



Support Working Parents with a Child Tax Credit

Our state tax code should operate to support all families by having all pay their fair share. Unfortunately, Ohio's tax system is inverted, asking the lowest earning Ohioans to pay a higher share of their income in taxes while creating handouts for the wealthy. Two decades of broad rate income tax cuts have done little for the typical Ohio family. It is time for Ohio's working families to benefit from a tax code that supports them. We could do this with a state child tax credit.

Since 2005, Ohio has shifted money away from working-class families and toward the wealthy and well-connected through tax cuts and special interest giveaways. As a result, the wealthiest 1% of Ohio households are taking home on average, over \$52,000 every year in tax breaks. Meanwhile, Ohio households making less than \$24,000 are paying more on average in state and local taxes today compared to what they did in 2005. After a generation of income tax cuts, moderate to middle earning Ohio families are now paying less in taxes, but these cuts amount to less than \$100 a month for most families. They also have come at a great cost to the state. Tax changes since 2005, driven by massive income tax cuts that benefit the wealthy, have drained almost \$13 billion a year from Ohio's budget that could be improving the quality of life of kids and families across our state. This is why we are calling on state lawmakers to rewrite the tax code in Ohio to boost opportunity for children and working-class families through a state child tax credit.

Policy

A State Child Tax Credit for all Kids.

A state child tax credit would help with the cost of raising children, alleviate stress among working parents, and make Ohio strong in the future by setting our children up for success. Governor DeWine's proposal could be improved to cover all Ohio kids by removing the earnings requirement.

A robust credit should cover all kids under the age of 18 with at least a \$500 refundable credit. For kids under the age of six, their parents would receive a credit of \$1,000 to offset the higher cost of raising younger children. The credit should be fully refundable and have no earned income requirement, ensuring the credit reaches Ohio families with the most need.

According to modeling done by the Institute for Tax and Economic Policy, an estimated 1.5 million children under 18 could benefit from a state thriving families tax credit.

Ohio Thriving Families Tax Credit

Ohio Child Tax Credit for All Kids

Maximum annual tax credit per child age 0-5	\$1,000
Maximum annual tax credit per child age 6-17	\$500
Average tax credit per claimant	\$993
Number of children benefitting	1,500,000
Eligibility by income	Less than \$80,000

Claimants of the Credit who make less than \$60,000 would receive the full value of the credit. The credit slowly phases out as income rises for claimants with income between \$60,000 and \$80,000.

Source: Policy Matters Ohio, based on modeling from the Institute on Taxation and Economic Policy, January 2025. • Created with Datawrapper

This more robust policy would:

- Provide at least a partial tax cut to roughly 1.5 million Ohioans and their families.
- All Ohioans making less than \$60,000 would receive the full value of the credit. Ohioans making up to \$80,000 would receive at least some value of the credit.
- Beneficiaries of the tax credit, making an average of \$41,600, would receive an average tax cut of \$993.
- These tax benefits are even greater for Ohioans with low and moderate incomes, who receive 72% of the tax cut's value.
 - Lowest 20% of Ohio Earners:
 - Income Range: Less than \$26,300
 - Average Child Tax Credit: \$1,109
 - Share of the value of the Credit: 36.36%
 - Second 20% of Ohio Earners:
 - Income Range: \$26,300 - \$52,000
 - Average Child Tax Credit: \$1,075
 - Share of value of the Credit: 35.71%

Challenge

Ohio's tax code is upside-down and asks the most economically vulnerable to shoulder even more stresses by forcing them to dedicate more of their limited income to regressive taxes. Working families are seeing more of this income being taken up in higher living costs from utilities to housing and food. It is time to cut these Ohioans a break. Families facing constant insecurity and stress harms children's ability to learn and grow and limits their long-term opportunities. Compared to their more affluent peers, children who grow up in poverty are more likely to do worse in school, have worse health outcomes and get involved with the criminal legal system as adults.

Opportunity

These outcomes do not have to be the norm for kids from families who are paid low wages. When families have financial stability and resources to pay for the basics, children get better grades in school, are healthier, and are paid more during their lifetime. As Gov. Mike DeWine recently said, “Supporting Ohio’s families now will help children thrive as adults.” We do that by creating a tax system that supports these families, not burdens them. Governor’s DeWine recent proposal for a child tax credit is a step in the right direction, but we can do better.

We propose including more working families with a child tax credit for all kids. Our tax system must support working families not just from the young stages of their children’s lives, but throughout. Instead, the tax code places a disproportionate burden on these families and exacerbates pressures elsewhere like higher rents and grocery bills. These economic pressures did not create new problems with our tax code for working families, it simply made existing problems worse. This is why Ohio lawmakers must act now. Ohio’s children are Ohio’s future.

Support Child Well-Being: Budget Recommendations

Parents and caregivers work hard, day in and day out, to give children the best possible start in life. Our tax system should support their labor. State lawmakers can rewrite the tax code to boost economic security of children and families across the state by putting more money back in the pockets of families and increasing the economic security of thousands of families across the state. A state child tax credit that includes all kids will help Ohio’s children and families succeed.

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