

Strengthen Families: Expand the Earned Income Tax Credit

More than 1.5 million tax filers in New York State claimed the Earned Income Tax Credit in 2010 and more than one million of them were families with children. In New York, the State Earned Income Tax Credit (EITC) is a 30% refundable credit which reduces the tax burden on low-and moderate- income workers, supplements wages, and provides a genuine incentive for working. EITC serves as an effective way to “make work pay” for low-and moderate- income families.

Why Expand the State EITC?

Increasing the credit to 40% will help bridge economic disparities by decreasing the tax liability among New York’s lower wage earners. In addition, it could:

- Reduce poverty by directly supplementing earnings of low-moderate wage workers.¹
- Children of EITC recipients have been shown to be born healthier, perform better in school, attend college at higher rates, and earn more as adults than their non EITC receiving families.²
- Reduce expenditures of safety net programs, such as Temporary Assistance for Needy Families and SNAP (food stamps).

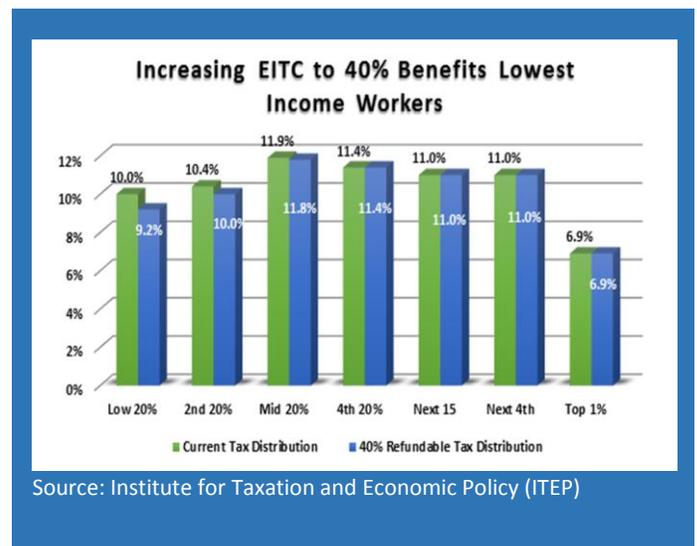
Research shows that families mostly use the EITC to pay for necessities, repair homes, maintain vehicles and obtain additional education or training to boost employability and earning power.³

New York State has notoriously high income inequality and a high cost of living; expanding the Earned Income Tax Credit is a proven way to put money in the hands of low wage workers.

RECOMMENDATION FOR 2015-2016

Increase New York’s EITC from 30% to 40% of the federal benefit to enhance the income of more than 1.5 million¹ low- and moderate-income families.

INCOME MATTERS



¹ NYS Department of Taxation and Finance, Office of Tax Policy Analysis. “Earned Income Tax Credit: Analysis of Credit Claims for 2010.” January 2014. Available: http://www.tax.ny.gov/pdf/stats/stat_pit/pit/analysis_of_2010_personal_income_tax_returns.pdf

² Institute on Taxation and Economic Policy. “Improving Tax Fairness with a State Earned Income Tax Credit.” May 2014. Available: <http://www.itep.org/pdf/eitc2014.pdf>

³ Center on Budget and Policy Priorities. “Policy Basics: The earned Income Tax Credits.” January 30, 2014. Available: <http://www.cbpp.org/files/policybasics-eitc.pdf>