



## The Child Tax Credit: Supporting Montana's Families and Economy March 2013

By encouraging work, lifting families out of poverty, and stimulating the economy, a state Child Tax Credit (CTC) reflects Montana's core values, including strong families and prosperous communities.

### **Families who benefit from the CTC are working Montanans.**

Only parents who are currently employed are eligible for the credit. The CTC encourages work by supplementing wages, reducing the tax liability for low-wage workers, and decreasing the need for families to rely on public safety net programs.

**The CTC is an effective way to move children and families out of poverty.** This credit helps low-wage families meet their basic needs, like paying the rent and putting food on the table. Working Montanans should be able to make ends meet, and the CTC helps them achieve that goal. This tax credit is especially beneficial for single parents and military families, providing a much-needed income boost to those who are living in poverty or struggling to support their family from paycheck to paycheck. The CTC has long-term impacts for recipients as well. Research shows that children lifted out of poverty perform better in school and are more likely to be employed as adults.

### **Child Tax Credits**

#### *By the Numbers*

- In 2010, **over 70,000 Montana families** received the federal Child Tax Credit.\*
- On average, each family a received **\$1,300 credit** toward reducing their tax liability, or as a refund.\*
- If Montana were to create a **state Child Tax Credit set at 20% of the federal rate**, qualifying families could receive an average of **\$260 per year**.

**The CTC is a small investment that makes a big difference.** According to the Congressional Budget Office, tax incentives targeting low- and moderate-income families support the economy *more*, dollar for dollar, than those affecting high-income households. Low- and moderate-income families tend to spend the dollars from the CTC almost immediately to meet their families' needs. This increase in consumer spending injects money into businesses across Montana, helping to strengthen our local and state economies. As a result of this increased demand, and the CTC's ability to help low-wage employees cover work-related expenses such as child care and transportation, the CTC is widely supported in the business community.

**The CTC is part of the tax code, not a "loophole."** Loopholes are designed to benefit a particular industry, company, or set of investors. The CTC intentionally exists at the federal level to address national priorities to help struggling families meet their needs, encourage families to work, and create a better future for children living in poverty. A state level CTC will further strengthen Montana's families by providing them additional income when they need it most.

\*IRS Tax Stats, Individual Income and Tax Data, by State, 2010 Montana