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Testimony Before the District of Columbia Council  
Committee on Business and Economic Development  
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Public Hearing/Roundtable:  
Bill 25-0190, the “District Child Tax Credit Amendment Act of 2023”

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## **Introduction**

Good morning, Chairperson McDuffie, and members of the Committee. My name is Leah Castelaz. I am a Policy Attorney at Children’s Law Center, a resident of the Ward 5, and the co-chair of the Family Health Supports Committee for the Under 3 DC Coalition. Children’s Law Center believes every child should grow up with a strong foundation of family, health and education and live in a world free from poverty, trauma, racism, and other forms of oppression. Our more than 100 staff – together with DC children and families, community partners and pro bono attorneys – use the law to solve children’s urgent problems today and improve the systems that will affect their lives tomorrow. Since our founding in 1996, we have reached more than 50,000 children and families directly and multiplied our impact by advocating for city-wide solutions that benefit hundreds of thousands more.

Thank you for the opportunity to testify today regarding B25-0190, the District Child Tax Credit Amendment Act of 2023 (CTC Act).<sup>1</sup> Each year, Children’s Law Center attorneys serve as guardians-ad-litem for several hundred children in foster care and protective supervision – over half of all children in the care and custody of CFSA.<sup>2</sup> Children’s Law Center also has teams of attorneys dedicated to helping families secure special education services for their children, address unhealthy housing conditions, and obtain custody or guardianship of children in their extended family.<sup>3</sup> As a result, we have direct experience and insight in how poverty impacts DC children and families ability to

access services, supports, and resources like healthy and affordable housing, education, behavioral health services. Direct financial supports to families can begin to reduce the immediate burdens of poverty our clients face and improve outcomes by increasing access to resources and services to improve educational attainment, support healthy housing, and overall strengthen health and development of children and their families.

As introduced, the CTC Act would create a refundable child tax credit (CTC) for qualifying individuals earning less than \$120,000 and joint filers earning up to \$175,000 together.<sup>4</sup> Families who qualify would receive up to \$500 in tax credits for each child, for up to three children.<sup>5</sup> Notably, families would be eligible for the refund (money) even if they don't owe any taxes.<sup>6</sup>

During the pandemic, the federal government created a temporary expansion of the federal CTC that provided families with \$3,600 for every child in the household under the age of six and \$3,000 for every child between the ages of six and 17.<sup>7</sup> Several studies reported the positive impact of the federal CTC on families, including increased purchasing power for essentials like food, bills, and clothing.<sup>8</sup> One study found that the rate of food insecurity dropped by almost 30 percent after the first two federal CTC payments were deposited in families' bank accounts.<sup>9</sup>

Other states have recognized the positive impact the federal CTC had and started to move forward their own statewide CTCs.<sup>10</sup> Eleven states, including our neighbor Maryland, have enacted refundable CTCs.<sup>11</sup> Creating a District CTC would make DC part

of this important state-level work to improve the compounding economic burdens District families face. Given the movement on a national level, we believe a District CTC could have a positive impact on combating immediate poverty by putting money in the hands of District families. Therefore, the Children’s Law Center supports the passage of a District CTC.

In addition to the CTC Act, two other District CTC proposals have been circulated: (1) the Tax Revision Commission proposal issued through the Chairman’s Mark (the “TRC proposal”)<sup>12</sup> and (2) The DC Fiscal Policy Institute Child Tax Credit Proposal (the “DCFPI proposal”).<sup>13</sup> We have reviewed all three proposals and a summary chart of our analysis is below:

Proposal Name	Amount of Credit	Number of Children Eligible Per Household	Age of Children Eligible	Phase out	Eligibility Income Requirements	Refundable or Non-Refundable	Inflation Adjustment	Other Considerations
<b>CTC Act</b>	\$500 per child	Up to 3 children per household	17 and under	The credit allowable under section will be reduced by \$20 for each \$1,000 (or fraction thereof) by which the taxpayer’s adjusted gross income exceeds the threshold amount which is defined as (i) \$100,000 in the case of a single filer; and (ii) \$145,000 in the case of a joint return	Individuals earning less than \$120,000; Joint filers earning up to \$175,000 together.	Refundable	Yes	No work requirement
<b>TRC Chairman’s Mark</b>	\$1000 per child	Does not say	17 and under	Phased out gradually at higher incomes	Married couples with incomes up to \$200,000 and single parents up to \$150,000	Refundable	Does not say	Allow deposits to opportunity savings accounts
<b>DCFPI</b>	\$1500 per child	No cap on number of children	17 and under	Phase out of the credit begins at 200 percent of Federal Poverty Line (FPL) and ends at 300 percent FPL	\$0 to 300 percent of FPL	Refundable	Yes	None

