

LIFTING FAMILIES OUT *of* POVERTY



Who can benefit from the EITC?

A single parent with two children making minimum wage at a full-time job can work all year without taking a day off and still end up almost \$2,500 below the 2011 poverty guideline of \$18,530 for a family of three.

Boosting academic achievement

A recent study of children in families receiving the EITC found that an increase in family income results in a 6 percent increase in math and reading test scores.

A strong supporter

One of the most outspoken advocates of the EITC was former President Ronald Reagan, who called it "the best anti-poverty, the best pro-family, the best job creation measure to come out of Congress."

Family economic security is a cornerstone of a strong economy and a prosperous state. When working families are able to provide health care, shelter, food and other basic necessities for their children it gives them a stable foundation for learning and future development. The Earned Income Tax Credit (EITC) is the most successful tool in raising working families out of poverty.

Why is the EITC necessary?

The EITC offsets the cost of state and local property and sales tax for lower-income working families. It is the most successful program to reduce poverty for families with children. For many lower-income working families, it takes both the federal and state EITC to lift the family income above the poverty line.

How does the EITC benefit communities and the state?

In addition to the financial benefit to recipients, the EITC provides a number of benefits to the state and communities in which recipients live. Specific benefits include:

- **Strengthening state and local economies.** Since the majority of EITC recipients spend their refunds, this money increases economic activity at local merchants and service providers.
- **Improving academic achievement in schools.** A recent study of children in families receiving the EITC found that an increase in family income of \$1,000 results in a 6 percent increase in math and reading test scores.
- **Increases work among single parents.** Studies show that the EITC has resulted

in a significant shift of single parents from welfare to work and that there is a connection between the size of a family's EITC benefit and its likelihood of employment.

The Kansas EITC

The Kansas EITC is based on the Federal EITC. The current rate of the Kansas EITC is 18 percent of the federal EITC. In tax year 2009, the most recent year for which data is available, 227,893 Kansas income tax returns were filed claiming the Kansas EITC. This translated to more than \$81 million for Kansas working families.

In Kansas, a portion of the state EITC is used to satisfy the maintenance of effort requirement for the federal Temporary Assistance for Needy Families (TANF) block grant. This means that the Kansas EITC serves a dual purpose of lifting working families out of poverty and helping the state to draw down millions of dollars in federal money.

Protecting the Kansas EITC

Kansas Action for Children opposes attempts to eliminate or weaken the Kansas EITC. This includes attempts to make the credit non-refundable. It is important to note that refundability is key to the success of the credit. Without the cash payments resulting from the refundability of the credit, families would not have the income supplement that is the essential part of the EITC. Family economic security is a cornerstone of a strong economy and a prosperous state and retaining a vibrant EITC is fundamental part of the economic security of working families and their children.



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