



Fact Sheet: Michigan's New Earned Income Tax Credit

On September 22, 2006, Governor Granholm signed into law a state Earned Income Tax Credit (EITC) for Michigan. This new tax credit, passed with bipartisan support, will help working families keep more of their paycheck. It will reward work, supplement low wages, and help 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.

1. The new tax credit is refundable. This means that each person claiming the credit receives the full amount of the credit even if it exceeds the person's tax liability. Some workers who are liable for no Michigan income tax at all (because their earnings are too low) will get a refund through this tax credit.

3. Because all families who are eligible for the federal credit will be eligible for the state credit, the new tax credit will put money into the pockets of hundreds of thousands of Michigan working families. In tax year 2008, over 702,000 families and childless individuals in Michigan received the state credit, bringing nearly \$144 million to local economies in Michigan.

2. The Michigan earned income credit is based on the federal earned income credit. In Tax Year 2008, the first year that Michigan workers received the credit, their refund will be 10 percent of their federal EITC amount. Beginning in Tax Year 2009, it will be equal to 20 percent of the federal credit.

4. For tax year 2009, when the credit goes up to 20 percent of the federal EITC, a single mother with two children who works full-time at minimum wage will receive a Michigan EITC of \$1,005. When fully implemented, the new EITC will bring more than \$214 million into the economies of local communities throughout Michigan.