



Connecting Nonprofit Organizations
to Policymakers and the Media

State Earned Income Tax Credits: Progress and Prospects

EITC Funders Network

December 2, 2008

Our work with State EITCs

- Create and maintain StateEITC.com
- Produce and disseminate quarterly electronic newsletter
- Write, design and disseminate reports and policy briefs
- Provide messaging and communications workshops for state policy organizations and their local coalitions
- Provide on-going editorial and consulting services to state coalitions



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A screenshot of the State EITC Online Resource Center website. The page has a light yellow background. On the left, there is a vertical navigation menu with the text 'State EITC ONLINE RESOURCE CENTER'. To the right of the menu is a list of links: 'State Materials', 'State EITC Basics', 'Research & Resources', 'Precertification', '50 State Resource Map', and 'Contact Us/Questions'. The '50 State Resource Map' link is highlighted with a large curly bracket. To the right of the menu is the title '50 State Resource Map' with the subtitle 'FIND OUT ABOUT YOUR STATE'. Below the title is a quote: 'The EITC "sends assistance directly to those in need; to those who work hard and yet struggle to make a living and provide for their children." —Senator Pete Domenici (R-NM)'. Below the quote is a map of the United States with states shaded in different colors. A legend below the map identifies the colors: dark brown for 'States with refundable credits', light brown for 'States with non-refundable credits', grey for 'Potential EITC states', and black for 'States without an income tax'. There are also small circles for 'ALASKA' and 'HAWAII'. The map shows that states like California, Texas, and Florida are shaded dark brown, while states like New York and Michigan are shaded light brown. Most states are shaded grey, and Alaska and Hawaii are marked with small circles.

Coming Soon

- New to StateEITC.com:
 - RSS feeds on EITC articles and information
 - Feature stories about state campaigns
 - Video commentary
 - Interactive poll/survey



Current State EITCs

- Twenty-three states plus the District of Columbia have enacted state-level EITCs
- Credits range from 3.5 percent to 40 percent of the federal EITC
- In 2007:
 - Three new EITCs (LA, NM, NC)
 - Seven expanded EITCs (IA, KS, NE, NJ, OR, IL, MD)
- In 2008:
 - One new EITC (WA)
 - Four expanded EITCs (IN, DC, NM, NC)

Reasons for success

- Good policy that provides bipartisan messaging opportunities
- Broad-based coalitions
- Key legislative champions ready to act
- Solid research and data on constituent take-up
- Promising strategy: engaging legislators in free tax assistance campaigns



Legislative District Data

EITC Data for Virginia State Senate Districts

State Senate District	Total Returns	EITC Returns	EITC Amount	Average EITC Amount	Percent of Returns with EITC
VA – 01	77,321	12,698	\$23,838,245	\$1,877	16%
VA – 02	77,979	19,059	\$37,969,204	\$1,977	24%
VA – 03	91,876	12,013	\$22,226,970	\$1,850	13%
VA – 04	92,848	10,716	\$18,962,513	\$1,769	12%

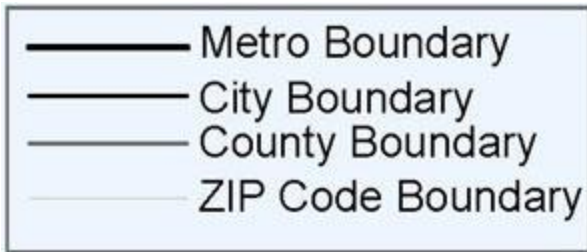
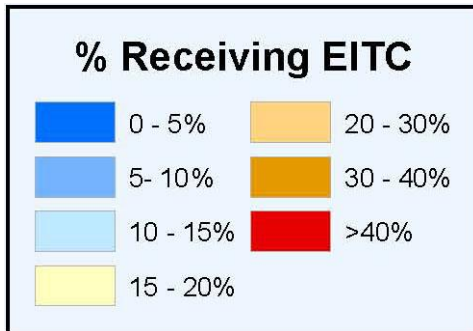


