



Fact Sheet: Michigan's Earned Income Tax Credit

On September 22, 2006, PA 372 (sponsored by Sen. Nancy Cassis) created a state Earned Income Tax Credit (EITC) for Michigan. This tax credit, passed with bipartisan support, helps working families keep more of their paycheck. It rewards work, supplements low wages, and helps a segment of the state's population that has not benefited from other recent tax measures. The Michigan EITC went into effect for Tax Year 2008.

What is it?

It is a refundable tax credit given to working families. People apply for it when they fill out their state income tax forms. It is an effective anti-poverty tool that rewards work. Tax Year 2010 is the third year it is in effect.

Who benefits?

All families who are eligible for the federal credit are eligible for the state credit. The tax credit puts money into the pockets of hundreds of thousands of Michigan working families. In Tax Year 2009, over 782,000 families in Michigan received the EITC.

How is it calculated?

The Michigan EITC is based on the federal EITC created by President Gerald Ford and expanded by Presidents Ronald Reagan and George Bush. In Tax Year 2008, the first year that Michigan workers received the credit, their refund was 10 percent of their federal EITC amount. In each year after that it is equal to 20 percent of the federal credit.

How does it help small businesses?

For tax year 2010, a single mother raising two children, working full time and earning the minimum wage, will receive a Michigan EITC of \$1,007. These are dollars that are quickly circulated in the economy. The EITC brought \$338 million into local communities throughout Michigan last year.

