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New Year, New Benefits: Policies Designed to Boost Fathers' Economic Capacity and Family Wellbeing

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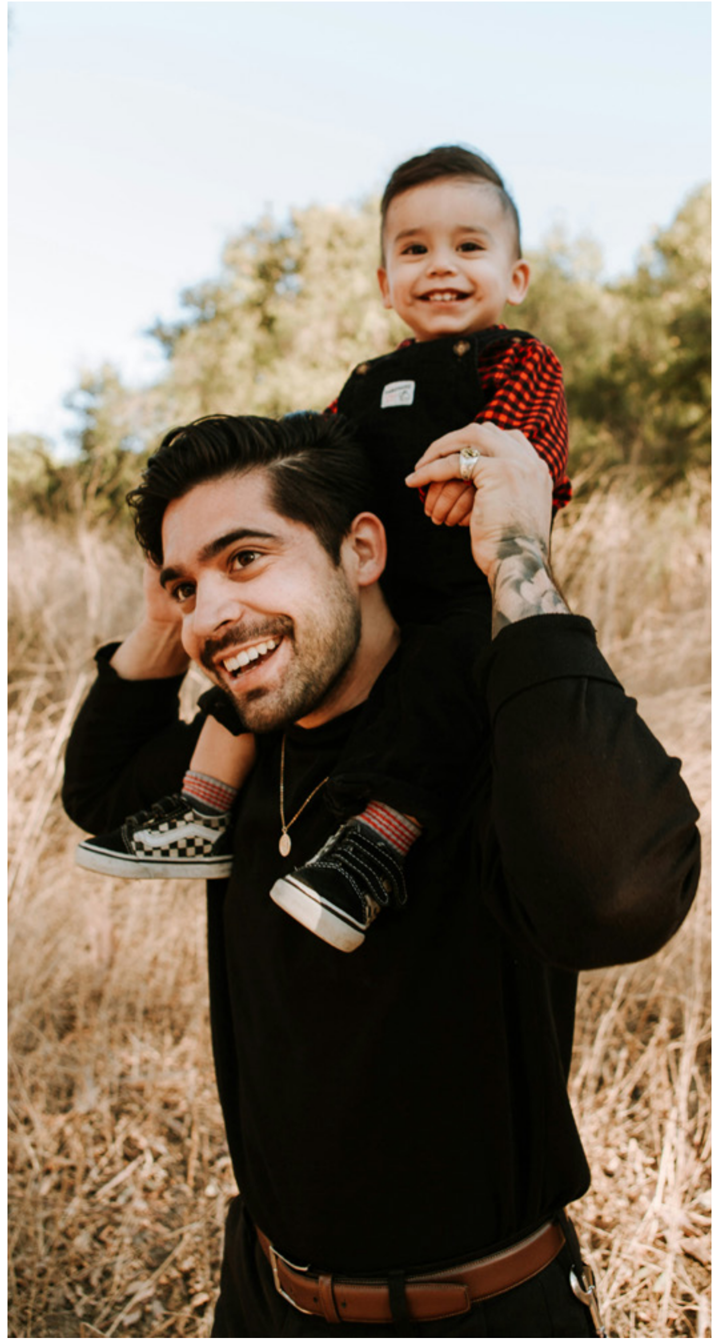
With a new year comes new policies designed to support fathers and their children. On January 1st, nearly half of states increased their minimum wages, meaning that millions of workers with low incomes have already begun to see more in their paychecks. And as the 2024 tax filing deadline quickly approaches, many fathers will be eligible to claim tax credits that not only reduce the amount of taxes they owe but can also put money back in their pockets. The following brief will discuss three economic policies that affect fathers with low incomes—state minimum wages, earned income tax credits, and child tax credits. It also describes state efforts to inform low-income parents about the need to file a tax return to obtain federal and state tax credits for which they may be eligible.

State Minimum Wage

The federal minimum wage, or the lowest wage that states are legally allowed to pay most[1] workers, is $7.25 per hour. This translates to $15,000 annually for a full-time worker and is earned by as many as 7% of working fathers. Set 16 years ago, this wage has depreciated over time and is now well below the federal poverty level[2] for households with more than one person. As reported by the 2022 County Health Rankings study, it is only 20% of the national annual living wage of $75,000 for a family of three. The consequences of a very low, constantly depreciating, minimum wage is not only felt by workers. Given that nearly one-third of minimum wage workers are parents, millions of children and families are subjected to poverty as well.

