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# POLICY MATTERS OHIO

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CLEVELAND: 3631 PERKINS AVENUE SUITE 4C - EAST • CLEVELAND, OHIO, 44114 • TEL: 216/361-9801 • FAX: 216/361-9810  
COLUMBUS: 1372 GRANDVIEW AVE. SUITE 242 • COLUMBUS, OHIO, 43212 • TEL: 614/486-4601 • FAX: 614/486-4603  
HTTP://WWW.POLICYMATTERSOHIO.ORG

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Contact: David Rothstein 216-361-9801

## **800,000 Ohio families receive federal Earned Income Tax Credit; Report recommends Ohio EITC and loan protections for working families**

For the 2005 tax year, more than 800,000 Ohio families received the federal Earned Income Tax Credit (EITC), a refundable tax credit for workers in families that make less than \$38,000. The average EITC in Ohio was \$1,784, bringing more than \$1.4 billion into Ohio communities, according to a report released today by Policy Matters Ohio.

Adding a 10 percent Ohio EITC to supplement the federal credit, as 19 states have done, would cost Ohio \$134 million, less than one percent of 2006 state expenditures. This measure would provide an average of \$184 each to eligible working families. The state could use TANF funds to help finance this program.

“Increasing EITC participation will help working families and bring money into local communities,” said David Rothstein, report author, “An Ohio EITC program and tax loan protections could ensure that Ohio was joining other states in helping its low- and moderate-income working families.”

The report also finds:

- With more aggressive outreach, it is reasonable to think that Ohio could expand the number of EITC claimants by more than five percent, or more than 40,000 claimants. Better claiming would bring more federal resources into Ohio.
- About 65 percent of Ohioans that received the EITC (more than 500,000 filers) went to a paid tax preparer, costing filers at least \$150 each in preparation fees.
- Of EITC recipients who went to paid preparers, more than 50 percent (268,000) bought high interest, refund-anticipation loans (RALs). With the cost of paid preparation and RALs, Ohio’s working families lost more than \$100 million to paid preparers.
- RALs have declined both nationally and in Ohio due to increased free-filing options and policy advocacy protecting low-income families. New high-interest loan products remain a concern.

Free tax assistance and filing is available through an IRS volunteer tax program known as Volunteer Income Tax Assistance (VITA) sites. Community coalitions, including a vibrant coalition in Cuyahoga County, have formed to promote these programs.

The report, *Dollars that Make Sense* is available at [www.policymattersohio.org](http://www.policymattersohio.org).  
The *Cuyahoga EITC Coalition* has information available at [www.refundohio.org](http://www.refundohio.org).

