

# Enacting A State EITC: Because Kentucky's Children Can't Wait

## The problem?

Nearly half of all Kentucky kids live in lower-income families.<sup>1</sup>

## The opportunity:

A Kentucky Earned Income Tax Credit would help lower-income parents cover basic needs for their children while reinvesting money in their local economy.

## Here's How:

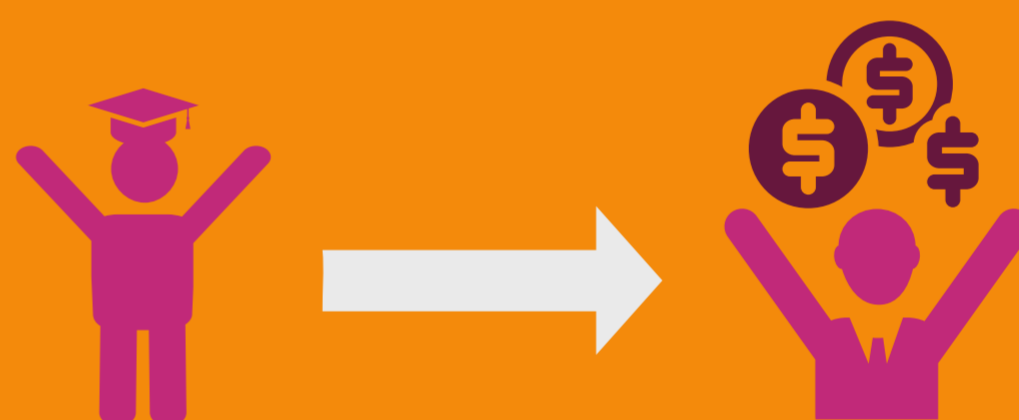
### The EITC is a temporary work support.



- Most recipients **only collect the credit for 1-2 years**,<sup>2</sup> just long enough to give them the financial stability they need to move away from public benefits and afford things like early education and health care to improve the quality of life for their children.

### It improves childrens' chances of success.

- The EITC is linked to healthier infant birthweights and higher educational attainment among children of recipients, improving their chances of success as adults.<sup>3</sup>



**Higher Educational Attainment**

### The EITC generates economic activity.

#### Great for Local Businesses



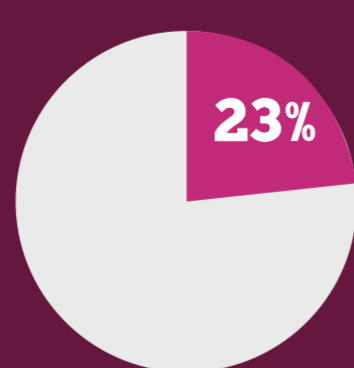
- Most EITC recipients spend the credit on local businesses, paying for things like groceries and car repairs.

Federal EITC: **\$966 mil.** State EITC (15% of federal): **\$145 mil.**



- The federal EITC injects \$966 million into KY's economy.<sup>4</sup> **A state EITC at just 15%** of the federal credit would bring an additional \$145 million.

### Nearly one in every four KY tax filers would benefit from a state EITC.



• **23%**<sup>5</sup> of KY tax filers

AND



• **439,000 children** would benefit from a state EITC.<sup>6</sup>

**Enacting a state EITC would help keep Kentucky's children out of poverty by supporting their working parents.**

**Learn more at [kyyouth.org](http://kyyouth.org)**

#### Sources

1. Brookings Institution EITC Interactive, Characteristics of EITC-Eligible Tax Units in 2013 by State. Child population data from Kentucky Youth Advocates KIDS COUNT Data Center, Child Population Estimates by Age Group, 2013.

2. Dowd, T. and Horowitz, J. (2011). "Income Mobility and the Earned Income Tax Credit: Short-Term Safety Net or Long-Term Income Support." Public Finance Review, vol. 39, no. 5.

3. Marr, C., Debot, B., Sherman, A., and Huang, C. (2015). "EITC and Child Tax Credit Promote Work, Reduce Poverty, and Support Children's Development, Research Finds." Center on Budget and Policy Priorities.

4. Internal Revenue Service, Statistics for Tax Returns with EITC, TY 2014.

5. Kentucky Youth Advocates KIDS COUNT Data Center, Earned Income Tax Credit, 2013.

6. Brookings Institution EITC Interactive, Characteristics of EITC-Eligible Tax Units in 2013 by State.