



## **EARNED INCOME TAX CREDIT:**

### **Helping Families Build Financial Assets**

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# EITC: Helping Families Build Financial Assets

## Introduction

Enterprise Community Partners is pleased to share this compilation of information on the value of the Earned Income Tax Credit (EITC) for very low-income working families and individuals. The EITC was established in 1975 to help offset the payroll taxes paid by working families and to encourage parents to work. If they qualify, they pay less federal tax or pay no tax at all. In some cases, eligible taxpayers receive a refund beyond the amount of tax withheld.

Research supported by the Annie E. Casey Foundation has shown that the EITC is responsible for lifting more children out of poverty than all other government supports. The EITC, which can provide as much \$4,824 annually for a family of four, can help families save money, pay for work supports such as child care and transportation, increase personal assets by accessing higher education or job training, as well as provide funds for a homeownership.

Each year, hundreds of thousands of eligible families do not take advantage of the EITC funds, Child Care Tax Credits, and Additional Child Tax Credits to which they are entitled. And hundreds of thousands of others, together, waste billions of dollars on tax preparers when volunteers trained by the IRS could help them free of charge.

The summary information provided in this EITC brief can guide housing owners and resident services staff in family affordable rental housing to the resources they need to share with housing residents and to partner with local EITC campaigns to bring tax preparation volunteers onsite to ensure that everyone in your properties and community can access the most significant tax credits available to working families.

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## **EARNED INCOME TAX CREDITS (EITC)**

**This is a special tax break designed specifically for low- and moderate-income workers. People who qualify for the EITC will pay less in taxes.**

### **THE FACTS:**

- ❖ The EITC, available to both individuals and families, has become one of the nation's largest and most important anti-poverty programs
- ❖ According to the Center for Budget and Policy Priorities, the federal EITC alone now lifts about 4.4 million people — over half of them children — out of poverty each year
- ❖ The maximum federal EITC benefit for the 2008 tax year is \$4,824 for families with two or more children
- ❖ In 2005, 22 million federal applicants received \$41.4 billion. In 2006, 22.4 million federal applicants received \$43.7 billion.
- ❖ Twenty – four states, plus the District of Columbia, Montgomery County, MD and New York City, have enacted a state or local Earned Income Tax Credit in addition to the federal EITC.
- ❖ Estimates for annual state EITC benefits exceed \$2 million for families and individuals in each state
- ❖ Most EITC benefits are collected by suburban and rural residents, not city residents.
- ❖ Workers can file for tax credit refunds for the last three years. So in 2008, people can still file for 2004, 2005, and 2006 tax seasons. Next year, in 2009, people will be able to file for 2005, 2006, and 2007.
- ❖ Workers have the option of filing for Advanced Earned Income Tax Credit (AEITC) which allows certain taxpayers to receive their EITC in installments throughout the year, instead of a lump sum during the following tax-filing season.
- ❖ It's not too late to get the stimulus payment – but people have to file a regular tax return before October 15<sup>th</sup>!

## **Resources for the Earned Income Tax Credit:**

**1. National Community Tax Coalition** is a national outreach program designed to help people find local tax aid resources. These include online resources, VITA sites, best practices highlights, and information on upcoming trainings. [www.tax-coalition.org](http://www.tax-coalition.org) [5]

**2. Annie E. Casey** works with National Community Tax Coalition, CBPP, and others to fund promotion and support for the EITC. The Annie E Casey Foundation has a number of reports and resources on their website that help make the case for promoting the EITC and provides an outreach kit available in both English and Spanish. [7]

**3. National League of Cities** has an online EITC toolkit that gives a step by step timeline, instructions for starting your own EITC outreach program, background information on EITC, benefits for cities, businesses and individuals etc. [9]  
<http://www.nlc.org/YEF/EITC>

**4. The IRS** offers information on their **VITA Volunteers** program, Advance EITC, Child Tax Credit, and the Education Tax Credit. **VITA volunteers** prepare basic tax returns for low income tax payers including persons with disabilities, non-English speaking persons, and elderly taxpayers. [www.irs.gov](http://www.irs.gov) [9]

