

## Save the EITC - Don't raise taxes on the working poor

The Michigan Earned Income Tax Credit lets working families who earn low wages or who have fallen on hard times keep more of what they earn to afford the basics. But House Republicans are proposing to help fix Michigan's roads by eliminating the state EITC—effectively raising taxes on 780,500 low-income working families raising 1 million kids.

Eliminating the EITC to pay for roads amounts to robbing Peter to pay Paul. Lawmakers should abandon efforts to repeal the Michigan EITC and instead reverse the 70% cut made to the credit in 2011.

Late last year, Michigan lawmakers approved restoration of the state EITC to 20%, if voters had approved the penny sales tax increase on May 5 to pay for needed road repairs and to support schools. Now they propose to eliminate it to help pay for roads.

Michigan shouldn't pave its roads on the backs of our working poor. The \$117 million saved by eliminating the credit is a drop in the bucket of a \$1 billion plus transportation plan, but a huge amount to families who need the credit to make ends meet.

The Michigan EITC is one of the state's most effective tools for reducing poverty and building economic security. The positive effects of the EITC are extensive and well-documented:

- It increases work effort and strengthens Michigan's economy by allowing working families to keep more of their income to help pay for housing, child care, and transportation so that the family can remain in the labor force and take steps toward self-sufficiency. Without the tax credit, families will have less to spend at local businesses.

- Most EITC recipients claim the credit only temporarily when a job disruption or other significant event reduces their income. A recent study found that 61% of recipients claimed the credit for only one or two years at a time.
- At the full 20%, the EITC can lift more than 20,000 working families above the poverty line and ease hardship for hundreds of thousands more; at the current 6% it lifts about 7,000 working families above poverty.
- The EITC has long-lasting, positive effects on children, helping them do better and go farther in school. Kids in families with the added income boost perform better on tests and their families are better able to help them afford the cost of college. Kids in families getting the income boost provided by the EITC also tend to work more hours and earn more as adults.

If lawmakers eliminate the Michigan EITC, it would be the second time in five years that they have raised taxes on low-income working families, even as Michigan families continue to struggle and poverty rises. In 2011, lawmakers cut the credit from 20% to 6% – a \$285 million tax hike on our lowest earners, while at the same time giving businesses a \$1.65 billion tax break. Lawmakers should restore the credit for working families and their kids, not repeal it. Doing so would lift an estimated 15,000 more families out of poverty and improve the economic prospects of 780,500 families, including more than 1 million children. Michigan would be much better off for it.