1 Subminimum wage laws allow workers who earn tipped wages, and some workers with disabilities and below age 18, to earn lower wages.
2 In 2024, the federal poverty level for a family of two is $20,440.

In the absence of federal progress toward increasing the minimum wage, many states and localities have increased their minimum wages beyond the federal level.



Thirty-one states (including the District of Columbia) have minimum wages that are higher than the $7.25 minimum threshold. All but one of those states (West Virginia) has a minimum wage above $10, which is the minimum wage a working parent with one child would need to exceed poverty. Nearly 20% of states (10 states) have a minimum wage of $15 or higher.

And as 2025 began, 21 states increased their state minimum wage. These recent increases — which ranged from $0.18 in Alaska to $1.75 in Delaware — can make substantial differences in a family's budget, and even small increases add up. These single-year increases will translate to between $374 and $3,640 in additional annual income for families in Alaska and Delaware, respectively. Across all 21 states that increased their state minimum wage, minimum wage workers earned an average of $0.60 more per hour (or approximately $1,248 more per year)! States will continue to increase wages for workers with low incomes in the coming years. Twenty-three states have statutorily planned increases to their state minimum wage. Table 1 highlights each state's current minimum wage, what a full-time worker earning the state minimum wage would earn annually, and whether it has planned increases in the coming years.

Table 1. State Minimum Wages, Estimated Annual Salaries, and Future Increases

State	2025 State Minimum Wage		Future Increases
	Hourly Wage	Annual Salary	
Alabama*	$7.25	$15,080.00	
Alaska	$11.91	$24,772.80	✓
Arizona	$14.70	$30,576.00	✓
Arkansas	$11.00	$22,880.00	
California	$16.50	$34,320.00	✓
Colorado	$14.81	$30,804.80	✓
Connecticut	$16.35	$34,008.00	✓
Delaware	$15.00	$31,200.00	
District of Columbia	$17.50	$36,400.00	✓
Florida	$13.00	$27,040.00	✓
Georgia**	$7.25	$15,080.00	
Hawaii	$14.00	$29,120.00	✓
Idaho	$7.25	$15,080.00	
Illinois	$15.00	$31,200.00	
Indiana	$7.25	$15,080.00	
Iowa	$7.25	$15,080.00	
Kansas	$7.25	$15,080.00	
Kentucky	$7.25	$15,080.00	
Louisiana*	$7.25	$15,080.00	
Maine	$14.65	$30,472.00	✓
Maryland	$15.00	$31,200.00	
Massachusetts	$15.00	$31,200.00	
Michigan	$10.56	$21,964.80	✓
Minnesota	$11.13	$23,150.40	✓
Mississippi*	$7.25	$15,080.00	
Missouri	$13.75	$28,600.00	✓
Montana[a]	$10.55	$21,944.00	✓
Nebraska	$13.50	$28,080.00	✓
Nevada	$12.00	$24,960.00	✓
New Hampshire	$7.25	$15,080.00	
New Jersey[b]	$15.49	$32,219.20	✓
New Mexico	$12.00	$24,960.00	
New York[c]	$15.50	$32,240.00	✓
North Carolina	$7.25	$15,080.00	
North Dakota	$7.25	$15,080.00	
Ohio	$10.70	$22,256.00	✓
Oklahoma	$7.25	$15,080.00	
Oregon[d]	$14.70	$30,576.00	✓
Pennsylvania	$7.25	$15,080.00	
Rhode Island	$15.00	$31,200.00	
South Carolina*	$7.25	$15,080.00	
South Dakota	$11.50	$23,920.00	✓
Tennessee*	$7.25	$15,080.00	
Texas	$7.25	$15,080.00	
Utah	$7.25	$15,080.00	
Vermont	$14.01	$29,140.80	✓
Virginia	$12.41	$25,812.80	✓
Washington	$16.66	$34,652.80	✓
West Virginia	$8.75	$18,200.00	
Wisconsin	$7.25	$15,080.00	
Wyoming**	$7.25	$15,080.00	

Note: As of January 1, 2025.

*State does not have a state minimum wage set in statute; their minimum wage defaults to the federal minimum wage.

**State has a minimum wage that is lower than the federal minimum wage; state minimum wage defaults to the federal minimum wage.

