



Earned Income Credit

Legislative Issue Brief
2015 General Assembly Session

Our Vision

A world where people of all faiths cooperate to create compassionate communities that are just, peaceful, equitable and sustainable.

Our Mission

To empower Virginians to create social justice for all by advocating for systemic change.

Our Work

We unite people of faith in Virginia. Through partnerships with other statewide non-profit advocacy organizations and our own grassroots networks, we empower faithful advocates to:

- LEARN -
about the issues
challenging our communities

- PRAY -
for guidance and
discernment

- ACT -
to make Virginia a more just
and compassionate
Commonwealth.

Virginia Interfaith Center
1716 E Franklin St.
Richmond, Va. 23223
804-643-2474
www.virginiainterfaithcenter.org

Virginia's Earned Income Credit (EIC), which was launched in 2006, is rooted in the federal Earned Income Tax Credit (EITC) and it is one of the most effective ways to combat poverty in the United States. The federal EITC reduces the taxes paid by low-income, working Americans based on their earnings and the size of their family. At the state level, Virginia's Earned Income Credit offers a modest credit against low-wage workers' income taxes. The less they owe and the more they work, the more money they can keep for their family.

Virginia's EIC helps make work pay with a focus on low-income working families. It helps decrease the difference between what they earn and the cost of living. This also keeps money in Virginia's local economies. EIC is good for both businesses and workers. A healthy economy needs working families with purchasing power – not families who are scraping to survive. At the federal level if a family's income is so low they don't actually owe taxes, they get their share of the tax credit as cash--in essence, a refund. If that sounds like a giveaway, it isn't. These families still pay payroll and other federal taxes, like the gas tax, that take a larger share of their income than wealthier households. This refund ensures that the poorest of the working poor are justly rewarded. However, unlike EITC, EIC is not refundable if a family's tax liability is lower than the full amount of the credit.

Making EIC refundable would help low-wage working families offset other taxes and free up income to pay for basic needs, like transportation, utility bills, and supplies for children. The 2013 transportation bill raised a number of regressive taxes that cost people with low incomes a greater part of their income. Making the EIC refundable is one way to reduce the burden on low-income households from these taxes. It's time to stand for tax fairness.

The Facts

- More than 500,000 Virginians were eligible for EIC in 2011. The credit is claimed by families in every city and county of Virginia.¹
- Over 27.5 million middle class and low-income families claimed EITC in 2010.²
- EITC keeps over 6.5 million Americans out of poverty each year. More than 50% of them are children.³
- EIC can free up resources for child care expenses. Single mothers who receive it are more likely to be employed and experience an increase in earnings.⁴
- EITC refunds can increase assets and savings and help prevent future financial crises. Nonprofits and community organizations can provide tax preparation service and financial counseling, as well as help EITC recipients set up bank accounts. The IRS allows recipients to deposit EITC tax refunds in a bank or to use them to buy a U.S. savings bond.⁵
- The EIC supports our veterans. In Virginia, about 46,000 military families currently get help through the federal EITC.⁶
- EITC provides short-term relief while families regroup from major changes, like the birth of a child or one source of income being lost.⁷
- From 1989 to 2006, over two thirds of people receiving EITC used it for one or two years at a time. During that time, about half of all taxpayers used the EITC at least once.⁸

1 http://www.thecommonwealthinstitute.org/wp-content/uploads/2014/01/eic_explainer.pdf

2 http://www.thecommonwealthinstitute.org/wp-content/uploads/2014/01/eic_explainer.pdf

3 http://www.thecommonwealthinstitute.org/wp-content/uploads/2014/01/eic_explainer.pdf

4 <http://www.ncsl.org/research/labor-and-employment/earned-income-tax-credits-for-working-families.aspx>

5 <http://www.ncsl.org/research/labor-and-employment/earned-income-tax-credits-for-working-families.aspx>

6 http://www.thecommonwealthinstitute.org/wp-content/uploads/2014/01/all_it_can_be.pdf

7 <http://www.cbpp.org/cms/?fa=view&id=3793>

8 <http://www.cbpp.org/cms/?fa=view&id=3793>





Earned Income Credit Talking Points

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Meeting with your legislator

- **Explain** your perspective on EIC.
- **Share** a story how a EIC would benefit people in your congregation or community
- **Advocate** using the talking points below, for how a refundable Earned Income Credit would benefit all Virginians. Present 3-5 data points from the list below that you find most persuasive.
- **Ask** that your representative take action on the policy issue and ask for a commitment.

The case for a refundable Earned Income Credit

- *Earned Income Credit keeps Virginians out of poverty.*
 - EIC refunds can increase assets and savings and help prevent future financial setbacks. The IRS provides the option to deposit EITC tax refunds into a savings or checking account or to use them to purchase a U.S. savings bond.
 - From 1989 to 2006, over two thirds of people receiving EITC used it for one or two years at a time. During that time, about half of all taxpayers used the EITC at least once.
 - In 2011, over half a million Virginians were eligible to claim federal EITC and Virginia's EIC. Families in all 134 counties and cities claim the credit.
 - In 2010, more than 27.5 million middle class and low-income working families received the federal EITC.
- *Earned Income Credit is good for families.*
 - The federal EITC keeps over 6.5 million Americans, more than half of them children, out of poverty each year.
 - EITC can free up resources for child care expenses. Single mothers who receive EITC are more likely to be employed and experience an increase in earnings.
 - The EIC supports our veterans. In Virginia, about 46,000 military families currently get help through the federal EITC.
 - EITC provides short-term relief while families regroup from major changes, like the birth of a child or one source of income being lost.

The Ask

[As a person of faith,] I consider it a moral obligation to ensure that all people can truly reap the fruits of their labor.

Senator/Delegate _____, I urge you to support making the Earned Income Credit refundable.