

The Long Game: Restoring Refundability in Oklahoma



Background

In May 2021, [Oklahoma](#) Governor Kevin Stitt (R) signed legislation to restore refundability to the state Earned Income Tax Credit (EITC) starting in 2022 as part of the state budget. This change will ensure Oklahoma taxpayers receive their full credit, regardless of whether it exceeds the amount of personal state income taxes they owe. [According to Oklahoma Policy Institute](#) (OK Policy), restoring refundability will benefit more than 200,000 working families.

This is a significant win for Oklahoma advocates who fought for restoring refundability for several years. Oklahoma enacted their state refundable EITC in 2000 at 5 percent of the federal credit. The state made the EITC nonrefundable in 2016 to fill a budget deficit. Oklahoma was one of only six states to offer a nonrefundable credit and it was among the lowest in value across the country. When the credit was first enacted, it had strong bipartisan support. However, in recent years, the credit has been part of tense partisan battles in the legislature.

For state advocates, this campaign was a lesson in the importance of the long game and remaining flexible. When their EITC legislation died in committee, advocates shifted their campaign to focus on a surprise bill that would have cut taxes for corporations and wealthy households. Bolstered by unlikely allies in the legislature, their opposition killed the legislation temporarily and ultimately laid the foundation for their EITC victory. Despite being a necessary policy for working families, advocates found that the EITC has become a popular bargaining chip among policymakers. To pass a watered-down version of the tax cut bill in the state budget, the legislature also included EITC refundability, securing a win for working Oklahomans.

OK Policy's efforts to build relationships and capacity over time were instrumental in getting this legislation passed. That investment is critical to securing incremental policy improvements and moving the needle for working families, particularly in conservative-leaning states.

Campaign Structure and Strategy

OK Policy credits this year's victory to a multi-year effort to build strong relationships within the state legislature and with partner organizations. While OK Policy is the primary group working on EITC advocacy in the state, they built a loose coalition of diverse partners such as direct-service organizations, children's advocacy groups, racial justice organizations, tribal organizations, and more. OK Policy fostered relationships with their coalition by making connections between the EITC and other issues such as health, child care, racial equity, and more. This allowed them to center the EITC as more than an economic security policy, but as a tool to combat a variety of social issues.

OK Policy laid the groundwork for this victory for years by focusing on educating the public, partners, and policymakers about the importance of refundability and how much it would benefit workers with low wages. OK Policy created an "EITC Refundability Explained" video that explained the importance of refundability and made the concept accessible for people who were not policy experts. In 2020, OK Policy released a report, ["Plateaus and Cliff Effects in Oklahoma,"](#) which detailed how critical social safety net programs like the EITC are to low-income Oklahomans. The report included [a series of recommendations](#) aimed at strengthening the state's safety net, including restoring refundability to the EITC, increasing its value to 10 percent, and increasing its value over several years until it is comparable with other states.

OK Policy started the legislative session focused on a bill to restore refundability and increase the EITC's value from 5 to 10 percent of the federal credit. They engaged their coalition members in a Phone 2 Action campaign. Participants reached out to committee members and encouraged them to vote on the bill. In addition to the phone campaign, OK Policy created robust social media toolkits to build public awareness around the importance of refundability for Oklahomans.

Throughout their campaigns, OK Policy also leveraged the art of storytelling, utilizing short stories to humanize the credit and highlight its varied use in taxpayers' lives. However, despite these efforts, the legislation died in committee. However, OK Policy emphasized that, despite the legislation not moving forward, these efforts laid the groundwork for their legislative win.

After the original EITC legislation failed, advocates shifted their attention to a new bill, introduced by the House Majority Leader, that would cut the personal income tax rate for the wealthiest Oklahomans by 0.5 percent and almost eliminate the state tax on corporations. This bill was a surprise to many stakeholders in the state, including key Republicans in the state Senate who were against the bill. With support from the Republicans in the Senate, OK Policy created the "Taxpayers for Better Oklahoma" coalition and advocated against the tax cuts legislation. This campaign provided enough opposition to kill the legislation in the Senate.

OK Policy's campaign concluded when the state budget was released. In Oklahoma, advocates have a narrow window to read and comment on policies included in the budget before it goes for a vote. This year, the budget was introduced and passed within 72 hours. Due to their strong advocacy against the tax cuts, the budget included a more modest version of the original tax cuts and EITC refundability. While they were happy to secure a win for working families, the coalition was not pleased with the credit being passed as a bargaining chip, rather than as a necessary policy for working families.

Time and investment were critical to OK Policy's campaign. In a deeply conservative state, social safety net programs like the EITC can be met with significant pushback and often, legislation cannot pass without Republican support. It took several years of relationship building, investment, and education campaigns to build capacity and public awareness. That groundwork was key to finding and aligning with unlikely allies in the state legislature to secure this victory.

Key Messages

OK Policy found that many EITC messages that tend to be effective in other parts of the country do not work among conservative lawmakers in Oklahoma. Because Republican support is required for any bill to pass in the state, OK Policy ensured their messaging was tailored to their conservative audiences. They avoided terms like "benefit," "hand out," or "welfare" in their messaging around the EITC and other safety net programs. They framed the credit as a tool to aid in the state's recovery from the pandemic and to help people achieve economic security while emphasizing the EITC's connection to work. Their biggest obstacle was overcoming the narrative that the credit is free money, rather than a program that incentivizes work and gives working families a boost.

Understanding their conservative audience was critical in crafting messages over the years that were persuasive.

Examples of effective messages include:

The EITC is a proven anti-poverty tool and most effective when refundable. The EITC is one of the most effective anti-poverty tools in the tax code. The credit puts hundreds of dollars back in families' pockets each year. However, nonrefundable credits hurt families with the lowest incomes the most. Restoring refundability would ensure families that need it most are receiving the credit.

The EITC rewards work and helps keep people working. EITC recipients must be employed to claim the EITC. The credit is designed to encourage work by supplementing earnings and increases as income grows before it phases out. It also helps workers overcome any financial barriers to maintaining employment.

The EITC benefits local economies and businesses. The EITC puts money directly into the pockets of workers, which gets spent locally and boosts the local and state economy. Restoring refundability would put more money back in families' pockets that will benefit local businesses.

Looking Ahead

While securing refundability in the budget legislation was a significant win, the legislation also created some additional barriers for workers. The budget decoupled the state EITC from the federal, which will limit the amount Oklahoma taxpayers will receive as the federal EITC is adjusted for inflation or if Congress increases the value of the federal EITC.

Securing refundability was a huge step in the right direction for working families across the state. However, advocates are still committed to raising the value of the state EITC to at least 10 percent of the federal credit.