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Source: Brookings Institution for 2005 EITC data

www.thehatchergroup.com

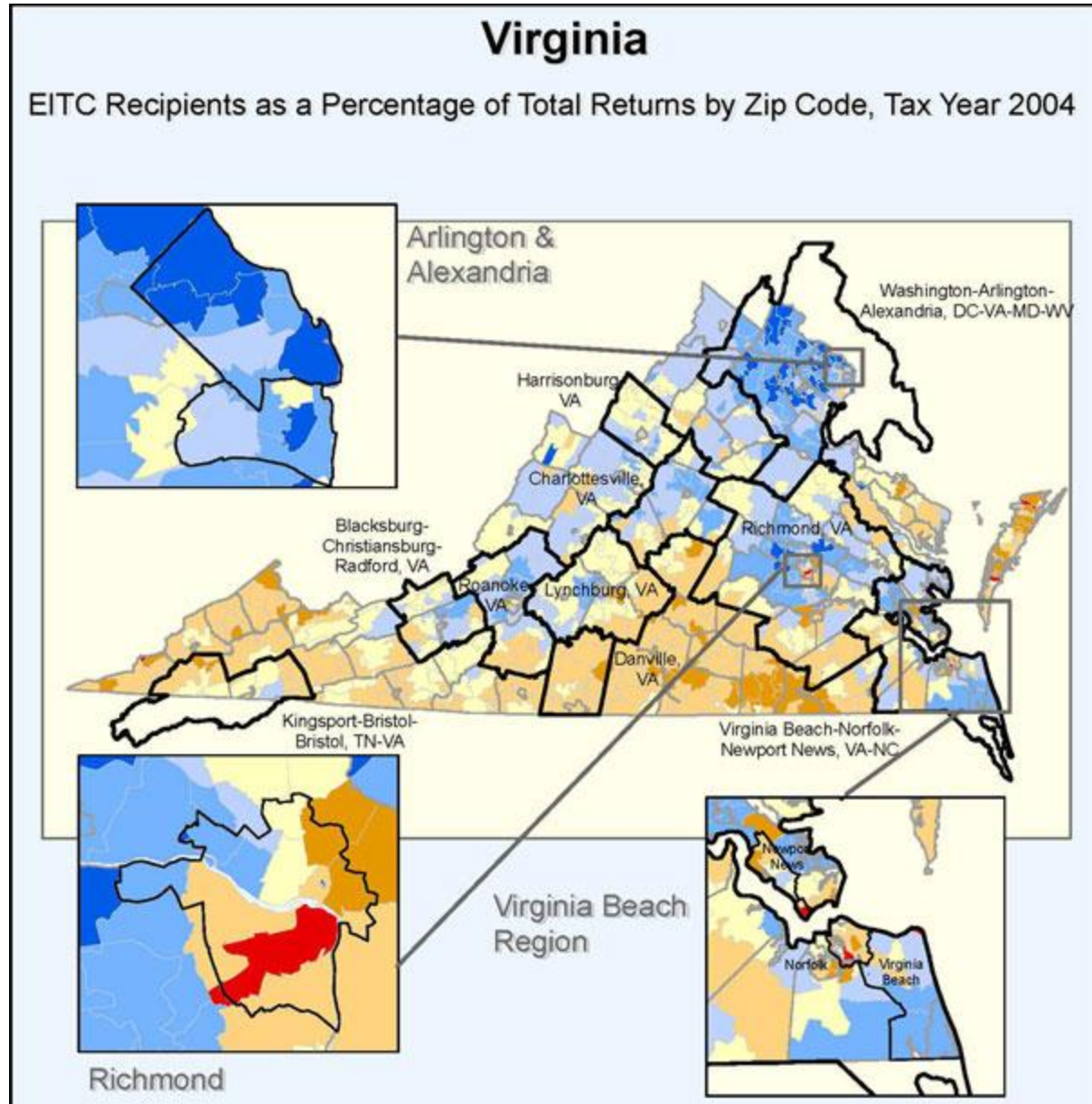
Rural/Urban Data



Percentage Recipients			
Large City	Large Suburb	Small Metro	Rural
16.8%	11.3%	16.0%	20.3%



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Promising strategy

- Engaging legislators in free tax assistance campaigns
- Free tax prep groups have become key part of state EITC coalition

