



# EARNED INCOME TAX CREDIT RESTORATION

## SUMMARY

The EITC was created to help qualifying working families to better support their households. In 2010, Michigan slashed the Earned Income Tax Credit by 70 percent to fill a \$1.8 billion budget shortfall created in part by the elimination of the Michigan Business Tax. This reduction in benefits affected an estimated 800,000 Michigan families, who now subsequently pay \$300 more on average in taxes each year.

## WHY WE CARE

The EITC is widely recognized across the political spectrum as the nation's most effective Safety Net program and one of the most effective anti-poverty investments we can make. In 2011, the federal credit helped keep 9.4 million low income people above the poverty line, according to the Center on Budget and Policy Priorities.

The EITC helps bring federal money into Michigan's economy. According to a 2009 report by the Anderson Economic Group, for every \$1 brought into a community through the federal EITC, \$1.67 is generated in new economic activity. This translates to approximately \$53 million in the Metro Detroit Region. The state EITC has a similar ability to "multiply" dollars as they change hands in the community.

Both the state and federal EITC put money into the hands of the families most likely to spend it at local businesses, usually on basic necessities like child care or transportation.

The EITC reaches more than 350,000 working families in the Detroit metro area. As of 2010, the median income of those families was less than \$13,000 a year. For these families, the aid the EITC provides (an average of over

\$2,000 for the federal credit in 2010) can be the difference between stability and poverty.

Restoring the EITC to 80% of the federal credit could lift an additional 14,000 children out of poverty. When the value of the state EITC was cut to 6% of the federal EITC for the 2012 tax year, struggling families saw their taxes rise by over \$300. The Michigan League for Public Policy estimates that only 5,000 children were lifted out of poverty by the state EITC in 2013.

## ADVOCACY CAMPAIGN RESULTS

**199** people took action by writing **402** letters to **103** elected officials

**STAND UP FOR WORKING FAMILIES: EITC**

## RESULTS

The state Legislature has yet to restore Michigan's EITC to its previous level, yet the issue remains in the public dialogue and UWSEM continues to advocate. Additionally, calls for restoration of EITC as a form of tax relief for moderate- and low-income families have motivated legislative leaders to begin discussing some form of tax relief in that vein.

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