**5. AARP Tax-Aide** provides free tax preparation help to people with low to moderate incomes from February 1 to April 15. In fact, Tax-Aide is the nation's **largest free tax assistance and preparation service** in the United States — giving special attention to people over age 60. [http://assets.aarp.org/external\\_sites/google/overview.html](http://assets.aarp.org/external_sites/google/overview.html) [13]

**6. Brookings Institute** offers policy context for the EITC both in local and national scales. In addition Brookings offers several tools that allow users to select EITC data broken down by location and specific tax credit content between 1997 and 2005.  
<http://www.brookings.edu/metro/EITC/EITC-Homepage.aspx> [13]

**7. Center for Budget and Policies Priorities EITC OUTREACH KIT: Office of Tax and Revenue Site** (posters in many languages) The CBPP is one of the nation's premier policy organizations working at the federal and state levels on fiscal policy and public programs that affect low- and moderate-income families and individuals. The website offers information about EITC in addition to flyers and VITA training to assist your outreach to the community. <http://www.cbpp.org/eic2008/> [14]

**10 Ways Housing Groups can promote the Earned Income Tax Credit and Child Tax Credit:** <http://www.cbpp.org/eic2007/10wayshousinggroups.pdf>

The following information to help organizations partner with EITC campaigns and provide resources for families and individuals to access the EITC was distilled from the websites of the aforementioned organizations and is mostly whole excerpts from the following: [www.tax-coalition.org](http://www.tax-coalition.org), [www.cbpp.org](http://www.cbpp.org), [www.aecf.org](http://www.aecf.org), [www.caab.org](http://www.caab.org), [www.irs.gov](http://www.irs.gov), [www.aarp.org](http://www.aarp.org), [www.nlc.org](http://www.nlc.org), [www.brookings.edu](http://www.brookings.edu).



## National Community Tax Coalition

<http://www.tax-coalition.org>

- Largest Resource for finding out what's going on nationally and regionally.
- Program locator: links to local campaigns!
- Featured Program profile – North Greenville Community Development
- Summits: Arizona July 23-25, Houston Sept 15 – 16<sup>th</sup>
- Upcoming Trainings
- Archived Trainings - *Webinars*
- Up to date information on stimulus package
- Information about VITA Grants
- Annie E. Casey Foundations: Quality of EITC Campaign Report 2007 Results [http://www.tax-coalition.org/Resource%20Library/Quality\\_in\\_EITC\\_Campaigns\\_2007.pdf](http://www.tax-coalition.org/Resource%20Library/Quality_in_EITC_Campaigns_2007.pdf)
- Large Resource Library: Archives, research, resources etc.
- State by state Comparison of credits, EITC resources, legislation etc. [http://www.stateeitc.com/map/2008\\_stateeitc\\_chart.xls](http://www.stateeitc.com/map/2008_stateeitc_chart.xls)

### **MAXIMUM EARNED INCOME TO QUALIFY FOR 2008 EITC**

	<b>Married Filing Jointly</b>	<b>Single Head of Household</b>
No Children	\$15,880	\$12,880
One Qualifying Child	\$36,995	\$33,995
Two or More Qualifying Children	\$41,646	\$38,646

### **Maximum EITC Return for 2008**

No Children	\$438
One Qualifying Child	\$2,917
Two or More Qualifying Children	\$4,824

## **Sample Timeline for Organizations Looking to Link Residents to EITC Outreach Campaigns**

### ***September/October***

- Start surveying your residents to find out how many have filed taxes, if they have taken advantage of EITC and other tax credits, and if they have previously used paid preparers or utilized free tax aid services

### ***November:***

- Start conducting informal outreach in the community
- Identify local volunteer tax preparer sites and organizations

### ***December***

- Begin public education and outreach in the first week of January
- Potentially, find out if there are tax aid volunteers that can come to your site or a location near you
- Start putting up posters about free tax aid
- Provide examples of potential returns

### ***January- February***

- Be prepared for the last week of January and first week of February – these are the weeks when most workers receive their W2s
- Boost visibility of the EITC and other services through outreach
- Monitor the flow of tax filers and the quality of service being provided

### ***February - April***

- Be aware that there is a lower demand for tax aid filing from mid February – mid March and this picks up again mid March – April.
- Make sure that residents have filed for tax returns for previous years – remember they can file for these up to three years after each tax season

