

Claiming credit

Thousands of Ohioans fail to take advantage of tax break and forgo an average of \$1,700

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When taxpayers turn in the last of their income tax payments tomorrow, more than 700,000 Ohio families are likely to have filed for the Earned Income Tax Credit (EITC). These credits, averaging \$1,700 apiece, will help working families who earn less than \$34,692 pay for housing, food, clothing, transportation, even books and toys.

But nationwide, an estimated 25 percent of those eligible for the EITC never claim their credit. That means about 242,000 families in Ohio, and about 48,000 in the Cleveland area, might be forgoing income that could help them climb closer to the middle class. Some of these families could have received as much as \$4,140 back from the federal government.

The state budget is extremely tight, and programs that help working families are being curtailed. Some state legislators are considering shifting part of the tax burden from wealthier taxpayers to the middle class. Low- and middle-income families already pay a greater share of their income to Ohio state and local taxes than high-earning families. At the federal level, last year's tax changes skewed the system to provide more perks to the richest taxpayers. In short, policy at the federal and state level has not been kind to working families. Extensive job loss and lack of wage growth in the last few years haven't helped.

Given this climate and its bias against lower-income workers, the EITC is that rare thing — an existing policy that can bring money to poor and middle-class communities. The credit brought more than \$1.2 billion into Ohio in 2002 and could have brought an estimated \$411 million more to the state if everyone had taken part.

That's why we should be asking what can be done to make sure that eligible families claim the credit. The bad news is that the federal government is working to stifle participation by requiring participants to provide extensive documentation of income, marital status and child custody even before they file their tax forms. This is somewhat astonishing, because the EITC has been a favorite for previous presidents of both parties. It was signed into law by Gerald Ford and expanded under Ronald Reagan, George H. W. Bush and Bill Clinton.

The good news is that in our local communities there is much we can do to increase participation. Some cities are already educating the public, coordinating volunteer tax preparation assistance, soliciting local business and labor involvement and cracking down on exploitative refund anticipation loans, in which tax preparers charge a whopping 9 percent of clients' credits in return for a short-term loan of the anticipated refund.

The potential from such coordinated programs is enormous. In Chicago, which has perhaps the most extensive program, more than 800 volunteers completed 27,000 income tax returns, help-

ing to generate refunds of more than \$19.5 million for working families in 2002. Dozens of cities, counties and states around the country have put campaigns in place to increase participation in the Earned Income Tax Credit. The reason is simple: It can raise incomes, encourage work and inject revenue into communities, all at minimal cost to local government.

Here in Ohio, efforts to assist filers with their taxes are growing. In 2003, the AARP had more than 1,200 volunteers who helped prepare 78,000 returns, although only some of those involved EITC participants. Nearby, Akron Summit Community Action is helping raise awareness about the EITC and helping area residents file returns and claim the credit. And here in Cleveland a coalition is in its second year of channeling 80 volunteers to assist about 250 clients in claiming about \$400,000 in refunds under the EITC.

But more could be done by communities, workplaces and businesses in greater Cleveland

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to ensure that credit comes where it's due. Experts say that strong local promotion efforts typically educate the public about the EITC; offer free tax preparation services staffed by professionally trained volunteers; have strong coalitions with a lead agency in charge; involve business, labor and local elected officials; and include elements that warn EITC participants about the dangers of tax refund anticipation loans.

From T-shirts reading "Ask me where I got my taxes done" to inserts in grocery bags to ads on buses, communities have gotten creative to ensure that their constituents get the tax credits they deserve. Greater Cleveland should keep building on its fledgling campaign to do the same, and municipalities should front the modest funds needed to help these programs succeed. New refunds could bring \$83 million in new federal money to this metro area. Workers here have earned it. We should make sure they get it.

Hanauer is the executive director of Policy Matters Ohio.

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