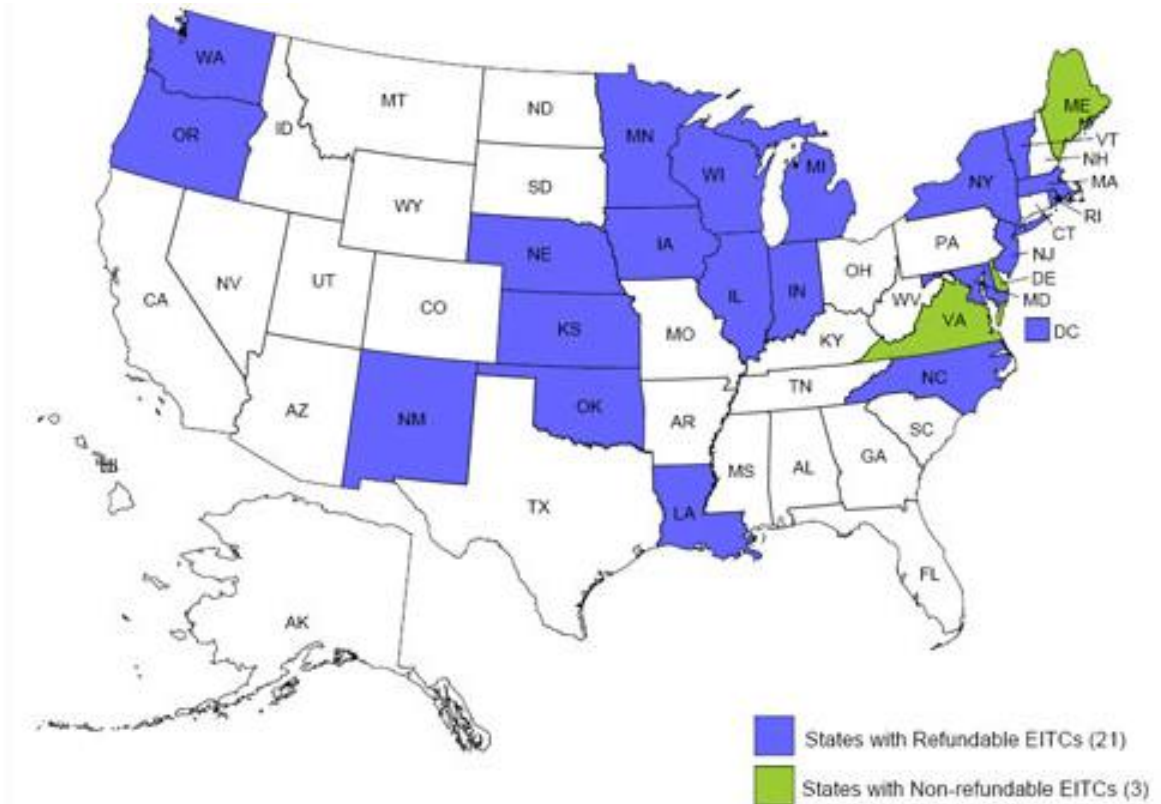
The Delaware EITC Campaign played a key role in informing legislators about the credit and the financial impact it could have in their communities. Giving lawmakers that understanding was a crucial step in ultimately passing an EITC bill in the legislature. “It’s important for legislators to see that this will benefit constituents in their district,” said Mary Dupont, executive director of the Nehemiah Gateway Community Development Corporation.

Prospects for the future

- With the current budget situation in states (41 face budget shortfalls), enacting or expanding a state EITC is difficult.
- However, many states continue to work towards enacting or expanding a state EITC – knowing the effort is likely a multi-year campaign.
- Opportunities to enact or expand EITCs as countermeasure to regressive revenue-raising measures.