### ***April – May***

- Start planning for the next tax season
- Prepare to help handle tax return errors and provide post – filing season assistance
- Continue to help residents find tax aid sites that work outside of tax season

## **Annie E. Casey**

<http://www.aecf.org/MajorInitiatives/FamilyEconomicSuccess/EITCFreeTaxAssistance.aspx>

The Casey Foundation launched the National Tax Assistance for Working Families Campaign in January of 2003 to put the Earned Income Tax Credit (EITC) to work for low-income families across the nation. In diverse communities from San Diego to Savannah, to rural North Carolina and New Hampshire, thousands of volunteers are providing families with free assistance in filing tax returns, claiming the EITC and other tax credits, and learning about ways to build assets and financial stability.

Harnessing the power of the EITC is an integral part of the Foundation's Family Economic Success approach. The EITC is one of the most effective anti-poverty strategies ever developed, lifting nearly 5 million people above the poverty line each year. First enacted in 1975, and expanded four times since then, the federal tax credit enjoys bi-partisan support. It is intended to reduce the tax burden on low-income workers, supplement their wages and assist in the welfare-to-work transition.

The EITC can contribute a substantial amount of money to families who are struggling to make ends meet. For tax year 2004, the EITC could add as much as \$4,300 to a qualified family's annual income. By raising awareness for the EITC and increasing the use of tax credits, the Foundation is helping more low-income families achieve economic stability and enter the financial mainstream. In addition, the Foundation seeks to protect the full value of the EITC for families by encouraging the use of free or low-cost tax preparation and helping low-income taxpayers avoid unnecessary fees and high-interest "rapid refund" loans. Each local campaign that is affiliated with Casey's National Tax Assistance for Working Families Campaign pledges to:

- Promote greater awareness of the tax code benefits, especially the EITC, among low-income families;
- Advance low-cost or free tax preparation, and the avoidance of unnecessary charges; and
- Incorporate the use of tax refunds as part of an overall asset-building strategy.

Campaign members also agree to ensure high quality in the preparation of returns and customer service, and to gather data that could be used in national campaign evaluation.

- Read a [fact sheet](#) on the Earned Income Tax Credit.
- Find [Resources on Family Economic Security](#) from the Casey Foundation's Knowledge Center.

**EITC Outreach Kit:** helps to educate workers about the tax credits they are eligible for. This kit includes: fact sheets, strategy ideas, posters, tax forms, and envelope stuffers in both English and Spanish.

<http://www.aecf.org/KnowledgeCenter/Publications.aspx?pubguid={BC6A9DE4-DE48-4A3C-BD96-F827A07308FD}>

## **National League of Cities**

<http://www2.nlc.org/nlctoolkit/html/index.html>

The National League of Cities has developed a comprehensive outreach tool targeting municipal leaders. The kit includes a step by step outline of how to prepare for tax season, how to apply for volunteers, resources, and additional organizations that offer EITC assistance.

## **IRS: Internal Revenue Service** [www.irs.gov](http://www.irs.gov)

- Volunteer Income Tax Assistance (VITA) Program
- EITC Assistance Tool: <http://www.irs-eitc.info/SPEC/>
- Information on Advance EITC (AEITC)
- Information on Child Tax Credits

### **VITA: Volunteer Income Tax Assistance Program (VITA)**

The VITA Program offers free tax help to low- to moderate-income (generally, \$40,000 and below) people who cannot prepare their own tax returns. Certified volunteers sponsored by various organizations receive training to help prepare basic tax returns in communities across the country. VITA sites are generally located at community and neighborhood centers, libraries, schools, shopping malls, and other convenient locations. Most locations also offer free electronic filing. To locate the nearest VITA site, call 1-800-829-1040.

### **Tax Counseling for the Elderly (TCE)**

The Tax Counseling for the Elderly (TCE) Program provides free tax help to people age 60 and older. Trained volunteers from non-profit organizations provide free tax counseling and basic income tax return preparation for senior citizens. Volunteers who provide tax counseling are often retired individuals associated with non-profit organizations that receive grants from the IRS.

