



Michigan League FOR Human Services

August 19, 2009

The Honorable Michael Bishop
Michigan State Senate
P.O. Box 30036
Lansing, MI 48909

Dear Senator Bishop:

The Michigan Earned Income Tax Credit has a dull name, but it is a powerful economic tool that has been embraced by both Republicans and Democrats. It rewards work and is a proven economic stimulator.

In your district, 14,857 wage earners are estimated to claim the state credit when taxes are filed by April 15, 2010, bringing in \$5,612,941 to your local economy.

Patrick Anderson of the Anderson Economic Group, who worked as deputy budget director for former Gov. John Engler, has a new report where he estimates that for each \$1 in credit, it will generate \$1.67 in spending. In addition, the report estimates that the average state credit will be \$420 for the 2009 tax year, in addition to a federal credit of \$2,100.

Other studies have shown that such supports as food stamps and unemployment benefits far outpace business tax credits when it comes to stimulating your local economy. When people in need receive tax credits they spend them and they spend them quickly.

In addition, the Michigan Unemployment Insurance Agency reports that nearly 100,000 workers will exhaust their unemployment benefits by the end of December. With our state's continuing high unemployment rate, we know that a state EITC will go a long way to help pay the bills. This means that the money will be spent and spent quickly in your district.

The EITC was passed in 2006 by an overwhelming bipartisan majority and went into effect in the 2008 tax year.

It is an administratively simple tax credit for those who work but earn low wages. It is 10 percent of the federal Earned Income Tax Credit in 2008, and is set to go to 20 percent in the 2009 tax year.

With the tremendous pressure to find ways to cut spending in the 2010 budget we know the state EITC is at risk. We join the chorus of those who argue that struggling families in your district who have been promised this credit should not see it disappear. We should not take this promise back.

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Many people in Michigan are struggling financially or worried about their economic futures. But for those on the margin, who work hard in our lower-paying positions and wonder daily how they will pay the bills, the pressure grows exponentially.

In the face of the many tax credits and cuts for businesses over the past 15 years, this is the one credit that was aimed at the working poor. It would be unfair to select that one credit over the others, especially when we know that EITC gives the most bang for the economic buck.

The League hopes it can count on you to protect this credit that helps those in need in your community, as promised, and helps to stimulate your local communities.

Sincerely,



Sharon Parks
President & CEO