



FAMILY ECONOMIC SUCCESS POLICY RESOURCE CENTER

EARNED INCOME TAX CREDIT FACT SHEET

BRIEF OVERVIEW

A state Earned Income Tax Credit (EITC) supplements the federal credit and works as a rebate for state taxes paid by low-income working people. Currently, 23 states plus the District of Columbia have enacted a state EITC, which is often a percentage of the federal credit. EITC legislation has been passed in states controlled by both Republicans and Democrats and has been supported by both business groups and social service advocates. Today, the EITC is one of the largest anti-poverty tools in the United States, despite the fact that most income measures, including the poverty rate, do not account for the credit.

EARNED INCOME TAX CREDIT FACTS

- The Earned Income Tax Credit (EITC), created in 1976, has grown over the past 30 years into the nation's largest program for the so-called "working poor." In tax year 2006, more than 22 million lower-income families claimed over \$43 billion via the EITC. (Brookings Institute)
- Research indicates that each year state Earned Income Tax Credits lift approximately 4 million people, including 2 million children, out of poverty. (Center on Budget and Policy Priorities)
- Research shows that state EITCs raise employment among single parents and that the resulting increase in earnings boosts economic activity within a state. (Center on Budget and Policy Priorities, Roosevelt Institution at Yale College)
- From 2006-2008, five states have enacted new EITC legislation—WA, NC, LA, NM, and MI—bringing the total number of states that have enacted EITC legislation to 24. Eight other states improved their credits: IL, IN, IA, KS, NE, NJ, OR, and DC. (Center for the Study of Social Policy)
- The nation's 100 largest metro areas were home to an estimated 13.8 million EITC-eligible tax filers in 2005. That represents about 16% of their estimated 86 million tax filers that year. Overall, those workers and families were eligible to claim EITC amounts totaling \$25.1 billion, or an average of more than \$1,800 per filer. (Brookings Institute)

Updated: June 2009