As part of the IRS-sponsored TCE Program, AARP offers the Tax-Aide counseling program at more than 7,000 sites nationwide during the filing season. Trained and certified AARP Tax-Aide volunteer counselors help people of low-to-middle income with special attention to those ages 60 and older.

For more information on TCE call 1-800-829-1040. To locate the nearest AARP Tax-Aide site, call 1-888-227-7669 or visit [AARP's Internet site](#).

## **Military personnel and their families get free tax help!**

The military also has a strong Volunteer Income Tax Assistance (VITA) Program. The Armed Forces Tax Council (AFTC) consists of the tax program coordinators for the Army, Air Force, Navy, Marine Corps, and Coast Guard. The AFTC oversees the operation of the military tax programs worldwide, and serves as the main conduit for outreach by the IRS to military personnel and their families.

Marines, airmen, soldiers, sailors, and guardsmen, and their families worldwide receive free tax preparation assistance at offices within their installations. These VITA sites provide free tax advice, tax preparation, and assistance to military members and their families. They are trained and equipped to address military specific tax issues, such as [combat zone](#) tax benefits and the effect of the new [Earned Income Tax Credit \(EITC\)](#) guidelines. The military tax programs generated over 287,644 electronic 2006 federal income tax returns.

Commanders support the program by detailing service members to prepare returns and by providing space and equipment for tax centers. The IRS supports these efforts by providing tax software and by training service members to prepare taxes at the military sites.

Most service members file their tax returns electronically at their tax centers and, by selecting direct deposit, receive their refunds in as little as one week. This combined effort ensures that service members receive free tax assistance from well-trained and equipped military tax preparers.

### **Items you need to bring to the VITA/TCE Sites to have your tax returns prepared:**

- Proof of identification
- Social Security Cards for you, your spouse and dependents and/or a Social Security Number verification letter issued by the Social Security Administration
- Birth dates for you, your spouse and dependents on the tax return
- Current year's tax package if you received one
- Wage and earning statement(s) Form W-2, W-2G, 1099-R, from all employers
- Interest and dividend statements from banks (Forms 1099)
- A copy of last year's Federal and State returns *if available*
- Bank Routing Numbers and Account Numbers for Direct Deposit
- Total amount paid for day care provider and the day care provider's tax identifying number (the provider's Social Security Number or the provider's business Employer Identification Number)
- To file taxes electronically on a married filing joint tax return, both spouses must be present to sign the required forms.

It is extremely important that each person use the correct Social Security Number (SSN). The most accurate information is usually located on your original Social Security card. Each year hundreds of thousands of returns are delayed in processing, or credit/deductions are disallowed because names and Social Security Numbers do not match Social Security Administration records. To prevent processing delays in paper returns and rejected electronically filed returns, volunteers check the accuracy of each Social Security Number, as well as the spelling of the name associated with the number. If you do not have a Social Security Number for you or a dependent, you should complete Form SS-5, Social Security Number Application. This form should be submitted to the nearest [Social Security Administration Office](#).

If you or your dependent is not eligible to get a Social Security Number, you may need [an Individual Taxpayer Identification Number \(ITIN\)](#).

### **The Advance EITC**

More information can be found on [www.irs.gov](http://www.irs.gov).

#### **What is it?**

The Advance Earned Income Tax Credit is a refundable credit for certain qualified workers. It is intended to help offset some of the increases in living expenses and Social Security taxes. This credit reduces the amount of tax owed, if any, and may result in a refund to the taxpayer.

The AEITC allows certain taxpayers to receive their EITC in installments throughout the year, instead of a lump sum during the following filing season. Advance payments of the EITC allow workers who work and expect to meet the following criteria to receive part of the credit in each paycheck, up to \$1,750. AEITC can add to the employee's take-home pay year round.  
<http://www.irs-eitc.info/SPEC/>

#### **Do I qualify for Advance EITC?**

You can choose to get part of the credit in your paycheck, if

1. you are working;
2. you expect your adjusted gross income (AGI) and earned income will fall within the income limits for the year;
3. You expect to have at least one qualifying child; and you expect to qualify for the EITC.

## How do I get Advance EITC payments?

A3. See if you qualify for Advance EITC payments by completing the five questions on the back of Form [W-5, \*Earned Income Credit Advance Payment Certificate\*](#), available here or through your employer.