We encourage this Committee to analyze each of the three proposals<sup>14</sup> and ensure the underlying goal of the CTC is met – to reduce childhood poverty. This requires a CTC that ensures all poor and low-income families qualify and are not erroneously phased out of the total tax credit. To this end, our testimony today recommends that a District CTC should not limit the number of children eligible per household. Further, a District CTC must include the necessary outreach strategies and supports as well as ensure thoughtful design, so the CTC is truly a benefit to all eligible DC families. A District CTC is a necessary tool to reduce poverty but must be paired with other long-term strategies to address income instability and wealth gaps.

### **The Child Tax Credit Should Not Limit the Number of Children Eligible for the Refund**

The CTC Act proposes that qualifying individuals and joint filers would be eligible to receive the credit for up to three children per householder. The DC FPI proposal sets no limitation the number of children in the household eligible to receive this credit, which is reflective of the CTC in the American Rescue Plan.<sup>15</sup> The TRC proposal makes no comment on this topic.<sup>16</sup>

The District's CTC should not overlook low-income and poor families that have three or more children in their households by placing this limitation on the CTC. For a District CTC to have its intended positive impact on reducing poverty in the District, we must ensure it reaches all children and families by recognizing households of all sizes. Although the CTC must be fiscally feasible for the District, we believe the Committee

should prioritize supporting a broader population of families over providing a higher amount of support to a smaller population of families. It does not appear other jurisdictions who have implemented a CTC have limited the number of children eligible to receive the refund.<sup>17</sup> Therefore, we urge the Committee to remove it from the CTC Act and ensure it is not included in any District CTC so that all children are eligible for the refund.

### **The Council Must Make Investments in Community Outreach as well as Design of the Child Tax Credit**

There are several key considerations we urge this Committee to take into account in the design as well as the outreach of the District CTC. First, for the CTC to be successful in its underlying goal – to address childhood poverty – there must be wide participation by eligible residents. To access the credit, residents must file taxes regardless of income. In 2021, approximately 2.3 million children in the United States likely missed out on the expanded CTC through ARPA because their parents or caretakers missed listing their children on their tax returns and/or were “nonfilers” meaning they were not required to file taxes in the prior years because they earned too little.<sup>18</sup> One successful approach to engaging nonfilers was the usage of credible messengers that were people who were known and present in applicable communities.<sup>19</sup> Credible messengers can also be useful for educating all eligible populations including making sure the tax benefit and tax filing options are communicated clearly, simply, repeatedly, and in one’s native language.

Second, clear guidance and instruction must be developed regarding who can claim the child as a dependent and thus access the credit. The Internal Revenue Service (IRS) has specific guidelines that provide information on how to properly claim an individual as a dependent. This is particularly important for the foster child population given that some foster children are eligible to be claimed by their resource parents and thus could not be claimed by a birth parent in the same tax year.<sup>20</sup> Careful thought should be given to this part of implementing a District CTC, to ensure the intended population of parents and caregivers are the ones accessing this credit. We would, therefore, ask that the fiscal impact statement contain an investment in these credible messengers including training and necessary infrastructure to support their work in the community. Additionally, we urge continued and further investment in voluntary income tax assistance (VITA) programs, which can be a space to help residents understand tax policies, know their benefits, and file their taxes.

