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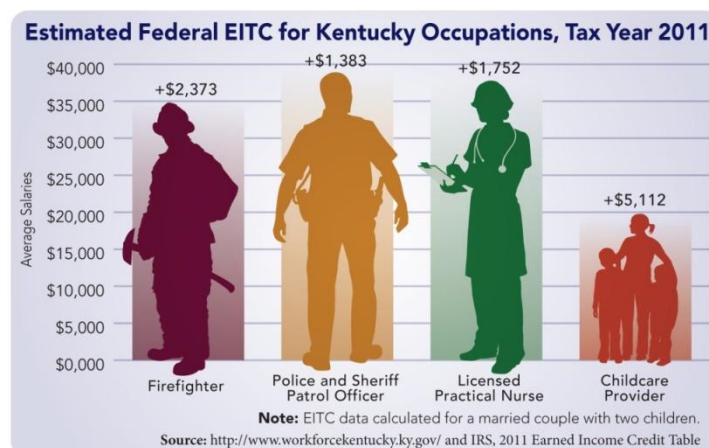
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A State Earned Income Tax Credit Would Help Thousands on Tax Day
New report shows a state EITC would help families and local businesses at very little cost

Jeffersontown, KY—Thousands of Kentucky families and communities could see immediate and long term benefits, at very little cost to the state, if policymakers implemented a state Earned Income Tax Credit (EITC), according to a new issue brief from Kentucky Youth Advocates. The issue brief, [*A State Earned Income Tax Credit Would Help Kentucky Families and Local Economies*](#), examines the federal EITC's 30-year track record of lifting children and families out of poverty, and highlights the benefits a state EITC would provide to the Commonwealth.

"April 15, 2014, can be a moment when hard-working families and local businesses both win – if, and only if political leaders in Frankfort come together and make passage of a refundable state-level EITC a bipartisan priority in 2013," said Terry Brooks, executive director of Kentucky Youth Advocates. "Twenty-five states and national leaders from Presidents Nixon and Reagan to Presidents Clinton and Obama, all understand the importance of the EITC. The benefits of a state EITC would extend not just to children but to local businesses all across Kentucky. Children are healthier and do better in school when their families have that extra money to help make ends meet. And, local businesses and economies benefit because families mostly spend their EITC tax refunds in their communities, on food and other necessities."

In 2008, the federal EITC put \$760 million into the pockets of Kentuckians, helping working families with various occupations close the gap between what they earn and what they need to make ends meet. For example, a married Licensed Practical Nurse with two children making an average salary of about \$37,300, would qualify for a Federal EITC of \$1,752 (See figure below for more information).



Twenty-one percent of federal individual income tax filers in Kentucky received the federal EITC in 2008. In twenty-three counties, at least 30 percent of filers received the EITC, with as many as 39 percent in McCreary County. Even in Oldham County, the state's wealthiest, nearly one in ten filers claimed the federal EITC.

In the brief, Kentucky Youth Advocates points out several benefits of a state EITC, here are some of them:

- An EITC return does more than help families make ends meet. Research shows that children do better in school when their families bring in more money. When a child's standing in school improves, the chances that they will earn more as adults increases – a long term benefit for us all.
- Many workers save a portion of their EITC for education. Whether that means a parent pursues additional education for themselves, or they can send their children to college, Kentucky businesses and economy benefit from having a more educated and skilled workforce.
- State and federal EITCs can also generate local economic activity. Research indicates that every \$1.00 of EITC refund for taxpayers generates local economic activity worth \$1.07 in Nashville; \$1.40 in Fresno; \$1.58 in San Antonio; and \$1.67 in Michigan.
- The state EITC is a relatively inexpensive way of helping children, families and local economies in Kentucky. An EITC calculated at 15 percent of the federal EITC would cost Kentucky an estimated \$114 million and would provide an average credit of \$300 to qualified families. This is just a little over one percent of budgeted 2013 spending. Because adding a state EITC only requires a few additional lines on the state tax forms, it has very low administrative costs.

"The state budget is, in fact, a tough proposition. As we have just seen, there are legitimate issues that divide well-meaning political leaders. Instead of bickering over what divides us around these complex issues, what if state's leaders focused on what unites us?" Brooks added. "A refundable state EITC could do just that. It makes sense for families – for businesses – for the Commonwealth. Let's hope that 2013 is the moment it makes sense to the power brokers in Frankfort! We can make a palpable difference in tackling poverty by making a state EITC a bipartisan priority for action in 2013."