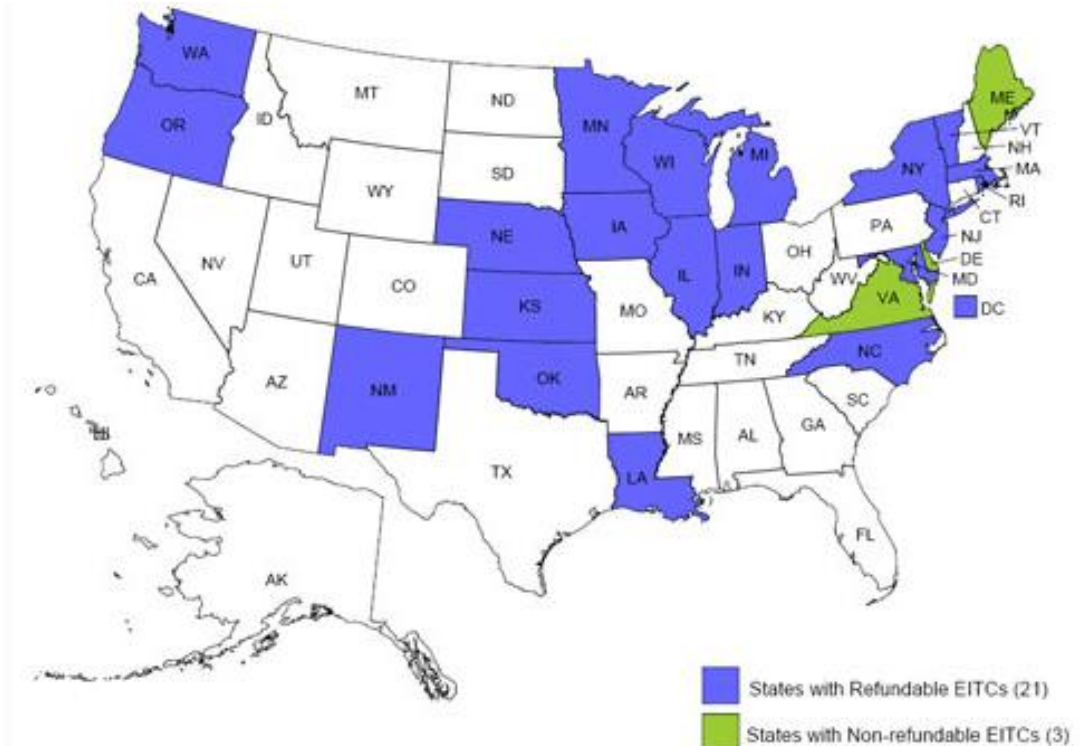
Prospects: New state EITCs

- Arkansas
- Connecticut
- Montana
- Ohio
- Pennsylvania
- West Virginia



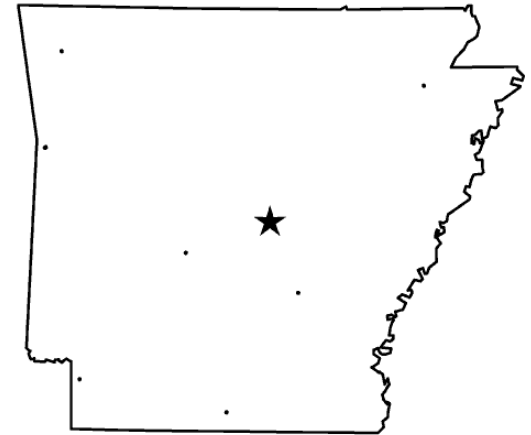
Prospects: Expansion

- Colorado
- Delaware
- North Carolina
- Oregon
- Virginia
- Washington



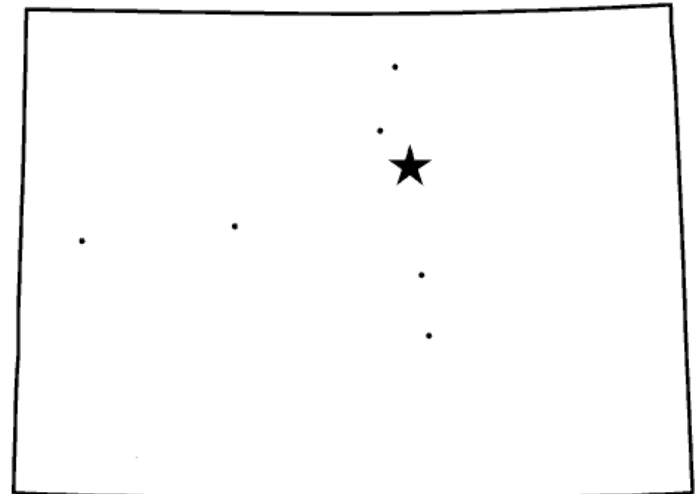
Prospects: Arkansas

- Arkansas has recently made some changes to tax system to make more fair – main vehicle has been to chip away at grocery tax.
- Gov. supports reducing grocery tax.
- Advocates are pushing for enacting a state EITC, which is more targeted to low-income families.
- Barrier: Gov. supporting grocery tax reduction.



