

Strengthening the Oklahoma Child Tax Credit

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Presentation Outline

- Overview of Oklahoma taxes and 50 state context
- Child Tax Credit best practices
- Options for Oklahoma



About the Institute on Taxation and Economic Policy

The Institute on Taxation and Economic Policy (ITEP)

- Non-profit, non-partisan research organization founded in 1980
- Federal, state, and local tax policy issues

Mission:

- Ensure elected officials, media, and general public have access to accurate, timely, and straightforward information that allows them to understand the effects of current and proposed tax policies with an emphasis on tax incidence analysis.



Families with modest income pay 10% of income in taxes

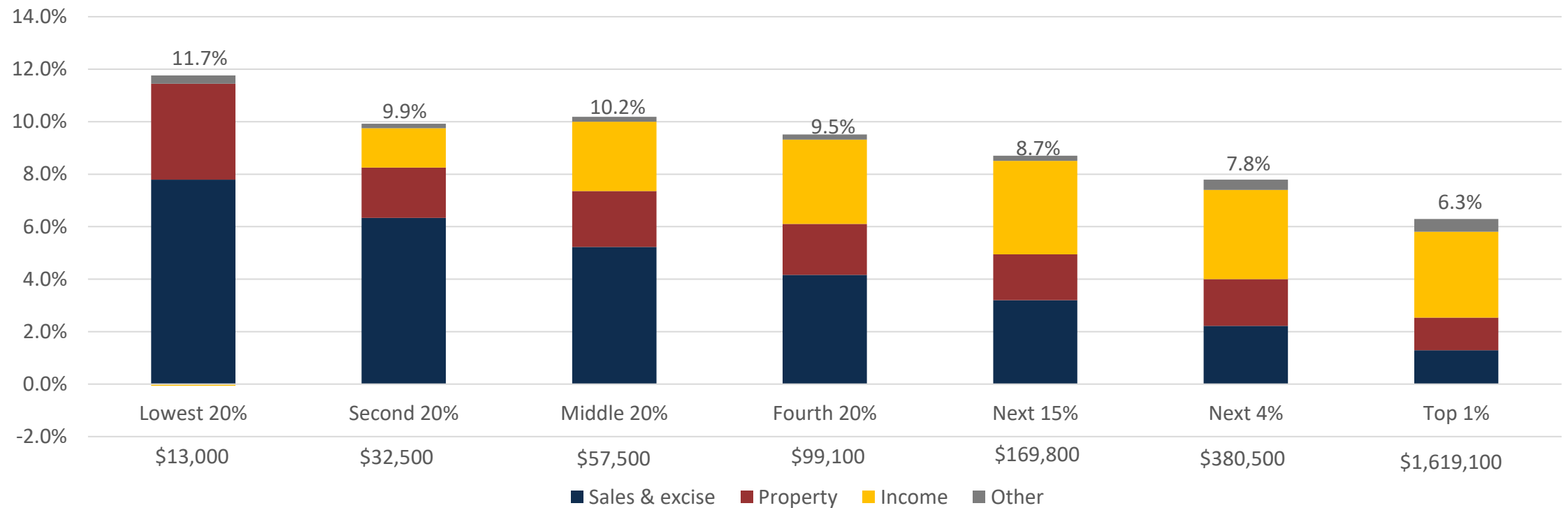
Average taxes paid

Tax type	Amount	
	Family of 4 at poverty line of \$30,900	Family in top 1 percent earning \$1.6 million
Sales and excise	\$1,960	\$20,900
Property	\$590	\$20,180
Income	\$460	\$52,980
Other	\$50	\$7,840
TOTAL	\$3,070	\$101,900
% of income	10 percent	6 percent

Source: Institute on Taxation and Economic Policy, *Who Pays?* 7th Edition as updated.

Oklahoma state and local taxes are highest for working families and lowest for the rich.

Oklahoma state and local sales tax as a share of income
Non-senior taxpayers, by type of tax



Source: Institute on Taxation and Economic Policies Who Pays? 7th Edition, updated to reflect sales tax changes.

