



Refund the Credit

Help Ohio Working Families Become Self-Sufficient

It's Time to Support a Refundable State Earned Income Tax Credit

“The earned income tax credit serves as an offset to social security and income taxes and provides work incentives for many low-income families with dependents.”

- President Ronald Reagan

A refundable State Earned Income Tax Credit (EITC) would provide tax relief to hard-working, low-income families, helping them close the gap between what they earn and what they need to make ends meet. A refundable State EITC would provide families with a refund check, putting millions of dollars back into the local economy.

A refundable State EITC simply piggybacks on the federal EITC. It would provide low-income working families with a refund equal to 5% percent of their federal EITC return, even if they don't owe state income taxes, and cost about \$68-74 million annually.

To qualify for the federal EITC working families can earn up to: \$40,463 with one child; \$45,295 with two children; or \$48,279 with three children. A State EITC would use the same income levels. Working families with incomes between \$12,000 and \$16,000 benefit the most. About 15 percent of Ohio tax filers claim the federal EITC. The average federal credit is \$1,875; the average credit projected for a State EITC would be \$92.

“The EITC is a non-bureaucratic way to reward work effort. ...no middlemen service providers, no long lines at government offices ...no need to take time off from work to apply.”

- President's Council of Economic Advisors

In 2006, 816,000 Ohio households claimed the federal EITC, returning \$1.5 billion to low-wage earners. Twenty-four states plus the District of Columbia have enacted State EITCs, including Illinois, Indiana, Michigan, Wisconsin, Minnesota and Iowa. It is time for Ohio to follow their lead and enact a refundable State EITC.

A refundable Earned Income Tax Credit (EITC) helps working families keep more of their hard earned dollars. Only people who work can claim the EITC. If you don't work, you don't get the credit.

A refundable Earned Income Tax Credit helps families in all of Ohio's 88 counties – families in rural, suburban and urban communities benefit equally. In rural communities 15.5% of tax filers claimed the EITC. In urban communities 23.3% of tax filers claimed the EITC.

The Earned Income Tax Credit is a proven, effective anti-poverty program that each year lifts more than 2 million American children out of poverty. The EITC now lifts more than 4.4 million people — roughly half of them children — out of poverty each year; it is the nation's most effective anti-poverty program for working families.



A refundable Earned Income Tax Credit has a long history of bipartisan support. Enacted in 1975 under President Ford and expanded under Presidents Reagan, Bush and Clinton, the federal EITC is supported by policy makers on both sides of the aisle.

A refundable State EITC is simple to administer. Adding one line to the state income tax form is all that is needed.

The EITC is most effective when it is refundable. A non-refundable credit does little to lift families above the poverty line because it only offsets taxes owed rather supplements earnings.

A refundable EITC is spent locally and provides an economic boost to communities and helps families during the current economic crisis. EITC refunds are likely to be spent locally on food, clothing, utilities and transportation.

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