Designed for Filing, Not for Families

Findings from New Practice Lab's Tax Credit Barriers Survey

October 2025

Why Tax Credits?

Tax credits put cash directly into the pockets of low- and moderate-income working families, especially households with children.

Tax credits are among the nation's most effective anti-poverty tools

40%

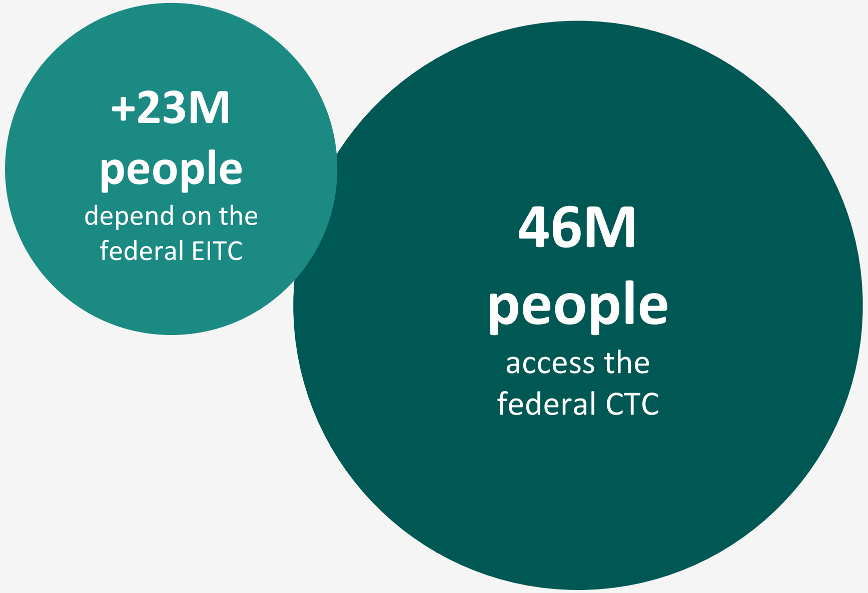
Reduction in child poverty following the 2021 expansion of the Child Tax Credit

>6M

People raised out of poverty in 2024 because of refundable credits like the Child Tax Credit & Earned Income Tax Credit

But we need to improve how they reach families

Improving delivery for those receiving support



Increasing access for those missing out

People are not getting what they're owed. ~20% of don't claim owed federal EITC, trend likely persists with CTC.

~18% of eligible filers missed out on Maryland's state EITC in TY '23

~20K Coloradans received the federal earned income tax credit but not corresponding state credit in TY '22

About the Survey

01 **5,012 U.S. adults** surveyed between December 2024 and January 2025

02 All 50 states | **New York** – 264 (5%)

03 88% with **annual household incomes below $65,000**

04 **Tax filing behavior**

- 63.7% had not filed taxes in the past three years
- 7.6% had filed inconsistently (some years, not others)
- 28.7% had filed every year for the past three years

05 In parallel, **qualitative study with 25 low-income residents** in Illinois between September 2024 and February 2025

In the Report…

User Journey Stage	Finding	Implementation Takeaway
Stage 1: **Learning**	• Awareness gaps keep eligible people from accessing credits • Diverse motivations & multiple sources of information shape credit uptake	• Tailor messages to real-life motivations
Stage 2: **Applying**	• Many fear an honest mistake could lead to serious consequences • Tax filing feels too complex to do alone, but help is too expensive • Documentation and identity verification challenges block filing	• Reframe filing as supportive—not punitive—to reduce fear • Expand access to tax credit options beyond the full tax return • Support through tax credits shouldn’t depend on perfect paperwork
Stage 3: **Receiving**	• Tax credits feel disconnected from other government support	• Integrate tax credits into support families already receive

Awareness gaps keep eligible people from accessing credits

"I never thought about [tax credits]...I just filed my taxes the same way I have been doing since I was 17 years old."

— Survey respondent,
35–44 year old legal guardian/foster parent to ***two children;***
<$55,000 annual household income;
Had filed taxes every year for the past three years but had never claimed tax credits

01 Awareness lowest among those most likely to benefit

24% had not heard of any tax credits (NY: 28%)

36% of households earning under $10K were unaware of any tax credits (NY: 38%)
(over 2x the rate of households earning more than $150K - 17%)

02 Overlapping concerns

40% believed income was too low to qualify,
24% found it challenging to understand eligibility,
16% worried claiming might affect other benefits,
16% didn't know how to claim credits

03 Slightly different credit eligibility rules across federal and state programs added to the confusion

Diverse Motivations & Multiple Sources Shape Credit Uptake

"I tend to do it alone because I don't want to pay that $400 or $500 tax preparer fee. But usually, I get help from the library or something like that. And look up information from a free website. Or try to call the IRS as much as I can when I'm not understanding something."