Finally, we encourage this Committee to look into some design considerations for a District CTC. In particular, we ask this Committee to ensure this credit does not impact a resident's eligibility for benefits like SNAP, TANF, and Medicaid. When DC expanded the Earned Income Tax Credit (EITC), the EITC was structured such that filers received monthly payments which impacts benefits eligibility level determinations.<sup>21</sup> DC submitted a waiver to allow families to choose to opt out of monthly payments and do a lump sum payment instead, however, the waiver was rejected.<sup>22</sup> It is not yet clear what

the impact of EITC monthly payments will be on DC residents since the first year had some special considerations.<sup>23</sup> We urge the Council to adopt any lessons learned from the implementation of EITC and structure the District CTC in a way that ensures families do not lose their benefits. DC FPI proposed that “if lawmakers chose to include a provision for monthly payment of the credit, they also should adopt an “opt-out” clause for any families that might see reduction or loss of federal public benefits that may consider monthly payment of a local CTC as regular income in benefit eligibility determinations.”<sup>24</sup>

## **Conclusion**

A District CTC could have a positive impact on DC children and families by addressing their immediate financial needs and potentially supporting long-term, economic growth. Given the number of proposals for a CTC and the continued discussions being held throughout the community, there is a clear desire to see a District CTC move forward. We, therefore, ask the Council to work to create a CTC that supports all DC children and families by assessing the three available proposals. These proposals reflect the hard work and expertise of members of the DC community and provide the Council critical insight in achieving an equitable District CTC. Through our analysis of the proposals, we have identified the need to ensure (1) no limitation on number of children per household eligible for the credit, and (2) guaranteed, sufficient investment



in outreach and effective design of the CTC. Thank you for the opportunity to testify today. I welcome any questions the Committee may have.

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<sup>1</sup> B25-0190 - District Child Tax Credit Amendment Act of 2023.

<sup>2</sup> Children’s Law Center attorneys represent children who are the subject of abuse and neglect cases in DC’s Family Court. CLC attorneys fight to find safe homes and ensure that children receive the services they need to overcome the trauma that first brought them into the child welfare system. DC Children’s Law Center, About Us, available at: <https://www.childrenslawcenter.org/content/about-us>. The term “protective supervision” means a legal status created by Division order in neglect cases whereby a minor is permitted to remain in his home under supervision, subject to return to the Division during the period of protective supervision. D.C. Code § 16-2301(19).

<sup>3</sup> Children’s Law Center, Our Impact, available at: <https://childrenslawcenter.org/our-impact/>.

<sup>4</sup> Council Member Park, Ward 5, Introduction Letter for the District Child Tax Credit Amendment Act of 2023, available at: <https://lims.dccouncil.gov/downloads/LIMS/52461/Introduction/B25-0190-Introduction.pdf?Id=157238>.

<sup>5</sup> B25-0190 - District Child Tax Credit Amendment Act of 2023, § 47-1806.17. Child Tax Credit. Section (a)(1).

<sup>6</sup> B25-0190 - District Child Tax Credit Amendment Act of 2023, § 47-1806.17. Child Tax Credit. Section (b). Internal Revenue Service, *Tax credits for individuals: What they mean and how they can help refunds*, April 2023, available at: <https://www.irs.gov/newsroom/tax-credits-for-individuals-what-they-mean-and-how-they-can-help-refunds>.

<sup>7</sup> The White House, *The Child Tax Credit*, available at: <https://www.whitehouse.gov/child-tax-credit/>.

<sup>8</sup> Washington University in St. Louis, Social Policy Institute and Appalachian State University, *State by State: How are families in the U.S. using their Child Tax Credit Payments?*, available at:

[https://openscholarship.wustl.edu/cgi/viewcontent.cgi?article=1054&context=spi\\_research](https://openscholarship.wustl.edu/cgi/viewcontent.cgi?article=1054&context=spi_research); National Conference of State Legislatures, *Child Tax Credit Overview*, October 30, 2023, available at:

<https://www.ncsl.org/human-services/child-tax-credit-overview>; Joseph Broadus, *Lessons From The 2021 Child Tax Credit Expansion Informing State Policy Debates*, Tax Policy Center, September 12, 2023, available at: [https://www.taxpolicycenter.org/taxvox/lessons-2021-child-tax-credit-expansion-informing-state-policy-](https://www.taxpolicycenter.org/taxvox/lessons-2021-child-tax-credit-expansion-informing-state-policy-debates#:~:text=It%20led%20to%20increases%20in,%2C%20shelter%2C%20and%20school%20supplies;)