If you qualify, complete the bottom part of the Form W-5 and give it to your employer. Then, based on your income, your employer adds additional money to your take-home pay in each paycheck.

If your only income is from self-employment, you cannot qualify for advance EITC payments.

For more information and resources visit the IRS webpage:  
<http://www.irs.gov/individuals/article/0,,id=96515,00.html>

## The Child Tax Credit

This credit is for people who have a qualifying child as defined on this page. It is in addition to the credit for child and dependent care expenses (on Form 1040, line 47; Form 1040A, line 29; or Form 1040NR, line 44) and the earned income credit (on Form 1040, line 66a; or Form 1040A, line 40a).

The maximum amount you can claim for the credit is \$1,000 for each qualifying child.

## Qualifying Child

A qualifying child for purposes of the child tax credit is a child who:

1. Is your son, daughter, stepchild, foster child, brother, sister, stepbrother, stepsister, or a descendant of any of them (for example, your grandchild, niece, or nephew),
2. Was under age 17 at the end of 2007,
3. Did not provide over half of his or her own support for 2007,
4. Lived with you for more than half of 2007 (see *Exceptions to time lived with you* below), and
5. Was a U.S. citizen, a U.S. national, or a U.S. resident alien. If the child was adopted, see *Adopted child* below.

For each qualifying child, you must either check the box on Form 1040 or Form 1040A, line 6c, column (4); Form 1040NR, line 7c, column (4); or complete Form 8901 (if the child is not your dependent).



## **American Association of Retired Persons (AARP)**

[http://assets.aarp.org/external\\_sites/google/overview.html](http://assets.aarp.org/external_sites/google/overview.html)

Tax-Aide provides free tax preparation help to people with low to moderate incomes from February 1 to April 15. In fact, Tax-Aide is the nation's **largest free tax assistance and preparation service** in the United States — giving special attention to people over age 60.

Over 32,000 specially trained volunteer tax specialists at over 7,000 sites nationwide, help taxpayers obtain all the tax deductions and credits they're entitled to — **absolutely free!** This vital service is only partially funded by the government.

Over 32,000 trained volunteers nationwide, however, Tax-Aide prepares federal returns for low- and moderate-income taxpayers — especially seniors — helping them obtain all the money they're entitled to. Last year, Tax-Aide volunteers served 2.1 million people. As a result, nearly \$160 million in earned income tax credits were paid to taxpayers nationwide.

## **Brookings Institute**

<http://www.brookings.edu/metro/EITC/EITC-Homepage.aspx>

Brookings offers policy context for EITC as a resource for low-income individuals and families. It also provides a tool that allows users to evaluate EITC data within a specific zip code, city/town, county, state, metro area, legislative or congressional district between the years 1997 and 2005.

Users are able to choose different data from tax returns to create a spreadsheet that could offer insight into changes in tax returns from year to year or from location to location. Data topics include: new filers, EITC filers, child tax credit filers, additional child tax credit filers, education credit filers, and student loan interest filers, refund returns, balance due returns, direct deposit returns, and preparer types used.

## **Center for Budget and Policy Priorities**

[www.cbpp.org](http://www.cbpp.org)

### **STATE EARNED INCOME TAX CREDITS: 2008 LEGISLATIVE UPDATE**

By [Jason Levitis](#) and Jeremy Koulish

Twenty-four states (counting the District of Columbia) have enacted an Earned Income Tax Credit (EITC), a tax reduction and a wage supplement for low- and moderate-income working families. State EITCs are based on the federal EITC, which a large body of evidence has shown to serve a number of important public policy goals. States that enact EITCs can reduce child poverty, cut taxes, and increase the incentive to work for families struggling to make ends meet.