Income tax credits play a critical role in boosting incomes for families with modest means

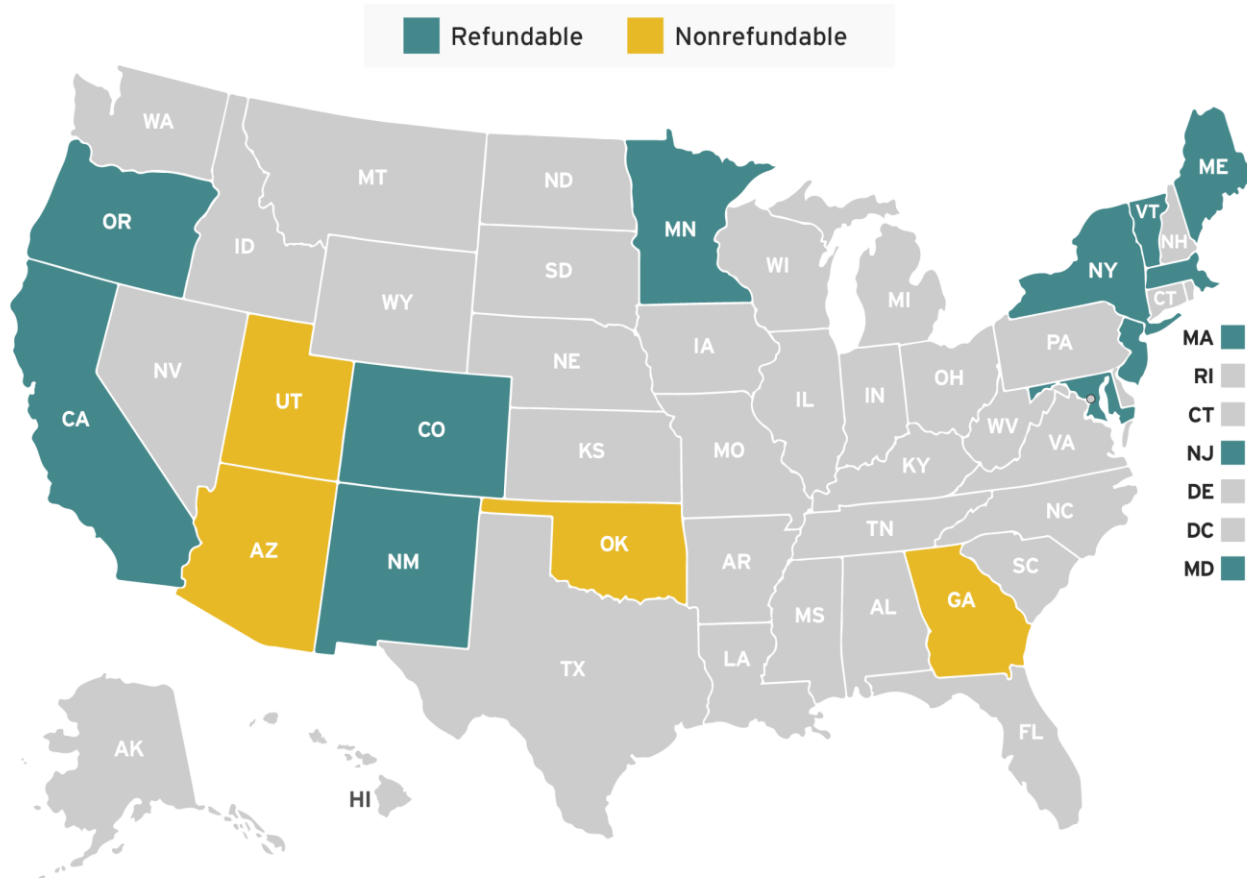
Credit	Total \$ claims (Cost to state)	Number of tax returns	Target recipients have:
Sales Tax Relief Credit	\$28,619,000	357,684	modest income
Refundable Earned Income Tax Credit	\$40,249,000	321,693	modest income and children
Child Care/Child Tax Credit	\$42,559,000	352,998	modest income and children

Source: Oklahoma Tax Expenditure Report, 2023-34

The recipients of the Child Tax Credit are taxpayers with modest incomes paying the highest share of their incomes in sales and excise taxes.

State CTC support children across the U.S.