[a]Business owners not covered by the federal Fair Labor Standards Act whose gross annual sales are $110,000 or less may pay less.

[b]Seasonal and small business employers may pay less.

[c]New York City, Long Island, and Westchester county have higher minimum wages.

[d]Portland-metro area has a higher minimum wage; non-urban counties have lower minimum wage.

Sources: Economic Policy Institute, Prenatal-to-3 Policy Impact Center, and state websites.

Increases such as these have cumulative benefits for fathers and their children. Using nationally representative data, researchers recently found that in households where only fathers' earnings were sensitive to increases in the state minimum wage, each $1 increase was associated with a 2.5 percentage point increase in the likelihood that fathers live with their children. Additional research shows that each $1 increase in a state minimum wage increases the likelihood that children remain in good health and attend school.

To ensure that workers can financially support themselves and their families, states should increase their minimum wages to exceed the poverty threshold and adjust their wages to keep up with the costs of living.

Tax Credits

Tax credits are government benefits that reduce, dollar-for-dollar, the amount of money individuals owe at tax time and thereby improve families' financial security. They may be nonrefundable, where the credit value is capped at the amount of taxes the filer owes, or refundable, where any credit value *beyond* the amount of taxes the filer owes is provided as a refund. Research shows that refundable credits are a useful resource to promote family wellbeing by putting cash back in families' pockets, particularly for those families who earn too little to owe taxes. The two most generous and commonly claimed credits for working families with low incomes are the earned income tax credit and child tax credit. Together, they lift millions of people out of poverty each year.

Married (or otherwise custodial) parents are far more likely to benefit from these tax credits than noncustodial parents, a policy gap that significantly limits the ability of low-income, nonresident fathers to support their children. Each child can only be claimed on one (tax filer's) tax return, meaning that when parents are unmarried, only custodial parents[3] are entitled to the family-focused credits; noncustodial parents are considered to be "childless" workers. The combined effects of child support obligations and the (in)eligibility for federal and state tax credits impoverish noncustodial parents working at or near the minimum wage every year. Noncustodial parent tax policies can work to reduce this disparity.

Earned Income Tax Credits

The federal earned income tax credit (EITC) is a tax benefit designed to support workers with low to moderate incomes. The federal EITC is refundable, meaning that it reduces the amount of federal income tax owed, and any excess (if the tax filer's credit is larger than their tax liability) is refunded to the taxpayer. The credit amount changes every year and is based on earnings, number of qualifying children, and marital status. The maximum credits and income eligibility for tax year 2024[4] are presented in Table 2. The greatest benefits accrue to nearly $8,000 and are available to those who are married and file jointly, have three or more children, and an income below $30,000 per year. Filers in households without any children realize a much lower maximum credit of only $632 per year.

3 The IRS allows only the parent with physical/residential custody to claim the child/ren as dependents. If the custody is exactly equal, the parent with higher adjusted gross income claims the child/ren as dependents.
4 Taxpayers will file tax for "tax year 2024" this year.

Table 2. Federal Earned Income Tax Credit (EITC) Eligibility and Credit Values for Tax Year 2024

Number of children in the household	Maximum credit value	To receive maximum credit, you must not earn more than:		To receive any credit, you must not earn more than:	
		Single filer	Filing as married filing jointly	Single filer	Filing as married filing jointly
0	$632	$10,349	$17,249	$18,591	$25,511
1	$4,213	$22,749	$29,649	$49,084	$56,004
2	$6,960	$22,749	$29,649	$55,768	$62,688
3 or more	$7,830	$22,749	$29,649	$59,899	$66,819

Source: Internal Revenue Service.

Thirty-one states and the District of Columbia also have state EITCs, which allow workers to reduce their state tax liability. State EITC eligibility requirements often match federal EITC requirements, and most states calculate the value of their EITC as a percentage of the federal credit a worker receives. Also like the federal EITC, most state EITCs are refundable. Because most state EITCs are so closely tied to the federal EITC, fathers with children in the home tend to claim state credits that are quite generous — just as is the case with the federal credit. Fathers in households without any children, on the other hand, tend to realize much lower state credits.

