Building prosperity for working families at tax time

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Economists don't agree on much. As George Bernard Shaw said, "If all the economists were laid end-to-end, they'd never reach a conclusion."

One of the few things that most economists agree on, however, is that the Earned Income Tax Credit is an example of smart policy. The EITC is a commonsense tax break that helps working families with modest incomes keep more of the money that they have earned at tax time.

In a survey of economists conducted by the University of New Hampshire, 71 percent agreed that the EITC is a very efficient way to address the income needs of low-income families.

Why does the EITC get such strong support from economists? Simply put, it accomplishes what it's designed to do. It helps support the incomes of families that are in or near poverty to the tune of about $407 for the average Kansas family.

Just as important, it does so in a way that encourages work since, as the name suggests, to qualify to receive the Earned Income Tax Credit, a household must have income from earnings.

An important feature of the EITC is that it is a refundable credit, meaning that a tax filer receives the entire amount of the credit, even if it exceeds his or her tax liability. That feature is in danger, however, as Kansas lawmakers look for ways to raise revenue to balance the state budget. One legislator has already discussed eliminating the credit or making it non-refundable, and it's likely that those discussions will continue.

Because taxpayers receive the credit as a lump sum payment as part of their tax refund, they often use the EITC to cover necessary expenses that would otherwise become emergencies.

When Kansas Association of Community Action Programs member agencies help low- and moderate-income people prepare their tax returns, they often ask what taxpayers who claim the EITC plan to do with their refunds. The most common response is that people will pay some bills, including medical bills and car repairs.

One individual said he was going to use his federal and state EITC refunds to purchase a car so that he can drive to work.

Another said, "I put it in savings every year. Then I use it to pay for emergencies."

One recipient said she uses her credits to prepay her rent for several months.

A refundable EITC is a commonsense way to help working Kansas families get ahead at tax time. In recent years, Kansas has eliminated many of the provisions of our tax code that benefit working Kansans with modest incomes, and it is critical that the Legislature preserves a refundable earned income tax credit this year.

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