[debates#:~:text=It%20led%20to%20increases%20in,%2C%20shelter%2C%20and%20school%20supplies](https://www.ncsl.org/human-services/child-tax-credit-overview);

Gregory Acs and Kevin Werner, *How a Permanent Expansion of the Child Tax Credit Could Affect Poverty*,

Urban Institute, July 2021, available at: [https://www.urban.org/sites/default/files/publication/104626/how-](https://www.urban.org/sites/default/files/publication/104626/how-a-permanent-expansion-of-the-child-tax-credit-could-affect-poverty.pdf)

[a-permanent-expansion-of-the-child-tax-credit-could-affect-poverty.pdf](https://www.urban.org/sites/default/files/publication/104626/how-a-permanent-expansion-of-the-child-tax-credit-could-affect-poverty.pdf); Washington State Department of Social & Health Services, *Washington State Basic Income Feasibility Study*, June 1, 2022, available at:

[https://app.leg.wa.gov/ReportsToTheLegislature/Home/GetPDF?fileName=Universal%20Basic%20Income%20Pilot\\_de25f1fb-b4b7-4669-9d57-923d94ba4f53.pdf](https://app.leg.wa.gov/ReportsToTheLegislature/Home/GetPDF?fileName=Universal%20Basic%20Income%20Pilot_de25f1fb-b4b7-4669-9d57-923d94ba4f53.pdf).

<sup>9</sup> Washington University in St. Louis, Social Policy Institute and Appalachian State University, *State by State: How are families in the U.S. using their Child Tax Credit Payments?*, available at:

[https://openscholarship.wustl.edu/cgi/viewcontent.cgi?article=1054&context=spi\\_research](https://openscholarship.wustl.edu/cgi/viewcontent.cgi?article=1054&context=spi_research).

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<sup>10</sup> Fourteen states have enacted a child tax credit in addition to the federal credit. Eleven of the 14 states (California, Colorado, Maine, Maryland, Massachusetts, Minnesota, New Jersey, New Mexico, New York, Oregon and Vermont) have made the child tax credit refundable. California, Colorado, Idaho, Maine, Maryland, Massachusetts, Minnesota, New Jersey, New Mexico, Utah and Vermont established a fixed limit for the tax credit ranging from \$75 to \$1,750 per qualifying child. National Conference of State Legislatures, *Child Tax Credit Overview*, October 30, 2023, available at: <https://www.ncsl.org/human-services/child-tax-credit-overview>.

<sup>11</sup> National Conference of State Legislatures, *Child Tax Credit Overview*, October 30, 2023, available at: <https://www.ncsl.org/human-services/child-tax-credit-overview>.

<sup>12</sup> The Tax Revision Commission (TRC) reviewed the CTC Act, and ultimately put forth their own CTC proposal through the Chairman's mark. DC Tax Revision Commission, *Chairman's Mark*, January 5, 2024, available at: [https://assets-global.website-files.com/63bc270f792ad26d64988e32/65a0073781885c05b3c65bf2\\_Chairman%27s%20Mark%20letter.pdf](https://assets-global.website-files.com/63bc270f792ad26d64988e32/65a0073781885c05b3c65bf2_Chairman%27s%20Mark%20letter.pdf); DC Tax Revision Commission, *Proposal Review Session #4*, October 10, 2023, available at: <https://www.youtube.com/watch?v=B4QiLHbD19U>; DC Tax Revision Commission, *Enact refundable child tax credit, II-4*, available at: [https://drive.google.com/file/d/1slf\\_j2ZGZkjIsRGqxdHj6qxXTneXC0RW/view](https://drive.google.com/file/d/1slf_j2ZGZkjIsRGqxdHj6qxXTneXC0RW/view).

<sup>13</sup> Erica Williams, *A Child Tax Credit Would Reduce Child Poverty, Strengthen Basic Income, and Advance Racial Justice*, District of Columbia Fiscal Policy Institute, March 6, 2023, available at: <https://www.dcfpi.org/all/a-child-tax-credit-would-reduce-child-poverty-strengthen-basic-income-and-advance-racial-justice-in-dc/>.