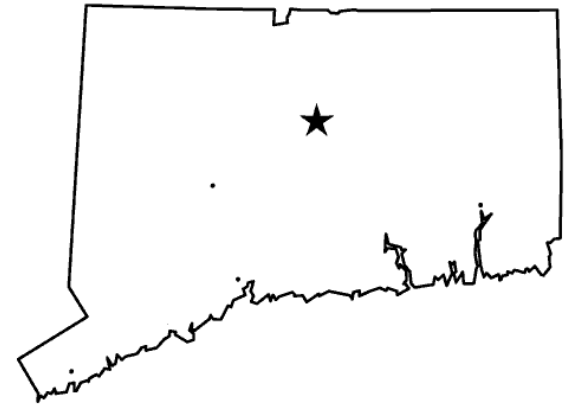
Prospects: Colorado

- Colorado currently not counted as a state with an EITC although has one “on the books” – credit is tied to state revenue surpluses – hasn’t been distributed since 2001.
- Advocates are working on finding a separate revenue stream for the credit – detach it from budget surplus.
- Barrier: finding the separate revenue stream and getting legislature to agree to it.



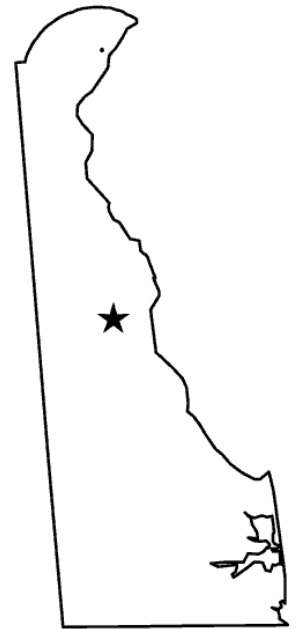
Prospects: Connecticut

- Large, diverse coalition has worked on enacting a state EITC for many years.
- Legislature on board.
- Barrier: Governor is ideologically opposed to state EITC – likely will not happen until new Governor in office; state facing huge deficit.



Prospects: Delaware

- Currently has 20 percent non-refundable credit.
- Governor-elect was state Treasurer – ran state-wide financial literacy and EITC outreach campaign. Making EITC refundable part of his financial security plan during campaign.
- Barrier: no state-wide coalition working on state EITC. Expansion will likely come from Gov. or legislature – not sure what year the new Gov. will take on this issue.



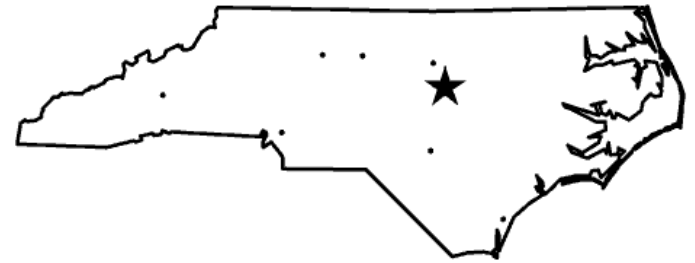
Prospects: Montana

- Coalition worked on EITC last biennial session (in 2007) – picking up again this year.
- Numerous coalition members are also legislators.
- Kids Count, new SFAI group and Consumer Credit Counseling group working closely on research, outreach and organization.
- Barriers: cost, some concerns about native populations.



Prospects: North Carolina

- NC EITC created in 2007 at 3.5 percent and increased in 2008 to 5 percent of federal credit.
- Governor-elect was Lt. Governor and strong supporter of state EITC.
- Coalition in place to continue pushing for increasing the amount of the credit.
- Barriers: budget deficit.



