum per-child, or per-family (if provided per family), credit is $ ______ in tax year _____.

B. Eligibility

State CTCs are targeted to families with children. States can further target the credit by setting stricter age and income eligibility standards. When setting eligibility standards, states may consider the overall goals of their state CTC, such as providing benefits to as many families as possible, supporting families with young children, targeting families excluded from the federal CTC or other state credits, or providing substantial benefits to families with the most need. States may also consider eligibility criteria for other state programs (e.g., alignment with the state earned income tax credit EITC).

B1. What age children are eligible for your state CTC?

Six states align the age eligibility for their state CTC with the federal CTC, making the CTC available to families with children under age 17. However, most states (9 of 16) target their CTCs to younger children. Minnesota is the only state to expand eligibility to be inclusive of 17- and 18-year-olds, and some states expand age eligibility for children with disabilities.

- ☐ The state CTC age eligibility rules match the federal age eligibility rules (birth through 16 years of age).
- ☐ Children ages _____ to _____ are eligible for the credit.
- ☐ The age eligibility range is broader for children with disabilities. In addition to children ages _____ to _____ being eligible for the credit, children with disabilities ages _____ to _____ are also eligible.

B2. What is the maximum income eligibility?

Although three states make their CTC available to all families with children as of TY 2025, most states limit eligibility to families with earnings below a set threshold. States may consider the goal of their state CTC when they set income eligibility rules. For example, Oregon prioritized providing benefits to the lowest-income families who do not receive the federal CTC or federal and state EITC. Therefore, Oregon requires families to earn under $30,000 annually to be eligible for the state CTC.

States can set one income limit for all families regardless of tax filing status or differentiate income limits for different family structures. States should consider the application and impact of maximum incomes based on filing status. Using the same or very similar maximums for individual filers and married filers can penalize married couples by making them ineligible for credits they would have otherwise received if they were not married and filed separately. For example, a married couple in Maryland in which one parent earned $8,000 and the other earned $10,000 annually would receive no credit, but if the couple was not married, one of the parents could claim their children on an individual tax return and receive the full value of the credit.

- ☐ There is no maximum income limit to be eligible for the state CTC.
- ☐ The maximum income is the same for all families, regardless of filing status.
  - ☐ The maximum income for all filers is $ __________ .
- ☐ The maximum income differs for families with different filing statuses.
  - ☐ The maximum income for single filers is $ __________ .
  - ☐ The maximum income for head of household filers is $ __________ .
  - ☐ The maximum income for married or joint filers is $ __________ .
  - ☐ The maximum income for married, filing separately is $ __________ .

(Continued) B2. What age children are eligible for your state CTC?

Just as states can adjust the value of their state CTC for inflation, states can also adjust the income eligibility limits for inflation or cost-of-living changes as well. Without regular updates to income thresholds, fewer families will be eligible for credits over time as wages rise with inflation. California, Colorado, Minnesota, and Oregon all require adjustments for inflation and cost of living changes.

- ☐ Yes, the income eligibility limits are adjusted annually for inflation based on ______________ (indicator).
- ☐ No, but the income eligibility limits will be adjusted annually for inflation based on _______________ (indicator) beginning in tax year _______ .
- ☐ No, the income eligibility limit is not adjusted annually for inflation.

B3. Are Individual Taxpayer Identification Number (ITIN) holders eligible for the state CTC?

States can extend eligibility for their state CTC to tax filers with ITINs. By making ITIN holders eligible, states allow guardians that are ineligible for a Social Security number to claim benefits for their children. Most states (12 of 16) make ITIN holders eligible for their state CTC.

> Expanding eligibility to families excluded from the federal credit promotes equitable access to the state CTC and improves economic security for more children and families.

- ☐ Yes, ITIN holders are eligible.
- ☐ No, ITIN holders are not eligible.

C. Administration and Funding

C1. How is the program funded?

State CTCs are typically financed through general revenue streams. However, states can use other funding sources specific to the state, such as other dedicated tax revenue streams or Temporary Assistance for Needy Families (TANF) block grant maintenance of effort (MOE) funds.

- ☐ The program is funded through state general revenue.
- ☐ Other ______________________________________

C2. Does your state implement advanced payments or have plans to implement advanced payments if the federal government allows states to do so without impacting SNAP determinations?

Following the success of advanced payments of the temporarily expanded federal CTC in 2021, several states sought to provide advanced payments of their own CTCs. However, under federal guidance for the Supplemental Nutrition Assistance Program (SNAP), any recurring payments families receive, such as advanced monthly or quarterly payments of tax credits, must be counted as income when determining eligibility and benefit levels.

One-time, annual tax refunds, as well as the advanced credits of the federal CTC authorized by the 2021 American Rescue Plan Act, are explicitly excluded from SNAP income determinations by federal law. States do not have the authority to exclude advanced payments of their credits from income calculations without federal approval. To date, the US Department of Agriculture has rejected waivers from states seeking to exclude advanced tax credits from income calculations.

Because families could risk losing SNAP benefits if they receive quarterly or monthly installments, states have included language in their state CTC statute to allow or require state agencies to provide advanced payments to families who opt in if new federal guidance or federal legislation is passed. As of January 1, 2024, Oregon and Vermont have included this in their state CTC statutes. Minnesota became the first state to implement advanced payments in 2025, despite the lack of federal action. Minnesota requires families to opt in to receive advanced payments and cautions families that their SNAP benefits may be impacted.

- ☐ Yes, the state offers advanced payments if families opt in.
- ☐ Yes, the state plans to implement advanced payments if it receives approval from the federal government to exclude payments when determining income for federal social service programs (e.g., SNAP).
    - ☐ Up to ____ % of the credit will be provided monthly/quarterly (circle one).
- ☐ No, the full value of the credit will be received during tax filing.

C3. What other tax credits are available for families in your state? For eligible families, what tax liability do these credits address?

Because targeted state tax credits such as the state CTC reduce an eligible taxpayer's tax liability, they must be considered alongside the existing state tax code to understand their impact on families. For example, in a state where a family's income is subject to a low tax rate and the family is eligible for other tax credits, the family may not benefit from a nonrefundable CTC because their tax liability is already eliminated by the other credits, such as a state earned income tax credit (EITC). In a state where a family's income is subject to a higher income tax rate, more generous credits are necessary to reduce tax liability and provide refunds.

Describe how your state CTC fits into your broader tax landscape (other credits, tax rates, and tax brackets) to impact children and families:

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To learn more about how state CTCs impact families with young children, please view our Research Brief, *State Child Tax Credits: A Promising Policy to Improve Child Outcomes.*[1]

To learn more about policy choices for state EITCs specifically, read our State Policy Lever Checklist on State EITCs.[2]

[1] https://pn3policy.org/state-child-tax-credits-a-promising-policy-to-improve-child-outcomes/
[2] https://pn3policy.org/state-policy-lever-checklist-eitc/