



PRESS RELEASE
JUNE 4, 2019

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Strengthen state EITC to help lowest-paid workers

Adding a refundable option will do more to fight poverty

A proposed change to Ohio's Earned Income Tax Credit (EITC) would benefit 379,200 income tax filers who work in the state's lowest-paying jobs. On average, their credits would increase by \$248, according to a brief from Policy Matters Ohio.

Ohio's nonrefundable EITC is worth up to 30% of the federal credit. The proposed change would create a small refundable alternative, worth 10% of the federal EITC. Qualifying taxpayers who claim the state EITC would be able to opt for the greater amount.

"An additional \$248 could mean a struggling family is finally able to afford a much-needed car repair, winter coats or school supplies," said Ben Stein, staff associate with Policy Matters. "Families who receive the EITC tend to spend it quickly on necessities. That means more money circulating in the economy, which is good for all of us."

Under the current system, many people working in Ohio's lowest-wage jobs lose some portion of their state credit because Ohio's EITC is nonrefundable: If it is worth more than an individual owes in state income tax, the state keeps the excess.

Because the federal EITC is refundable, it does more for people in poverty-wage work: Those who qualify for and claim the credit receive its full value. If the credit exceeds their federal income tax liability, the excess is refunded, just as it is when a filer has overpaid.

Recent changes to Ohio's EITC increased its value but left it nonrefundable. As a result, those changes are projected to do very little for people working in the lowest-wage jobs. Tax filers in that group would benefit most from the proposed change, with the expanded credit also reaching some low- and middle-wage workers.

"Ohio spends millions of dollars a year on refundable credits for business owners," Stein said. "We spend tens of millions on refundable credits for corporations. We spend nothing at all on refundable credits for working people. It's time to change that."

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*Policy Matters Ohio is a nonprofit, nonpartisan state policy research institute
with offices in Cleveland and Columbus.*

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