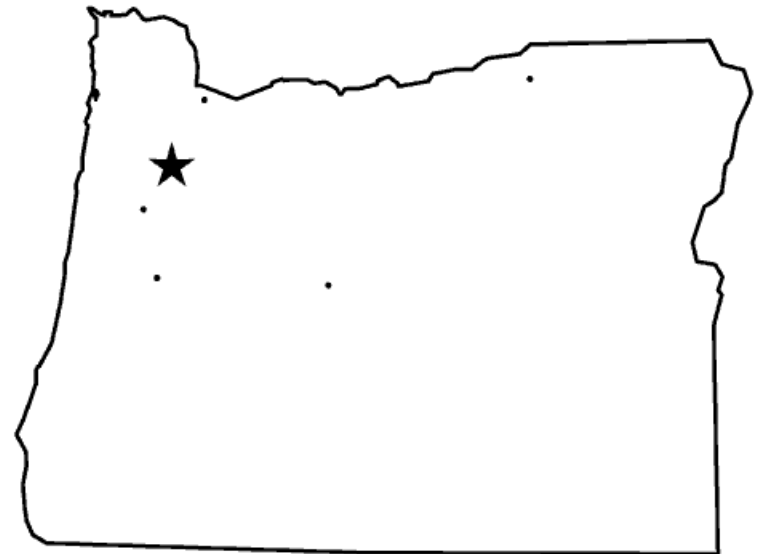
Prospects: Ohio

- Current Treasurer (now AG-elect) strong advocate of EITC, free tax prep, state EITC, etc. – runs EITC commission.
- Gov. created anti-poverty task force – EITC advocates part of group – state EITC will be important long-term solution recommended.
- Barriers: major concern is cost.



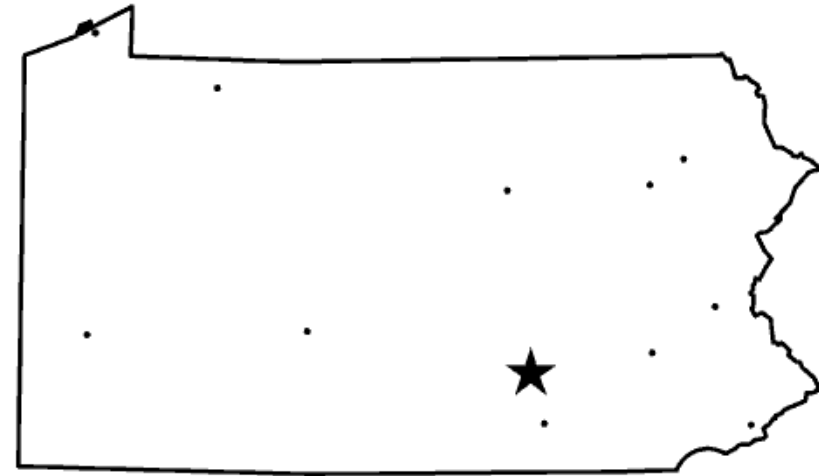
Prospects: Oregon

- Currently has 6 percent refundable EITC – advocates would like to increase to 18 percent.
- Strong coalition has more than 50 participating organizations (and growing).
- Barrier: tough budget situation.



Prospects: Pennsylvania

- EITC legislation gained momentum during 2008; final bill established a study of the state EITC (study report due Aug. 2009).
- Governor supports state EITC – will hopefully include in next budget cycle.
- Barrier: some opposition by key legislators; cost.



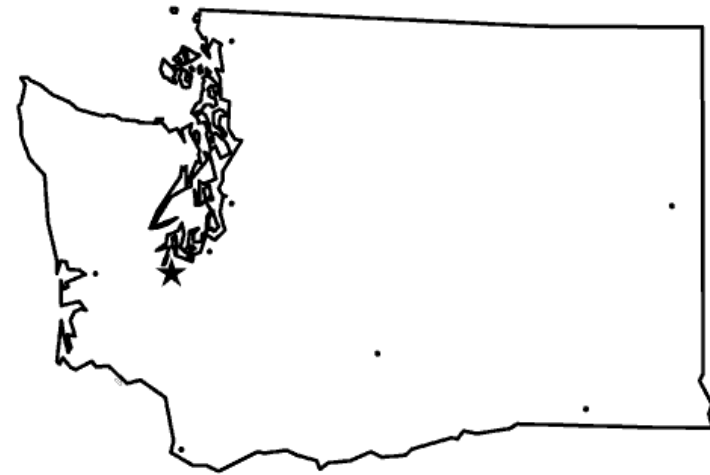
Prospects: Virginia

- Virginia currently has a 20 percent non-refundable EITC. Advocates would like to make the credit refundable.
- Coalition is approaching gubernatorial candidates to educated them early (election in 2009).
- Barrier: cost of refundability and some legislators opposed to refundable tax credits.



Prospects: Washington

- Washington was the first state without an income tax to enact a state EITC.
- The EITC legislation in 2008 did not provide a funding source; must pass funding bill in 2009.
- Barrier: WA is facing a huge deficit and money will be difficult to come by for funding EITC.



Prospects: West Virginia

- Coalition gathered for first time in October – many advocates willing to work on issue.
- WV is one state without a deficit.
- Barriers: opposition by key legislators, legislators need a lot of information/education about EITC.

