MICHIGAN LEAGUE FOR PUBLIC POLICY

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Michigan EITC Helps Working Families

Tax changes to the state EITC have resulted in a 70% reduction in this tax credit for working families in Michigan.

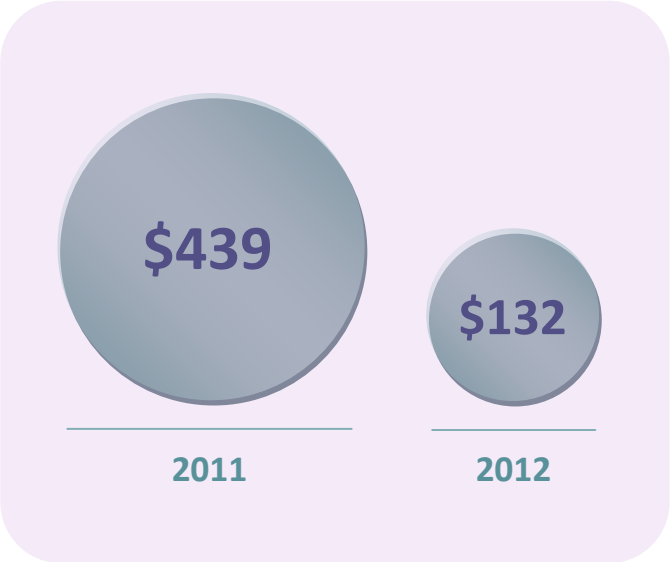
The Michigan Earned Income Tax Credit promotes economic opportunity and helps hardworking, low-income families make ends meet. Modeled after the federal EITC, it is an effective anti-poverty tool that reduces the number of children living in poverty. Combined with the Child Tax Credit, the federal EITC lifted 117,000 Michigan children out of poverty *each year* between 2009 and 2011. The Michigan EITC supplements the federal credit by lifting even more children and families out of poverty.

Created in 2006, the Michigan EITC was originally set at 10% of the federal EITC in tax year 2008 and 20% in each subsequent tax year. However, the Legislature reduced it to just 6% for tax year 2012 and subsequent years. ***The reduction in the Michigan EITC is effectively a tax hike on low-income working families***, who now receive a substantially smaller state tax refund. This hurts Michigan children – 11,700 of whom will fall back in poverty. It hurts working families and hurts Michigan's economy.

MICHIGAN EITC FACTS

- To qualify, a family must work ***and*** pay other taxes.
- Recipients pay other state and local taxes, even if they do not make enough to pay income taxes.
- The credit increases employment and reduces the need for public assistance.
- The EITC helps small businesses and boosts the local economy by helping low-income employees cover work-related costs, such as transportation and child care.

The average Michigan EITC credit will drop 70%:



A single mom raising two kids, working full time and earning minimum wage ($7.40 per hour):

Annual Income:
$15,392

Michigan EITC:

At **20%** (2012): **$1,047**

At **6%** (2012): **$314**

Sources: Brookings Institution | Center on Budget and Policy Priorities | Michigan Department of Treasury

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