



Michigan League FOR Human Services

November 10, 2009

Honorable

Dear Representative or Senator:

There are three important reasons to recognize the Michigan Earned Income Tax Credit as good public policy that's achieving its goals. Although there have been proposals to slow down the full implementation of the EITC, the Michigan League for Human Services urges you to reject those proposals.

First, Michigan's Earned Income Tax Credit is being credited with injecting new fairness into the state's income tax policy.

According to an annual report by the Center on Budget and Policy Priorities, Michigan has stood out for many years as one of the worst states for taxing families living in poverty.

The just-released report this year is different. Michigan moved to the middle of the pack or better when it comes to taxing the working poor.

In last year's report, for example, Michigan had the third-highest tax in the country on a single parent of two children living in poverty. This year's report looks at tax year 2008, which was the first year the state EITC went into effect. Instead of being among the worst, Michigan moved to 31<sup>st</sup> place. Simply put, the EITC works. It rewards work and helps move families to self-sufficiency.

Secondly, allowing the credit to increase as scheduled is not only sound policy, administration officials have said it's critical to showing that Michigan is spending a correct level of Maintenance of Effort needed to match federal funds for human services. If MOE is not attained, the state stands to lose some of its \$775 million Temporary Assistance to Needy Families grant. Such a loss would be devastating to struggling families in your district.

Thirdly, the EITC is a proven winner when it comes to stimulating the economy. That's because families in need rapidly spend the money when they get it. Cash-strapped individuals and families repair their cars, pay off utility bills or buy necessities.

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*Page 2*

That means money is quickly circulating throughout the local economies. A recent report by economist Patrick Anderson found that each \$1 in tax credits generates \$1.67 in economic activity.

We urge you to allow the EITC to go into effect as scheduled. It s 'good for Michigan families, and it s 'good for the Michigan economy.

Sincerely,

Sharon Parks  
President & CEO