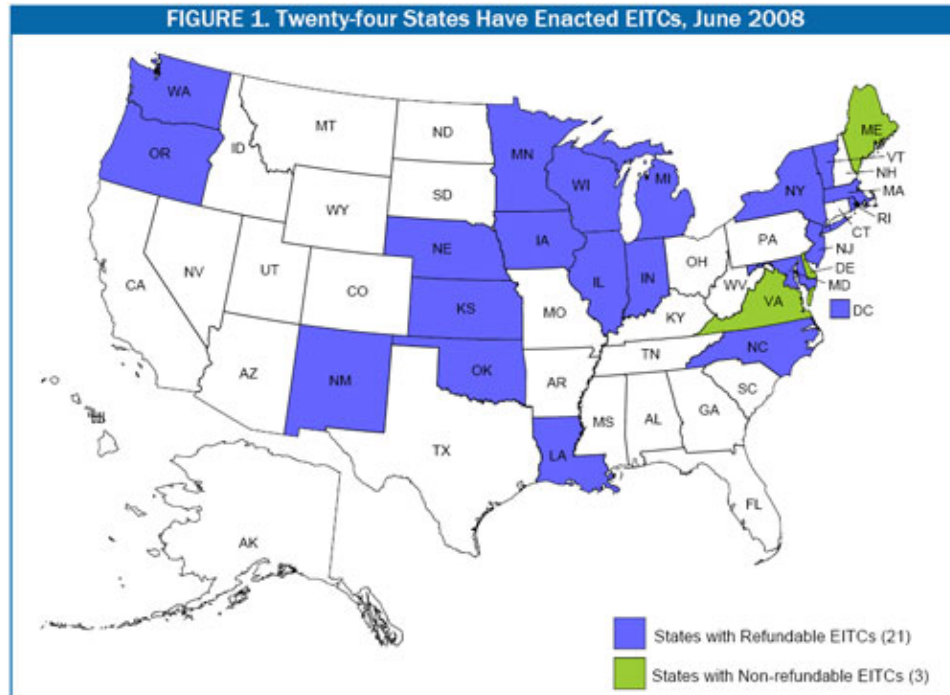
#### **Rising Number of States Offer EITCs**

Since 2006, five states have enacted new EITCs — Washington in 2008, North Carolina, Louisiana, and New Mexico in 2007, and Michigan in late 2006 — bringing the total number of states with an EITC to 24. Eight other states improved their credits: Illinois, Indiana, Iowa, Kansas, Nebraska, New Jersey, Oregon, and the District of Columbia.

When these new and improved EITCs are fully implemented, nearly two out of five recipients of the federal EITC will live in a state with an EITC. Annual state EITC benefits will exceed \$2 billion.

The 24 states with EITCs include 23 of the 42 states with broad-based income taxes — well over half. In addition, two local governments — New York City and Montgomery County, Maryland — offer local EITCs. States without income taxes are also starting to offer them. In 2008, Washington became the first of the nine states without a broad-based income tax to enact a state EITC, setting an important precedent. Other states without income taxes are considering the EITC as an option.

State EITCs have received broad support. EITCs have been enacted by states with Republican, Democratic, and bipartisan leadership. The credits are supported by business groups, labor groups, faith-based groups, and social service advocates.



## Why Consider an EITC?

Several developments explain the popularity of state EITCs.

- Continued child poverty and economic hardship.* Many children in working families live in poverty —some 8.6 million children in 2006. And many families with incomes modestly above the official poverty line, which is roughly \$22,000 for a family of four, also face significant difficulty in meeting the costs of food, housing, transportation, clothing, and other necessities. Sluggish wage growth for low-earning families means that many families are likely to continue to struggle. The federal EITC alone now lifts about 4.4 million people — over half of them children — out of poverty each year; it is the nation’s most effective antipoverty program for working families.[1] State EITCs can supplement this effect.
- Low wages and welfare reform.* Wage and salary growth was weak during the economic recovery that began in 2001 and has remained weak during the current slowdown. Since welfare reform in the mid-1990s, several million welfare recipients have left welfare and become employed, most of them for low wages. A full-time job at the minimum wage often is not sufficient to lift a family out of poverty. Concern about low wages has led a number of states and the federal government to raise minimum wages recently, but even with those increases, low-wage jobs may not provide a sufficient income on which to live.[2] State EITCs support families who enter and remain in the workforce.

