

FEDERAL EITC AND UTAH IGP EITC

PREPARED BY PATRICE SCHELL MBA

Voices for Utah Children • 747 E. South Temple, Suite 100 • 801-364-1182 • www.utahchildren.org



ABOUT VOICES FOR UTAH CHILDREN

Since 1985, Voices for Utah Children has worked to make Utah a place where all children thrive. We start with one basic question: "Is it good for kids?" We believe it's important that every child has the opportunity to reach his or her full potential.



FEDERAL EITC

The Earned Income Tax Credit (**EITC**) is a federal anti-poverty tax credit that supplements the earnings of low income workers by reducing or eliminating their taxes. The federal **EITC** is administered by the IRS.

Utah's low income families are burdened with relatively high state taxes. According to a legislative analysis, the lowest income Utahns pay about 8.5% of their income in state and local taxes -- mostly sales, gas, and property taxes.



FEDERAL EITC

Dr. Michael Strain

Director of Economic Policy Studies

American Enterprise Institute

“Conservatism places a uniquely strong emphasis on working, on earned success and rewarding those who contribute to the broader society through their work. The EITC does exactly that.”

U.S. House Speaker Paul Ryan

“This is one of the few programs that have shown results. It encourages people to work by increasing the rewards of work.”



FEDERAL EITC

Utah Impacts - tax year 2017

- 182,000 filers
- \$2342 average refund
- \$426,000,000 put back into Utah's economy



FEDERAL EITC

Statewide Stats handout



WHAT UTAH FAMILIES SAY ABOUT EITC

“I hope to pay my school loan back, my medical bills, and give some money to my son for school.”



Ada, Provo



“Two years ago my family was in jeopardy of becoming homeless due to job loss until we received the EITC.”

Emily, Salt Lake County



UTAH'S INTERGENERATIONAL POVERTY (IGP) INITIATIVE

2012

Senator Stuart Reid's Intergenerational Poverty Mitigation Act started tracking IGP data in Utah

2013

Senator Reid's IGPMA amendments created the Intergenerational Welfare Reform Commission and the Intergenerational Poverty Advisory Committee



STATE EITC - LEGISLATIVE HISTORY

2013 & 2014

Statewide EITC bill sponsored by Rep. Eric Hutchings and Sen. John Valentine passed House only

Two major concerns

- **Too big** - \$25m fiscal note (200,000 families)
- **Too small** - only \$120 per family on average, \$300 maximum (5% of federal EITC)



IGP EITC - LEGISLATIVE HISTORY

2018

IGP EITC HB 57 (HB 294 in 2017)

- Targets a specific group – limited to IGP population, about 25,000 families
- \$6m fiscal note
- Double the value - \$240/family on average, maximum \$640 (10% of federal EITC)



How would the IGP EITC work?

A state EITC targets 25,000 families who work, received the federal EITC, and file their state taxes

How much would families receive?

10% of their federal EITC: up to \$640, depending on income and # of kids



IGP EITC

Statewide Stats handout



WHO SUPPORTS THE IGP EITC?

☰ SECTIONS

 Deseret News **Opinion**

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In our opinion: Earned Income Tax Credit provides better poverty relief than raising the minimum wage

By In Our Opinion
For the Deseret News
Published: Jan. 12, 2016 12:15 a.m.



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Comments



WHO SUPPORTS THE IGP EITC?

Voices for Utah Children

Utahns Against Hunger

Sutherland Institute

Salt Lake County Council

Next Generation Freedom Fund

Comunidades Unidas

United Way of Salt Lake

Catholic Diocese of SLC

Utah Education Association

United Jewish Federation of Utah

Salt Lake Chamber

RESULTS Utah

Community Action Partnership of Utah

Utah Citizens Counsel

American Academy of Pediatrics

YWCA Utah

Utah Academy of Pediatrics

Utah Housing Coalition

Legislative Coalition for People with Disabilities

Intergenerational Welfare Reform Commission

IGP Advisory Committee



THE DIFFERENCE BETWEEN THE RECENTLY PASSED CHILD TAX CREDIT AND A IGP EITC

The Newly Enacted Child Tax Credit is broader

- ✓ The goal of the credit is to offset federal tax reform which changed exemptions and deductions.
- ✓ The bill costs \$30 mil. and will reduce a family's state income taxes by about \$34 for each dependent or \$170 for a family with 5 kids.
- ✓ The credit is non-refundable, lower income employed families will not benefit.

IGP EITC is targeted to a specific population

- ✓ 25,000 families identified by the Department of Workforce Services as living in intergenerational poverty.
- ✓ The cost is approximately \$6 mil. Employed families who file taxes may receive about \$240 on average, up to \$640



IGP working families will get a hand up to climb out of poverty with an IGP EITC.