Two states directly support noncustodial parents' receipt of EITCs

To fill this policy gap, the District of Columbia and New York provide alternative tax credits specifically to noncustodial parents who do not claim their state- specific EITC for childless workers. Both credits are *significantly* more generous than the credits available to childless workers, though they require that noncustodial parents are up to date on their child support. In the District of Columbia, noncustodial parents may claim a refundable credit worth between $2,949 and $5,481, depending on the number of children and filing status. In New York, noncustodial parents may claim a refundable credit worth between $842 and $1,580, depending on number of children and filing status. Although one goal of the noncustodial parent tax credits is to incentivize payment of child support, early results from New York indicated only a small (1 percentage point) improvement on child support payments following the policy implementation. One reason may be the stringent requirement that noncustodial parents eligible for the credit be

completely up to date on their child support payments. Effects were stronger among parents with low child support orders, suggesting that the eligibility criteria surrounding income and child support make too many fathers ineligible. States can take additional measures to expand eligibility for and increase awareness of their state EITCs, in turn supporting noncustodial fathers with low incomes.

Other states expand eligibility and generosity for "childless" workers, in turn supporting noncustodial fathers

Other states have taken more indirect approaches to supporting noncustodial fathers by expanding their (albeit much lower) credits for childless workers. States can expand the generosity of the credit or income or age eligibility criteria for childless workers.

The District of Columbia, which also has a noncustodial parent EITC, leads the way in such expansions that can benefit noncustodial fathers who claim the regular state EITC.[5] The District of Columbia expanded its income and age eligibility for childless workers beyond the federal limits, which makes a greater proportion of noncustodial parents eligible for the credit. In 2014, the District of Columbia also increased the generosity of their EITC for childless workers to 100% of the federal credit. Recent research found that these expansions led to an increase in over $1,000 and a 9-17% reduction in poverty among childless DC workers.

In 2020, Maine increased the generosity of the state EITC for childless workers from 20% to 50% of the federal credit. California, Colorado, District of Columbia, Illinois, Maine, Maryland, Minnesota, New Jersey, and New Mexico have all made some childless workers younger than age 25 eligible for their state EITC.

Table 3 outlines the states with an EITC, as well as the projected credits that married or custodial fathers, compared with noncustodial fathers, who are eligible for the federal EITC would receive in their state.

Table 3. States with Earned Income Tax Credits (EITCs), Refundability, and Maximum Credit Values by Custody Status

State	Refundability	Married or Custodial Father		Noncustodial Father	
		Federal Credit	State Credit	Federal Credit	State Credit
California[a]	Refundable	$4,213	$215	$632	$180
Colorado	Refundable	$4,213	$2,107	$632	$316
Connecticut	Refundable	$4,213	$1,685	$632	$253
Delaware[b]	Refundable or nonrefundable	$4,213	$190	$632	$28
District of Columbia	Refundable	$4,213	$2,949	$632	$2,949 (NCP EITC) / $632 (EITC)
Hawaii	Refundable	$4,213	$1,685	$632	$253
Illinois	Refundable	$4,213	$843	$632	$126
Indiana	Refundable	$4,213	$421	$632	$63
Iowa	Refundable	$4,213	$632	$632	$95
Kansas	Refundable	$4,213	$716	$632	$107
Louisiana	Refundable	$4,213	$211	$632	$32
Maine	Refundable	$4,213	$1,053	$632	$316

5 Noncustodial parents in the District of Columbia may *only* claim the regular state EITC or the noncustodial parent EITC.

State	Refundability	Married or Custodial Father		Noncustodial Father	
		Federal Credit	State Credit	Federal Credit	State Credit
Maryland[c]	Refundable or nonrefundable	$4,213	$1,896	$632	$284
Massachusetts	Refundable	$4,213	$1,685	$632	$253
Michigan	Refundable	$4,213	$1,264	$632	$190
Minnesota[d]	Refundable	$4,213	$350	$632	$350
Missouri	Nonrefundable	$4,213	$421	$632	$63
Montana	Refundable	$4,213	$421	$632	$63
Nebraska	Refundable	$4,213	$421	$632	$63
New Jersey	Refundable	$4,213	$1,685	$632	$253
New Mexico	Refundable	$4,213	$1,053	$632	$158
New York	Refundable	$4,213	$1,264	$632	$1,580 (NCP EITC)[e] / $190 (EITC)
Ohio	Nonrefundable	$4,213	$1,264	$632	$190
Oklahoma	Refundable	$4,213	$211	$632	$32
Oregon[f]	Refundable	$4,213	$506	$632	$57
Rhode Island	Refundable	$4,213	$674	$632	$101
South Carolina	Nonrefundable	$4,213	$5,266	$632	$790
Utah	Nonrefundable	$4,213	$843	$632	$126
Vermont	Refundable	$4,213	$1,601	$632	$240
Virginia[g]	Refundable or nonrefundable	$4,213	$632	$632	$95
Washington[h]	Refundable	$4,213	$640	$632	$325
Wisconsin[i]	Refundable	$4,213	$169	$632	$0

Notes: All analyses assume that the parent is eligible to receive the maximum federal credit and has one child. For the 20 states without state EITCs, eligible families may still receive the federal EITC.