<sup>14</sup> All three proposals seek to create a District-specific CTC that would put money in the pockets of families with children. In addition, there are several other similarities to all three proposals: (1) The credit is refundable meaning; (2) The credit applies to children ages 17 and under; and (3) Account for inflation adjustments. The TRC proposal is silent on this topic. The proposals differ on several other items including: (1) The number of children per household eligible for the refund. The TRC proposal is silent on this topic; (2) The amount of the CTC received per child; (3) Income eligibility amounts to qualify for a CTC; and (4) Phase out requirements for a CTC. See also DC Tax Revision Commission, *Proposal Review Session #4*, October 10, 2023, available at: <https://www.youtube.com/watch?v=B4QiLHbD19U>.

<sup>15</sup> The White House, *The Child Tax Credit*, available at: <https://www.whitehouse.gov/child-tax-credit/>; Erica Williams, *A Child Tax Credit Would Reduce Child Poverty, Strengthen Basic Income, and Advance Racial Justice*, District of Columbia Fiscal Policy Institute, March 6, 2023, available at: <https://www.dcfpi.org/all/a-child-tax-credit-would-reduce-child-poverty-strengthen-basic-income-and-advance-racial-justice-in-dc/>.

<sup>16</sup> DC Tax Revision Commission, *Chairman's Mark*, January 5, 2024, available at: [https://assets-global.website-files.com/63bc270f792ad26d64988e32/65a0073781885c05b3c65bf2\\_Chairman%27s%20Mark%20letter.pdf](https://assets-global.website-files.com/63bc270f792ad26d64988e32/65a0073781885c05b3c65bf2_Chairman%27s%20Mark%20letter.pdf).

<sup>17</sup> National Conference of State Legislatures, *Child Tax Credit Overview*, October 30, 2023, available at: <https://www.ncsl.org/human-services/child-tax-credit-overview>; National Conference of State Legislatures, *Child Tax Credit Enactments*, October 30, 2023, available at: <https://www.ncsl.org/human-services/child-tax-credit-enactments>; Samantha Waxman and Iris Hinh, *States Can Enact or Expand Child Tax Credits and Earned Income Tax Credits to Build Equitable, Inclusive Communities and Economies*, Center on Budget and Policy Priorities, March 3, 2023, available at: <https://www.cbpp.org/research/state-budget-and-tax/states-can-enact-or-expand-child-tax-credits-and-earned-income-tax>.

<sup>18</sup> Luisa Godinez-Puig, Aravind Boddupalli, and Livia Mucciolo, *Lessons Learned from Expanded Child Tax Credit Outreach to Immigrant Communities in Boston*, Urban Institute, October 2022, available at: [https://www.taxpolicycenter.org/sites/default/files/publication/164300/lessons\\_learned\\_from\\_expanded\\_child\\_tax\\_credit\\_outreach\\_to\\_immigrant\\_communities\\_in\\_boston.pdf](https://www.taxpolicycenter.org/sites/default/files/publication/164300/lessons_learned_from_expanded_child_tax_credit_outreach_to_immigrant_communities_in_boston.pdf).

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<sup>19</sup> *Id.*

<sup>20</sup> Internal Revenue Services, Non-traditional families may qualify for advance child tax credit payments, October 12, 2021, *available at*: <https://www.irs.gov/newsroom/non-traditional-families-may-qualify-for-advance-child-tax-credit-payments>.

<sup>21</sup> DC Tax Revision Commission, Proposal Review Session #4, October 10, 2023, *available at*: <https://www.youtube.com/watch?v=B4OiLHBd19U>.

<sup>22</sup> *Id.*

<sup>23</sup> *Id.*

<sup>24</sup> Erica Williams, *A Child Tax Credit Would Reduce Child Poverty, Strengthen Basic Income, and Advance Racial Justice*, District of Columbia Fiscal Policy Institute, March 6, 2023, *available at*: <https://www.dcfpi.org/all/a-child-tax-credit-would-reduce-child-poverty-strengthen-basic-income-and-advance-racial-justice-in-dc/>.