



2012 Agenda

FAIR DEAL FOR WORKING PARENTS

FACT SHEET: Enact a State, Refundable Earned Income Tax Credit

Children benefit when they live in families with adequate resources to meet their basic needs. A state, refundable Earned Income Tax Credit (EITC) would help more working parents cover their family's basic needs by closing the gap between what they earn and what they need to make ends meet.

FACTS:

A state, refundable EITC would help struggling families and local economies at the same time. The federal EITC has increased employment levels and decreased use of welfare assistance among single parents and has significantly reduced child poverty. The federal EITC is credited for lifting more children out of the poverty in the United States than any other program. A state EITC would build on the benefits of the federal EITC and stimulate Kentucky's local economies by boosting consumer spending. Studies show that when families receive their federal EITC checks, they quickly spend them on things like groceries, childcare, transportation and health care costs.

A state, refundable EITC would improve outcomes for children in Kentucky. Research shows a direct link between families receiving additional income through the federal EITC and the improvement of their children's math and reading comprehension. State EITCs are also correlated to healthier babies and better outcomes across the course of children's lives.

A state, refundable EITC would make Kentucky's tax system fairer. Kentuckians making an average of \$36,000 currently pay a larger share of their income in taxes than those making an average of \$95,500. A state, refundable EITC in Kentucky would help low-income, working Kentuckians keep more of their hard earned money and reduce inequities in the system.

The EITC has enjoyed broad bipartisan support since its inception. Enacted in 1975 under President Ford, the federal EITC has been expanded under several administrations. Ronald Reagan referred to the federal EITC as "the greatest anti-poverty measure." President George H.W. Bush and President Bill Clinton also praised the EITC and both proposed expansions to the federal program.

SOLUTION:

Enact a state, refundable Earned Income Tax Credit that will provide increased financial stability to thousands of low-income working Kentuckians and help lift families out of poverty.