State Child Tax Credits in 2026



Most states have chosen credits mostly independent from the federal credit and more responsive to their state's needs

Source: Institute on Taxation and Economic Policy, September 2025

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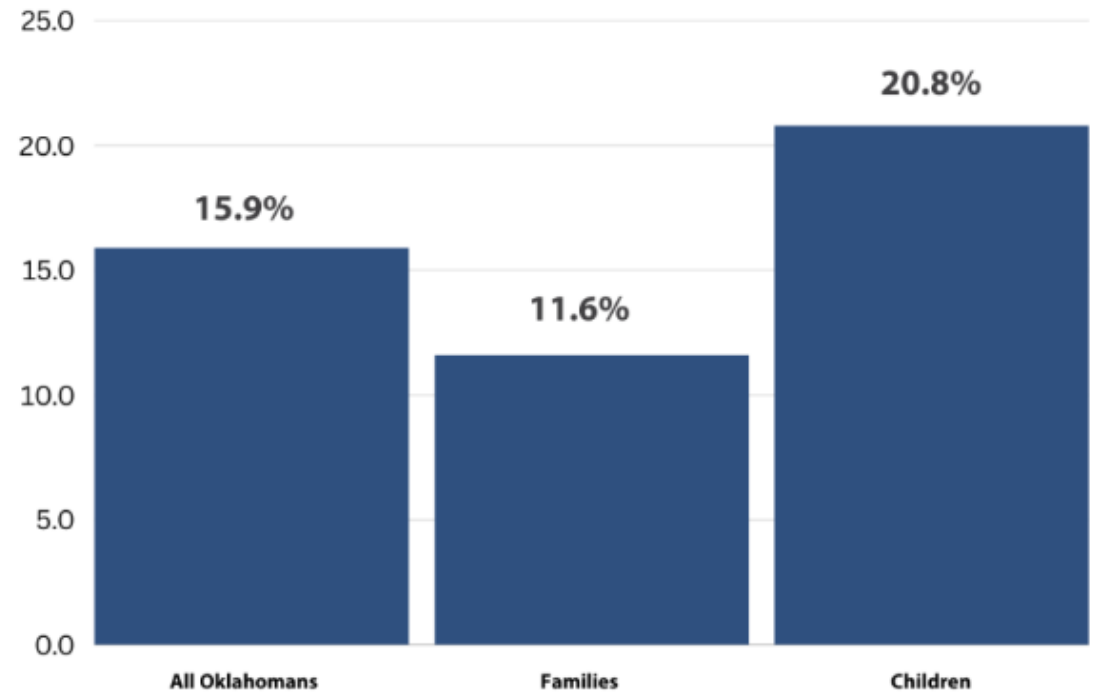
One in five
Oklahoman children
live in poverty

A \$1,400 base credit
could reduce that by
about a quarter

2023 Poverty Profile: Oklahoma



Children have higher poverty rate when compared with the general population



Data Source: U.S. Census Bureau's 2023 American Community Survey, Released 09/2024

Not all CTCs are created equal

The best
features:

Full refundability

Per-child benefits

Inflation index

Young child bonus

Income phase-outs

Oklahoma's CTC made refundable costs \$14 M

Make the current CTC refundable and delinked from CDCTC

	Bottom 20%	Second 20%	Third 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Average Income	\$13,000	\$32,500	\$57,500	\$99,100	\$169,800	\$380,500	\$1,619,100
Avg. Tax Cut for Those with Cut	\$67	\$65	\$37	\$35	\$20	\$0	\$0
% with Tax Cut	19%	16%	14%	19%	2%	0%	0%

Cost: \$14 million

A stronger option for Oklahoma children would be an independent Oklahoma Child Tax Credit



The state could make a CTC at about the cost of recent PIT cuts

But, the exact cost can match the state's budget

The working class would benefit from a strong, refundable Oklahoma CTC

Create a refundable Oklahoma CTC of \$550, 25% of the federal credit

	Bottom 20%	Second 20%	Third 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Average Income	\$13,000	\$32,500	\$57,500	\$99,100	\$169,800	\$380,500	\$1,619,100
Avg. Tax Cut for Those with Cut	\$825	\$918	\$812	\$726	\$722	\$1,350	\$573
% with Tax Cut	28%	29%	23%	12%	1%	0%	1%

