



For Immediate Release:
May 20, 2015

Contact: Michael Shalley, Member Services Director
517-679-6403, mshalley@michigancommunityaction.org

Earned Income Tax Credit helps build family self-sufficiency

As the Michigan Legislature searches for ways to fill road funding gaps, the state's Earned Income Tax Credit (EITC), a proven policy for helping lift the working poor out of poverty, shouldn't be on the list.

Our tax policy should empower people to move out of poverty and to support their families. It should not tax those least able to pay and discourage work. Cutting EITC is a disincentive to work and self-sufficiency.

Michigan's EITC complements a federal program that gives poor, working families tax credits when they file their tax returns. Nationally, the average federal tax credit for a family with children is nearly \$2,400. Michigan's current EITC rate of six percent of the federal credit amounts to about \$180. Michigan's EITC was severely reduced by the Legislature in 2011.

The result was a serious setback for thousands of low-wage earning families. At the former 20 percent rate of the federal credit, that same family would get a \$480 tax credit.

A recent study by Michigan State University researchers clearly distinguishes EITC from welfare. Those eligible for EITC are the *working* poor – people with jobs, but whose paychecks are inadequate to support their families. The study, which was reported in the April issue of *American Sociological Review* and based on interviews with more than 100 EITC taxpayers, revealed that 25 percent of the tax credits went to pay off debt or bills; 17 percent went into savings; and about 40 percent went to funding "upward

mobility” goals such as schooling. The findings confirm that tax credits for people in this tax bracket “bolster recipients’ self-respect by emphasizing their role as working parents and providers.” The EITC is a powerful force in the local economy, as well, as nearly all money generated by the credit gets spent in the local community.”

The study’s lead author, Jennifer Sykes, noted in a recent article in MSU Today: “Millions of low-income, working-class folks in America are making ends meet by living in the red. They are working, but they are not earning a livable wage. The EITC is a powerful force in the lives of these families.”

Helping people who are most likely to be able to get over the hurdles of poverty is a good investment. Families who make it are likely to stop a cycle of poverty that often continues from one generation to another.

About half the states in the U.S. have a version of the EITC to supplement the federal tax credit program. Some of those states, like Michigan, have scaled back their EITC programs.

In working families, the American Dream still burns bright. Those Michiganders are constantly seeking a path to economic independence. Michigan’s EITC program is an important step along that road and one that shouldn’t be sacrificed to road funding or other budget shortfalls.

Founded in 1975, Michigan Community Action serves its 29 member agencies throughout Michigan by strengthening their capacity to alleviate the causes and circumstances of poverty in all 83 counties.