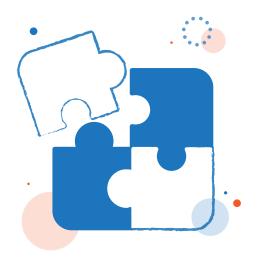


Building Momentum for **State-Level EITCs**



The Earned Income Tax Credit (EITC) is one of the most successful anti-poverty programs in the tax code. <u>According to the Center on Budget and Policy Priorities</u> (<u>CBPP</u>), the federal EITC lifted 5.6 million people out of poverty in 2018, including 3 million children, and reduced the severity of poverty for 16.5 million people.

State-level credits build on the success of the federal credit by helping families stay afloat and reducing poverty. Research shows that economic boosts like the EITC can have long-term effects on life outcomes for children. Currently, 30 states, the District of Columbia, and Puerto Rico have state-level EITCs. In the sixth edition of their report, <u>Who Pays: A Distributional Analysis of</u> <u>the Tax System in All 50 States</u>, the Institute on Taxation and Economic Policy highlighted the use of targeted, refundable tax credits like the EITC as a staple policy in equitable state tax codes.

Every year, states strive to strengthen their EITC programs by increasing the value of the credit, making the credit refundable, or expanding eligibility to excluded groups such as filers using Individual Taxpayer Identification Numbers (ITINs), younger workers, older workers, and workers without dependent children in the home. These advancements can fill in gaps left by the federal EITC and ensure the EITC is targeted toward groups that need it most.

Depending on the political climate and will in a state, making key enhancements to the EITC can take several years. However, some states have been able to sustain momentum surrounding the EITC to expand the value or eligibility year after year. States like <u>California</u>, <u>New</u> <u>Jersey</u>, and <u>Maryland</u> have some of the most generous EITC programs in the country – expanding their credits permanently or temporarily to key groups and increasing the value on a consistent basis.

State Advocacy

State advocates across the country use a variety of tactics to advocate for the EITC and, when the opportunity presents itself, sustain momentum around the credit. Below are some examples of how states have kept the EITC front and center for policymakers over time.

Focus on Incremental Progress

From increasing the value of the credit to expanding eligibility, there are several key improvements states can make to their EITC programs that increase the effect of the credit for working families. Advocates and policy experts may have a long wish list of advancements they would like to pursue on behalf of working families. However, rarely can all those expansions happen in one legislative session and many take years of advocacy to build up to. Many advocates instead focus on incremental progress to slowly enact EITC advancements over time.

Since enacting its EITC in 2015, California has expanded the credit three times: in 2018, 2019, and 2020. Over time, the state has increased the income cap on the credit, expanded the credit to younger and older workers, and expanded the credit to ITIN filers. California's campaign to expand the credit to ITIN filers was the culmination of three years of work by the state's EITC coalition. While the legislation did not pass in 2019, advocates were able to increase the income gap of the credit instead. California advocates renewed their ITIN fight in 2020. Due to state budget concerns, advocates compromised and expanded the credit to a small subset of ITIN filers with children under age six. While advocates were disappointed by the smaller version of the bill, their calls for a full expansion were not ignored. When the state revenue turned out better than projected, Governor Gavin Newsom (D) signed the full ITIN expansion into law later that year.

Since 2015, New Jersey has increased the value of its credit from 20 to 40 percent of the federal credit and expanded the age of eligibility to workers as young as 18 and workers over the age of 65. Focusing on incremental progress has given advocates the opportunity to enhance the credit and lay the groundwork for larger expansions. While they have made significant advancements to the credit in the last few years, New Jersey advocates have also simultaneously campaigned for an ITIN expansion. The ITIN expansion is a longer fight in the state, but the campaign is inching closer each year by expanding awareness and understanding of the need to make the EITC more inclusive.

Taking Advantage of Bipartisanship

Despite the growing partisanship across the country, the EITC is one of few policies that continues to garner bipartisan support. President Gerald Ford (R) first signed the federal EITC into law and the credit was expanded by presidents on both sides of the aisle thereafter. More recently, prominent members of the Republican Party, like former U.S. House Speaker Paul Ryan have been vocal supporters of the federal EITC. While many progressive advocates have started to stray away from emphasizing the credit's effect on workforce participation in recent years, it remains a useful talking point for conservative audiences.

In New Jersey, advocates have taken advantage of the credit's popularity among conservative policymakers and the business community. New Jersey expanded its credit in 2015, 2016, 2018, 2020, and 2021. While Governor Chris Christie (R) reduced the value of the credit in his early years in office, he also advocated for and signed several expansions of the credit into law toward the end of his term. The most recent eligibility expansions have taken place under Governor Phil Murphy (D). Often, changes in party leadership can stall progress on policies like the EITC. However, the bipartisanship in New Jersey has been critical for advocates to make progress regardless of the political party in power.

Build Partnerships and Allies

In every state, having a strong coalition and allies is critical to securing legislative wins. Key allies in the legislature, specifically, can be the extra push needed to get a bill over the finish line.

In 2021, Maryland expanded its EITC twice and advocates credit those wins to EITC champions in the state legislature. The Maryland EITC was expanded as part of a larger state COVID-19 response package. Advocates were committed to expanding the credit to state ITIN filers who were excluded from other federal and state COVID-19 relief but were one of the groups hit hardest by the pandemic. Their initial proposed expansions included increasing the value of the credit for workers with and without dependent children and expanding eligibility to ITIN filers. However, the ITIN expansion was removed from the final relief package by Governor Larry Hogan (R). The state House Speaker Adrienne Jones (D-Baltimore County) and Senate President Bill Ferguson (D-Baltimore City) were <u>vocal public supporters of the expansion</u> and ensured it passed as a separate bill later in the session. Building those relationships with key allies took time, however, they were instrumental in securing a win for Maryland working families.

Conclusion

Campaigns in California, Maryland, and New Jersey are examples of how thoughtful EITC strategies can be used to build momentum around the EITC. State-level credits give states the opportunity to fill in gaps left by the federal EITC. By strengthening the EITC, states can provide additional benefits to families with low incomes and provide benefits to those excluded from the federal credit. Over time, many states have been able to chip away at those advancements and craft state EITCs that are inclusive and target workers and families who need it most.

2022 is another year to focus on working families and provide them the boost they need. If you are interested in discussing these tactics or need help executing an EITC campaign, please contact TCWF Director Devin Simpson at 301.485.4367 or at <u>dsimpson@thehatchergroup.com</u>.