Cost: \$320 million

A \$1,400 credit would approach a 25 percent reduction in child poverty

Create a refundable Oklahoma CTC of \$1,400, about 65% of the federal credit

	Bottom 20%	Second 20%	Third 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Average Income	\$13,000	\$32,500	\$57,500	\$99,100	\$169,800	\$380,500	\$1,619,100
Avg. Tax Cut for Those with Cut	\$2,100	\$2,338	\$2,067	\$1,749	\$1,721	\$3,437	\$1,459
% with Tax Cut	28%	29%	23%	14%	2%	0%	1%

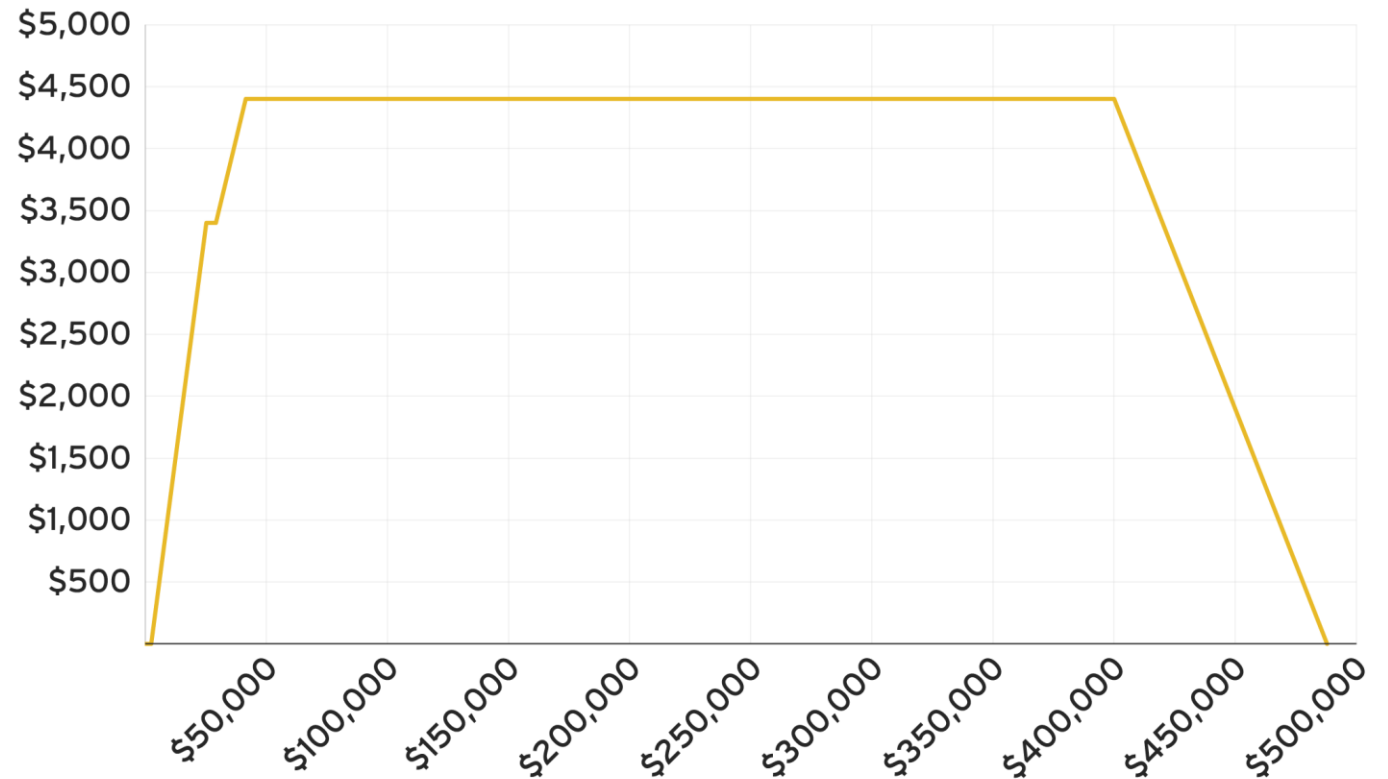
Cost: \$840 million

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The federal CTC helps many, but leaves families with the most modest means behind