- *Regressive tax systems.* In most states, low- and moderate-income families pay higher state and local taxes than do upper-income families as a share of their income. This regressively results from states relying heavily on regressive taxes such as sales, excise, and property taxes. With revenues falling in many states, policymakers are considering enacting tax increases — including increases in regressive taxes — potentially hurting working families even more. A state EITC can help offset the impact of such taxes.
- *Extensive evidence that EITCs encourage work.* Empirical research has repeatedly confirmed that both the federal and state EITCs increase workforce participation among eligible families. Increasing the size of an EITC increases this effect.[3]
- *Evidence that EITCs are used for asset-building expenditures.* Interviews with EITC recipients show that many use their EITC refunds to make the kinds of investments — paying off debt, investing in education, securing decent housing — that enhance economic security and promote economic opportunity.[4]

## How Does a State EITC Work?

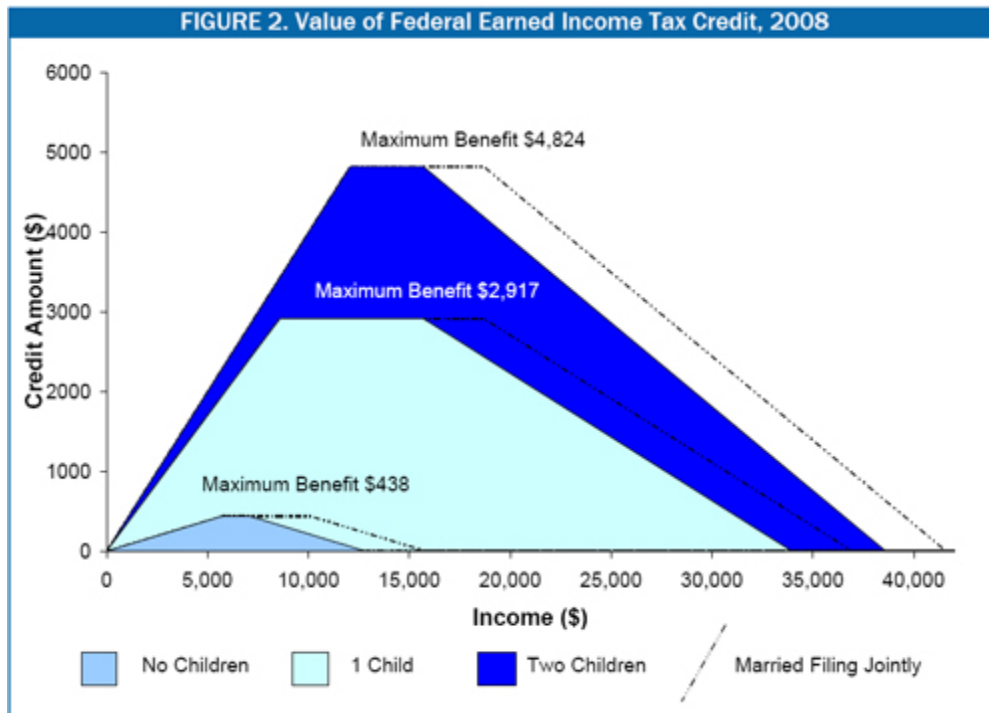
State EITCs are simple to implement, administer, and claim. They typically “piggyback” on the federal EITC, meaning that they are set at a fixed percentage — between 3.5 percent and 40 percent — of the federal credit. As a result, states can take advantage of the federal statutory structure and compliance apparatus, and filers need only multiply their federal EITC by the matching rate to determine their state credit. Most state EITCs therefore have the same benefit structure as the federal EITC.

The federal EITC was established in 1975 to offset the effects of federal payroll taxes on low-income families. It has been expanded several times since, providing additional assistance to welfare recipients entering the workforce and other workers supporting their families on low wages.

The maximum federal EITC benefit for the 2008 tax year is \$4,824 for families with two or more children and \$2,917 for families with one child. The greater EITC benefit for larger families reflects recognition that larger families face higher living expenses than smaller families. Workers without a qualifying child also may receive an EITC, but the maximum credit for individuals or couples without children is \$438 in 2008, much lower than the credit for families with children. Figure 2 shows the EITC benefit structure for families. (As with most other provisions of the federal tax code, EITC amounts and parameters are adjusted each year by the IRS for inflation; the figures shown here are for 2008.)

