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**Ohio Senate Government Oversight and Reform Committee**

**Interested Party Testimony on HB 96**

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Chairwoman Manchester, Vice Chair Brenner, and Ranking Member Weinstein, thank you for the opportunity to provide interested party testimony on House Bill 96. My name is Kyle Thompson, and I am a policy associate at The Center for Community Solutions. I am joined by Emily Campbell, President and CEO at Community Solutions. The Center for Community Solutions is an independent, nonpartisan policy and research center dedicated to delivering practical, data-driven solutions focused on improving health, social and economic conditions for Ohioans. Our written testimony today will focus on reinstating the child tax credit proposed in the Governor's budget that was removed by the House.

Ohio must help its future thrive. To help families thrive, there must be investments in the future generations of the state that will grow to become leaders of tomorrow. A child tax credit (CTC) would be beneficial to support families by providing tax relief, reducing poverty, and creating an environment for children to grow into productive adults and part of the workforce.

Language supporting the Ohio child tax credit in HB 96 was removed in the House-passed version of the budget, and we ask that you reinstate the child tax credit in the budget. Doing so will play a crucial role in helping Ohio families thrive economically. There is substantive evidence of the positive impact of the federal child tax credit, which was temporarily expanded with impressive results.

Tax policy is an efficient and effective means to incentivize work while supporting families. Across the country, refundable tax credits had the effect of lifting 6.4 million Americans out of poverty in 2023, over half of them children. Refundable tax credits had a greater positive impact on child poverty than any other public program inclusive of hunger assistance, housing subsidies, and direct payments via child support, cash assistance or social security. The federal refundable child tax credit had the effect of reducing child poverty by nearly 2 percent, lifting 1.4 million American children out of poverty,<sup>1</sup> To get the full tax credit, a family must be employed.

We have compelling evidence that targeted tax credits for families incentivize work while improving child wellbeing. In 2021, the expansion of the federal child tax credit increased the total available credit from \$2,000 per eligible child to \$3,600 for children aged 5 and under, and \$3,000 for children between the ages of

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<sup>1</sup> Shrider, Emily A, "Poverty in the United States: 2023" *United States Census Bureau*.

6 and 17 at the end of 2021.<sup>2</sup> This was a broad, nearly universal approach to supporting families. Research published by Community Solutions estimated that up to 95 percent of Ohio's children benefitted from these improvements and had the effect of lifting 10,000 children out of poverty in the City of Cleveland alone, and many thousands more across the state.<sup>3</sup>

The CTC enhancements enabled families to keep more of their earnings, rather than paying it to the government in income tax. Data collected by the U.S. Census Bureau at the time showed the families used the additional resources effectively. In August 2021, among Ohioans who received a CTC payment, 77 percent purchased food, 62 percent purchased clothing, most likely supporting back-to-school, and 41 percent paid for utilities. National studies<sup>4</sup> showed that families who received CTC in 2021 did not reduce their employment. The extra resources were enough to cover some expenses, pay down debt, or save for education, but not enough to cause working parents to stay home.

The federal CTC enhancements expired at the end of 2021, and several states, recognizing an efficient model which encourages parents to remain in the workforce, enacted their own state level child tax credits. If Ohio were to adopt the tax credit, it joins 16 other states across the country

The phased-in framework of the proposed tax credit effectively incentivizes work. Too often, Ohioans must choose between accepting higher pay with the risk of losing benefits or needed access to programs. This tax credit offsets some of the potential loss of other public benefits, enabling families to utilize more of their earnings rather than having to pay them in income taxes. Phasing the tax credit out gradually provides an offramp, allowing families to meet eligibility and continue to enhance their earnings and careers. The refundability of the credit allows it to be targeted to those families most in need.

The added benefit to a child tax credit to Ohioans is that it would provide needed support to families that require financial relief in ways which are directly tied to employment. Tax credits are simple to administer via the Ohio Department of Taxation, so the only cost to the state is the potential revenue which would remain in the bank accounts of working families, rather than transferring to government. Community Solutions looks forward to working alongside members during the budget process.

Thank you for your time. Please do not hesitate to reach out if you have any questions.

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<sup>2</sup> Internal Revenue Service (IRS). *2021 Child Tax Credit and advance Child Tax Credit payments — Topic C: Calculation of the 2021 Child Tax Credit*.

<sup>3</sup> Campbell, Emily. (2024). *Emily Campbell at the City Club: 5 Things about poverty in Cleveland*. The Center for Community Solutions.

<sup>4</sup> For example, see “The Anti-Poverty and Income-Boosting Impacts of the Enhanced CTC” *Council of Economic Advisors*; Hamilton, Leah et. al “The impacts of the 2021 expanded child tax credit on family employment, nutrition, and financial well-being” *Brookings*; Ananat, Elizabeth et al, “Effects of the Expanded Child Tax Credit on Employment Outcomes: Evidence from Real-World Data from April to December 2021” *National Bureau of Economic Research*;