— IL research participant talking about support she seeks out when filing a tax return

01 **7 behavioral archetypes**

1. The Simplifier
2. Paying for Expertise
3. Seeking Immigration Stability
4. Weighing Effort
5. Surviving with Safety Net
6. Consistently Owes
7. Misinformed/Unaware

02 Language about **"missing money" or "extra income"** resonated far more than tax-specific terms like "credits" or "returns"

03 Timing mattered. People wanted to learn about tax-related opportunities **early in the fall**

04 **3 trusted sources** named, on average, underscoring importance of multi-channel outreach

What This Can Mean for Implementation:

Tailor messages to real-life motivations—Messaging should reflect how people seek information and make decisions.

Many Fear an Honest Mistake Could Lead to Serious Consequences

“If you mess up, you can go to jail.”

— Survey respondent, <$10,000 annual household income; hadn’t filed taxes in three years

01 **Especially acute among lower-income households**

51% of households earning < $26K reported this fear (compared to 28% of those earning > $150K)

Acute among gig workers, those with multiple sources of income

02 **These fears have real consequences**

61% who those afraid of making mistakes had not filed taxes in the past three years

More likely to miss out on credits

What This Can Mean for Implementation:

Reframe filing as supportive—not punitive—to reduce fear and build confidence.

Tax filing feels too complex to do alone, but help is too expensive

"I had to skip paying my January electric bill in order to buy tax software."

— Survey respondent, married with two children; gig worker/freelancer; $10,000–$25,999 annual household income

01 **36% identified cost as a barrier**

NY: 39%

Often reflected a lack of confidence in navigating the process alone; driven by the fear of making a mistake

02 **Despite the cost, most still needed to use professional tax help**

70% reported using a preparer, 15% filed on their own, and 16% with help from friends or family

Of those who filed on their own or with help from family or friends, 22% had done so because they did not know that free or affordable tax preparation services were available

What This Can Mean for Implementation:

Expand access to tax credit options beyond the full tax return.

Documentation and identity verification challenges block filing

"I was homeless...my tent got flooded. I lost everything."

— Survey respondent; Annual HHI $10,000 to $25,999; Has not filed in 3 years; Experiencing homelessness

01 50% reported trouble gathering documents

NY: 56%

>70% in NY reported facing challenges with more than one document type

Expired/missing IDs, locked accounts, trouble tracking expenses, papers lost during housing instability

02 15% reported identity verification issues when trying to file

34% struggled with navigating ID.me
22% encountered mismatched records, such as outdated addresses
20% couldn't proceed because of errors on prior tax returns
20% said they did have identity documents
20% couldn't verify their identity due to lack of access to smartphones or email

What This Can Mean for Implementation:

Support through tax credits shouldn’t depend on perfect paperwork.

Tax Credits Feel Disconnected from Other Government Support

"If my taxes were to be pre-filled by the county building where I received my SNAP and CalWORKS benefits from I wouldn't mind it at all. They already know what I make … so it only makes since that could help with my tax form."

— Survey respondent with one child < 5;
Had not filed in 3 years, Had not heard of tax credits;
Annual HHI $10,000 to $25,999

01 84% of households who had not filed taxes, had participated in at least one government benefit program recently during that time period (1.7 on average)

02 Highly utilized government support programs included:

55% – SNAP (NY: 58%)
32% – Health insurance (NY: 33%)
27% – SSI (NY: 25%)
26% – SSDI (NY: 24%)
12% – Home energy bills (NY: 17%)
11% – Housing (NY: 13%)

03 High interest in tax support from existing agency touch-points

62% interest among those with no benefit program participation
71% among those in 1-2 government programs
81% among those in 5+ government programs

What This Can Mean for Implementation:

Integrate tax credits into support families already receive.

Summary of Takeaways

Tailor messages to real-life motivations

Reframe filing as supportive—not punitive—to reduce fear

Expand access to tax credit options beyond the full tax return

Support through tax credits shouldn't depend on perfect paperwork

Integrate tax credits into support families already receive

What we've heard…

"I wasn't properly taught how to do anything, and I don't know where to begin. I'm scared I'll do something wrong and be penalized for an honest mistake."

"A friend I helped to file their taxes was afraid to claim any credits because he hadn't filed since 2013."

"I'm not great at math."

"When I work gigs or am self-employed, I have to report my earnings for taxes multiple times a year. It's hard and confusing."

"Don't have all the correct W-2 forms or whatever they're called...it's too high-class, written for only college people, not for the blue-collar workers."

"I would like to e-file without using TurboTax so I could do it totally for free and not spend part of my refund on it, but I'm scared I'll get it wrong."

"It's like a mortgage payment."

"Taxes have to be on pause...there were so many years during the pandemic when there was so little work. You know, people have to eat. So the debt got big, and we're still paying it off."

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Thank you.