



# Invest in Working Utahns: Support a State EITC

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**A state Earned Income Tax Credit (EITC)** would provide a refundable tax credit to low-income working Utahns. For 200,000 families struggling to make ends meet, it would help compensate for regressive state and local taxes, particularly sales and property taxes.<sup>1</sup>

With a refundable state EITC, Utah would join twenty-five other states that invest directly in families by targeting workers whose wages are so low that they struggle to maintain self-sufficiency. In contrast to most other tax credits, the EITC is backed by over thirty-five years of research that supports its effectiveness in meeting two objectives. On the one hand, it stimulates the state economy by putting cash into the hands of families who are likely to spend it immediately and in their own communities. On the other hand, it is an effective mechanism to lift workers and their children out of poverty—a benefit to the entire state.

## Fiscal Impact

State EITCs typically are specified as a percentage of the federal EITC. This minimizes administrative cost and complexity. For example, a state EITC might be set at 5 percent of the federal EITC. The fiscal impact to the state can then be calculated based on Federal EITC refunds. At 5 percent of the Federal EITC, the fiscal impact in Utah would be just under \$21 million per year.<sup>2</sup> Approximately 200,000 working families would receive a refund averaging \$98 each.

## EITC is a Sound Investment of Utah Resources

A refundable state EITC is a cost-effective opportunity to invest directly in Utah's low-income workers and their families by partially compensating them for regressive local and state taxes. The objectives are clear and measurable:

- **EITC Strengthens Local Businesses and Local Economies.**  
More money in the pockets of working families means more spending at neighborhood businesses for necessities like groceries, clothing, and school supplies, as well as for car repairs, health care, and rent. These benefits would be distributed across Utah (Table 1, *reverse*).
- **EITC Effectively Lifts Families out of Poverty and Improves Educational Outcomes for Children.**  
**Nationwide**, the EITC lifted more than six million people--half of them children--out of poverty in 2010.<sup>3</sup> Since children in poverty tend to have lower school achievement than others, a state EITC could improve school achievement as well.

Ronald Reagan called the EITC, *“the best anti-poverty, the best job creation, the best pro-family measure to come out of Congress.”*

<sup>1</sup> The most comprehensive analysis of the incidence of Utah's state and local taxes, by the Institute on Taxation and Economic Policy (ITEP), can be found at [http://www.itepnet.org/wp2009/ut\\_whopays\\_factsheet.pdf](http://www.itepnet.org/wp2009/ut_whopays_factsheet.pdf).

<sup>2</sup> This figure was provided by the Legislative Fiscal Analyst during the 2012 General Session for Senate Bill 211 (McAdams).

<sup>3</sup> Center on Budget & Policy Priorities, *Poverty and Financial Distress Would Have Been Substantially Worse in 2010 Without Government Action, New Census Data Show*, November 7, 2011.

## How Would a Utah EITC Work?

A state EITC would be patterned on the federal EITC. This minimizes paperwork by linking Utah eligibility rules to those of the federal credit. A household can qualify for the EITC only if it has earnings from the work of at least one family member. The amount of the credit depends upon earnings and family size, decreasing as earned income increases, and phasing out entirely at an income level of \$50,270 for married couples filing jointly with three or more qualifying children.

**Table 1. EITC Filers by County, 2008<sup>4</sup>**

County	# Federal Returns w/EITC	Share of EITC Returns	Sum of Federal EITC Refunds	Average EITC Refund	State EITC Refund (5%)
Beaver	460	18%	\$893,235	\$1,942	\$97
Box Elder	2,964	15%	\$5,713,760	\$1,928	\$96
Cache	6,510	16%	\$12,694,303	\$1,950	\$97
Carbon	1,465	17%	\$2,729,460	\$1,863	\$93
Daggett	35	9%	\$56,410	\$1,612	\$81
Davis	14,870	12%	\$28,684,669	\$1,929	\$96
Duchesne	964	13%	\$1,829,265	\$1,898	\$95
Emery	621	15%	\$1,206,486	\$1,943	\$97
Garfield	357	17%	\$729,785	\$2,044	\$102
Grand	16,847	12%	\$32,506,615	\$1,930	\$96
Iron	3,225	20%	\$6,719,076	\$2,083	\$104
Juab	644	17%	\$1,430,203	\$2,221	\$111
Kane	453	16%	\$862,148	\$1,903	\$95
Millard	821	17%	\$1,619,494	\$1,973	\$99
Morgan	1,918	17%	\$3,911,845	\$2,040	\$102
Piute	114	22%	\$220,459	\$1,934	\$97
Rich	115	13%	\$239,405	\$2,082	\$104
Salt Lake	61,561	14%	\$119,789,880	\$1,946	\$97
San Juan	926	23%	\$2,013,074	\$2,174	\$109
Sanpete	1,902	22%	\$3,932,849	\$2,068	\$103
Sevier	1,517	19%	\$3,072,413	\$2,025	\$101
Summit	1,373	7%	\$2,011,730	\$1,465	\$73
Tooele	3,175	14%	\$6,232,768	\$1,963	\$98
Uintah	1,733	14%	\$3,413,910	\$1,970	\$98
Utah	26,334	15%	\$52,777,273	\$2,004	\$100
Wasatch	1,036	12%	\$2,037,353	\$1,967	\$98
Washington	8,753	17%	\$18,633,207	\$2,129	\$106
Wayne	205	20%	\$432,558	\$2,110	\$106
Weber	15,246	16%	\$29,903,990	\$1,961	\$98
<b>TOTAL EITC</b>	<b>158,531</b>	<b>14%</b>	<b>\$311,979,652</b>	<b>\$1,968</b>	<b>\$98</b>

Source: derived by Voices for Utah Children from Brookings Institute, *EITC Interactive Data*, [www.brookings.edu](http://www.brookings.edu), February 22, 2012.

<sup>4</sup> The latest available county-level data is from tax year 2008.