[a]California state credit values are calculated as a percentage of income. State credit values calculated at https://www.ftb.ca.gov/file/personal/credits/EITC-Calculator/Home

[b]Delaware allows workers to choose between a refundable (4.5%) or nonrefundable (20%) credit. Current credit value is projected as refundable.

[c]Maryland allows workers to choose between a refundable (45%) or nonrefundable (50%). Current credit value is projected as refundable.

[d]Minnesota state credit values are calculated as a percentage of income up to $350.

[e]New York Noncustodial Parent EITC allows workers to choose between a credit worth either 20% of the federal EITC that they would have claimed if they had custody of their child(ren), or 250% of the federal EITC that they would have claimed with no qualifying children. For a parent with one child, 250% of the childless EITC is more generous.

[f]Oregon state credit values differ by number and age of children. Assumes child is under age 3.

[g]Virginia allows workers to choose between a refundable (15%) or nonrefundable (20%). Current credit value is projected as refundable.

[h]Washington state credit values are calculated as a percentage of income. State credit values calculated using https://public.tableau.com/app/profile/tracy.yeung/viz/2024WFTCBenefitAmounts/Dashboard1

[i]Washington state credit value varies by the number of children. Childless workers are not eligible for the state credit.

Sources: Prenatal-to-3 Policy Impact Center, state websites, and state legislation.

Child Tax Credit

The federal child tax credit (CTC) is another tax credit targeted to families with children. The amount of credit changes every year and is based on earnings and marital status. As of tax year 2024, the federal CTC is worth up to $2,000 per child, though only $1,700 of that credit is refundable. Eligible families qualify for the full credit if they have incomes of less than $200,000 (or $400,000 if filing jointly). There is no limit on the number of children (under age 17) who can be claimed, which means that families with more children receive a greater benefit. The federal CTC, including temporary expansions to eligibility and increased value through the American Rescue Plan Act, have led to significant improvements in families' financial security and parents' mental health, which provide a glimpse into the potential that federal and state CTCs can have for families' wellbeing.

To date, 16 states have state-level child tax credits, but they vary in terms of credit value, child age limits, and limits on the number of children who can be claimed. As of tax year 2024, the maximum value of state CTCs ranges from $100 per child in Arizona and Oklahoma to up to $3,200 per child in Colorado. However, income eligibility limits and phase-out structures impact which and how many families receive the full value of the credit.

Like the federal and state EITCs, the federal CTC primarily benefits married (or otherwise custodial) fathers. Unlike the EITC however, because the CTC is *solely* targeted toward parents with children, there is no "childless" credit; noncustodial fathers do not receive even a small benefit unless the custodial parent waives their rights to claim the child as a dependent. This can pose a significant challenge for separated parents who support their children financially and emotionally but do not live with them at least 50% of the year.

Table 4 outlines the states with a CTC, the maximum credit value, eligibility requirements, and refundability status. Because no states have expanded CTCs to noncustodial parents, Table 4 should be interpreted as the credits available to the fathers who live with their children at least half of the year.

Table 4. States with Child Tax Credits (CTCs), Maximum Credit Value, Eligibility, and Refundability