**TABLE 1:  
STATE EARNED INCOME TAX CREDITS BASED ON THE FEDERAL EITC**

State	Percentage of Federal Credit (Tax Year 2008 Except as Noted)	Refundable?	Workers Without Qualifying Children Eligible?
Delaware	20%	No	Yes
District of Columbia	40%	Yes	Yes
Indiana	6% (to 9% in 2009)	Yes	Yes
Illinois	5%	Yes	Yes
Iowa	7%	Yes	Yes
Kansas	17%	Yes	Yes
Louisiana	3.5%	Yes	Yes
Maine	5%	No	Yes
Maryland <sup>a</sup>	25%	Yes	Yes
Massachusetts	15%	Yes	Yes
Michigan	10% (to 20% in 2009)	Yes	Yes
Minnesota <sup>b</sup>	Average 33%	Yes	Yes
Nebraska	10%	Yes	Yes
New Jersey	22.5% (to 25% in 2009)	Yes	Yes
New Mexico	8%	Yes	Yes
New York <sup>c</sup>	30%	Yes	Yes
North Carolina <sup>d</sup>	3.5%	Yes	Yes
Oklahoma	5%	Yes	Yes
Oregon <sup>e</sup>	6%	Yes	Yes
Rhode Island	25%	Partially <sup>f</sup>	Yes
Vermont	32%	Yes	Yes
Virginia	20%	No	Yes
Washington	5% (to 10% in 2010) <sup>g</sup>	Yes	Yes
Wisconsin	4% — one child 14% — two children 43% — three children	Yes	No



The EITC benefit that an eligible family receives depends on the family’s income. For families with very low earnings, the value of the EITC increases as earnings rise. For example, families with two or more children receive an EITC equal to 40 cents for each dollar up to \$12,060 earned, for a maximum benefit of \$4,824. Families with one child receive an EITC equal to 34 cents for each dollar earned up to \$8,580 of earnings, for a maximum benefit of \$2,917. Families continue to be eligible for the maximum credit until income reaches \$15,740 (or \$18,740 for married-couple families).

The largest EITC benefits go to working families with incomes below the federal poverty line, but many families with incomes well above the poverty line benefit to at least some degree. (The 2008 federal poverty line is about \$22,000 for a family of four.) This is because the EITC phases out gradually as income rises above \$15,740 for single-parent families or \$18,740 for married couples.

Single-parent families with two or more children are eligible for some EITC benefit until income exceeds \$38,646, while such families with one child remain eligible for some EITC benefit until income exceeds \$33,995. For married couples, the maximum eligibility levels are \$41,646 for two or more children and \$36,995 for one child.

**Notes:** From 1999 to 2001, Colorado offered a 10% refundable EITC financed from required rebates under the state's "TABOR" amendment. Those rebates, and hence the EITC, were suspended beginning in 2002 due to lack of funds and again in 2005 as a result of a voter-approved five-year suspension of TABOR. Under current law, the rebates will resume in 2011, but a recent income tax cut that also depends on the rebates is likely to exhaust the funds, leaving the EITC unfunded.

<sup>a</sup> Maryland also offers a non-refundable EITC set at 50 percent of the federal credit. Taxpayers in effect may claim either the refundable credit or the non-refundable credit, but not both.

<sup>b</sup> Minnesota's credit for families with children, unlike the other credits shown in this table, is not expressly structured as a percentage of the federal credit. Depending on income level, the credit for families with children may range from 25 percent to 45 percent of the federal credit; taxpayers without children may receive a 25 percent credit.

<sup>c</sup> Should the federal government reduce New York's share of the TANF block grant, the New York credit would be reduced automatically to the 1999 level of 20 percent.

<sup>d</sup> North Carolina's EITC is scheduled to expire in 2013.

<sup>e</sup> Oregon's EITC is scheduled to expire at the end of 2013.

<sup>f</sup> Rhode Island made a very small portion of its EITC refundable effective in TY 2003. In 2006, the refundable portion was increased from 10 percent to 15 percent of the nonrefundable credit (i.e., 3.75 percent of the federal EITC)

<sup>e</sup> Washington's EITC is worth five percent of the federal EITC or \$25, whichever is greater. When the matching rate rises to ten percent in 2010, the minimum value will raise to \$50.

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