



Michigan League FOR Human Services

January 11, 2012

The Honorable Glenn Anderson
Michigan State Senate
P.O. Box 30036
Lansing, MI 48909-7536

Dear Senator Anderson:

The Michigan Earned Income Tax Credit is working hard for working people. The credit is given to Michigan taxpayers as a way to reward work, reduce poverty and stimulate the economy in your district. Each dollar returned to households in your district through this credit is estimated to generate \$1.67 in economic activity, helping your local businesses.

As you know, as part of the tax package in 2011, the EITC was reduced by 70 percent. The average payment is estimated to fall from \$432 per family at 20 percent of the federal credit to \$143 at 6 percent of the federal credit for 782,600 filers in FY12. Taxes on low-income families will now increase by \$261.6 million.

Passed in 2006 with near unanimous support from the Michigan Legislature, the credit has a rich history of backing from both political parties. President Ronald Reagan, for example, was a major supporter of the federal credit. Like the federal EITC, the state EITC is given back to hardworking families to keep them from falling into poverty. It can be claimed only by workers who have worked and have earned income.

Our most current information shows that an estimated 16,406 households in your district claimed the Michigan Earned Income Tax Credit at 20 percent, bringing \$6,105,238 into your district, which is quickly turned around in the local economy. However, after the reduction to 6 percent, it is estimated that the amount going to households in your district will be reduced to \$1,831,571. Among tax filers in your district, an estimated 12.6 percent claimed the EITC.

Here are some examples of how this credit has worked for people who do important work in your district, such as waitresses, janitors, child care aides and nursing home workers and how much they are projected to lose next year.

Table with 4 columns: Family Structure, Hours and Wages, State EITC 20%, State EITC 6%. Rows include Single Parent w/One Child, Single Parent w/Two Children, and Two Parents w/Two Children.

Please feel free to call the League at (517) 487-5436 if we can provide you with more information to help you understand this important issue and how it affects people in your district and the state of Michigan. Thank you.

Warmest wishes,

Gilda Z. Jacobs (handwritten signature)

Gilda Z. Jacobs
President & CEO

P.S. You might be interested to know that Illinois just doubled their state EITC from 5 percent to 10 percent.