State	Maximum Credit Value	Eligibility	Refundability
Arizona	$100 per child	Families with dependents under age 17	Nonrefundable
California	$1,154 per family	Families with dependents under age 6 who qualify for state EITC	Refundable
Colorado	$3,200 per child	Families with dependents under age 17 with incomes less than $95,000 (for married couples filing jointly)	Refundable
Idaho	$205 per child	Families with dependents under the age of 17	Nonrefundable
Illinois	$168 per family[a]	Families with dependents under age 12 who qualify for the federal EITC	Refundable
Maine	$300 per child	Families with dependents under age 17 who qualify for the federal child tax credit	Refundable
Maryland	$500 per child	Families with dependents under age 12, adults age 65 or greater, or members with a disability who earn $15,000 or less	Refundable
Massachusetts	$440 per child	Families with dependents under age 12	Refundable
Minnesota	$1,750 per child	Families with dependents under age 18; income thresholds depend on the number of qualifying children and marital status	Refundable
New Jersey	$1000 per child[b]	Families with dependents under age 6 and incomes no greater than $80,000	Refundable
New Mexico	$600 per child	Families with dependents under age 19, students under age 24, or members with a disability	Refundable
New York	$660 per child[c]	Families with dependents under age 17 and who qualify for the federal child tax credit	Refundable
Oklahoma	$100 per child[d]	Families with dependents under age 6 and incomes no greater than $100,000 (for married couples filing jointly)	Nonrefundable
Oregon	$1,000 per child (up to five children)	Families with dependents under age 6 and incomes less than $30,750	Refundable
Utah	$1,000 per child	Families with dependents between ages 1 and 3 and qualify for the federal child tax credit	Nonrefundable
Vermont	$1,000 per child	Families with dependents under age 6 with incomes no greater than $175,000	Refundable

Note. For the states without state CTCs, eligible families may still receive the federal CTC.

[a]The Illinois state child tax credit is currently worth 20% of a family's state EITC (20% of a maximum $843 credit). The CTC will increase to 40% of a family's state EITC in tax year 2025.

[b]The New Jerey state CTC is worth 50% of the federal CTC (50% of a maximum $2,000 credit)

[c]The New York state CTC is worth 33% of the federal CTC (33% of a maximum $2,000 credit) or $100 multiplied by the number of qualifying children. The current credit value is projected as the former.

[d]The Oklahoma state CTC is worth 5% of the federal CTC (5% of a maximum $2,000 credit) or 20% of the federal child and dependent care tax credit, whichever is greater. The current credit value is projected as the former.

Sources: National Conference of State Legislatures, Tax Policy Center, Tax Credits for Workers and Families, state websites, and state legislation.

Supporting eligible families' access to tax credits

Although federal and state tax credits have been shown to play a significant role in promoting families' wellbeing, eligible families must file a tax return to receive benefits. The National Conference of State Legislatures notes that this can lead low-income workers, who are not always required to file a tax return and may not be aware of their eligibility, to miss out on the credits for which they are eligible. As a result, states continuously work to increase the awareness of federal and state tax credits through legislation and budget appropriations.

In 2023, Colorado passed legislation to require employers to provide written notice about availability of federal and state tax credits. Similarly, California's (2023) Earned Income Tax Credit Information Act began requiring employers to notify all employees that they may be eligible for income tax filing assistance programs and antipoverty tax credits by handing certain documents directly to the employee or mailing documents to the employee twice annually. Additionally, in Maine, the Bureau of Labor and Industries commissioner has required employers to share information about federal and state EITCs with their employees since 2019.

In 2024, Colorado enacted legislation to create a pilot program to assist up to 100,000 resident households in filing or amending a tax return and claiming the federal and state earned income tax credit or child tax credit for up to two prior tax years. In 2022, Maryland established an 8-year program aimed to identify residents who are eligible to claim the credit but have not done to in the past. Despite not having a state EITC, beginning in 2009, Texas began requiring local workforce boards and the Texas Workforce Commission to use a portion of appropriated funds to assist recipients of Temporary Assistance for Needy Families (TANF), as well as other low-income workers, in applying for the federal EITC.

Conclusions

Fathers need to have the financial means to support their children either by covering the costs of childrearing or by paying child support if they are nonresident. Wages and tax credits are key to their ability to do so. The fact that the minimum wage will increase in nearly half the states this year (because of either automatic adjustments and voter amendments) is good news. More to the point, ten states have a minimum wage of $15 or higher with five more states on track to reach that benchmark in the coming years, including deeply red ones such as Alaska and Missouri. Realizing improvements in the financial capacity of fathers through tax credits will depend on their expansion to nonresident fathers at meaningful levels and/or the adoption of tax credits for noncustodial parents with less than perfect child support payment requirements. In any event, low-income fathers and mothers need to be educated about the benefits of filing a tax return to claim federal and state earned income or child tax credits, and it is welcome news that more states are developing mechanisms to accomplish this.