

## Refund the Credit

## Refundable Family Tax Credits are Smart Policy



A refundable State Earned Income Tax Credit (EITC) and Child and Dependent Care Credit (CDCC) are powerful tools in helping families work their way out of poverty. These credits reward work and boost local economies. Ohio's families deserve what families in dozens of other states have – a refundable State Earned Income Tax Credit and a refundable Child and Dependent Care Credit. 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.

### Family income stability

- Families use EITC refunds to meet housing, utility, and other expenses
- Children in low-income families can experience developmental delays and demonstrate cognitive impairment.
- Growing up in low-income families can lead to poor physical and behavioral health for children.

### Reward work

- Only people who work can claim the EITC. If you don't work, you don't get the credit.
- The CDCC can only be used by tax filers who are working or looking for work.
- Multiple studies have shown that the EITC has been effective in increasing workforce participation, especially among single mothers.

### The federal EITC is the nation's most effective anti-poverty program for working families

- In 2003, the federal EITC lifted more than 4.4 million people — roughly half of them children — out of poverty each year.
- Childhood poverty would have been nearly 25 percent higher without the federal EITC that year.

### Tax credits are most effective when they are refundable.

- A non-refundable credit does little to lift families above the poverty line because it only offsets taxes owed rather than supplements earnings.
- Most states with an EITC make them refundable.
- A refundable credit has a greater impact on local economies.

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