Federal Child Tax Credit Structure in 2024

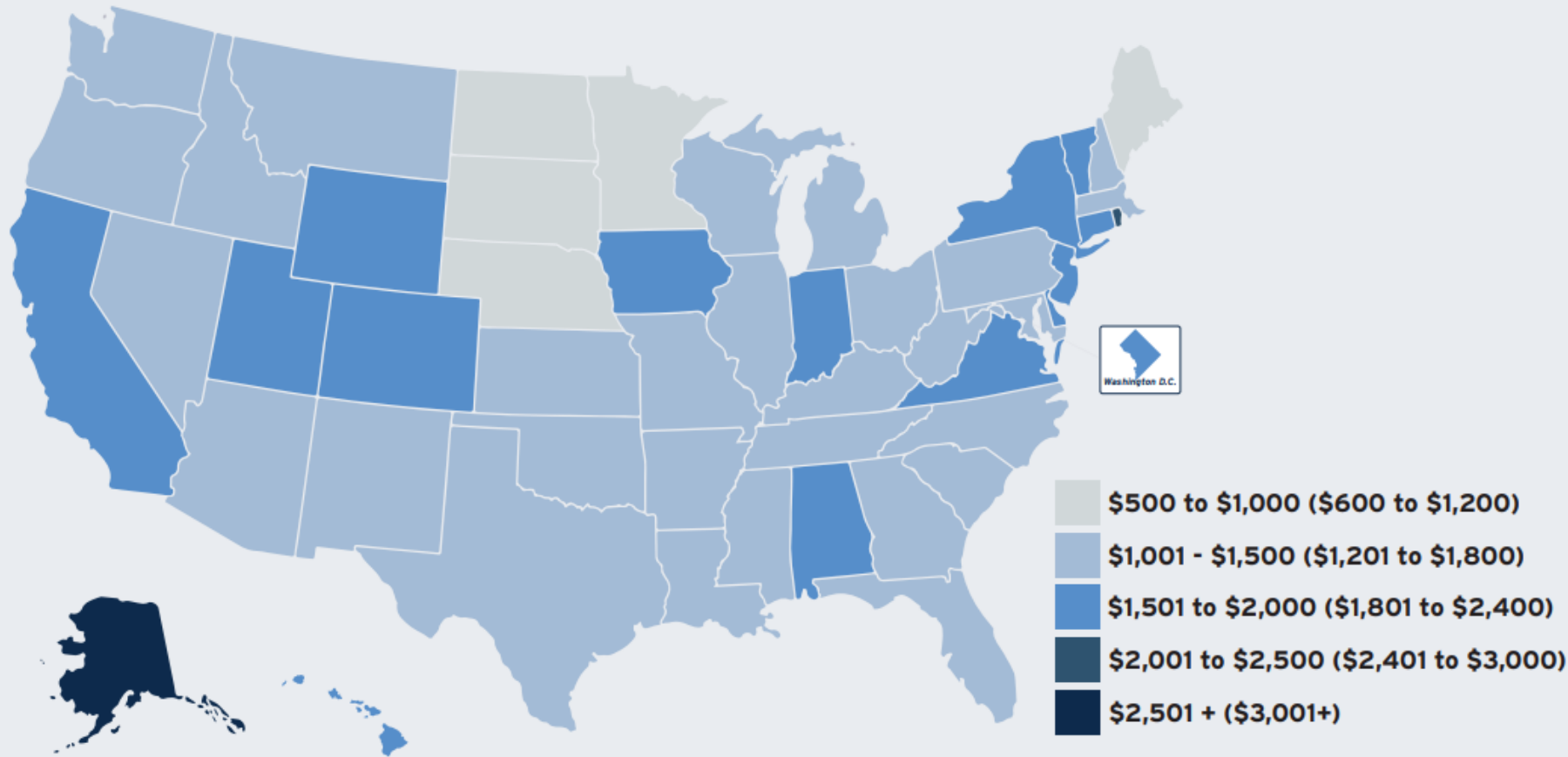
(Two-child, two-parent family)



Source: Institute on Taxation and Economic Policy, September 2025

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FIGURE 7. Geographic Variation in State Child Tax Credit Amounts Associated With a 25 Percent Reduction in State Child Poverty Rates



Note: Credit amounts are for children under age 18, followed by boosted credit amounts for children under the age of 6.

Source: Institute on Taxation and Economic Policy, Columbia Center on Poverty and Social Policy, 2022

25 percent of Oklahoma's child poverty could be reduced with a **\$1400** credit per child with a young child boost