

Small Investment, Big Difference

How an Ohio Earned Income Tax Credit would help working families

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A refundable state Earned Income Tax Credit would help 822,000 working families across Ohio.

Set at 20 percent, a mid-point in the range of other states that have a credit, an Ohio EITC would provide the average recipient \$446 a year, according to an analysis by the Institute for Taxation and Economic Policy. Fifty percent of the state EITC would go to those with earned income making between \$18,000 and \$33,000.

Gov. John Kasich has proposed major changes in Ohio's tax system, including broadening the sales tax to cover more services, cutting the sales-tax rate, slashing income taxes and giving business owners a big tax break. A state EITC would help the working families who would be most affected by these changes, which would transfer income from low- and moderate-income Ohioans to the affluent. An EITC not only helps create a more fair tax structure, it provides a boost to local economies, as EITC dollars are often spent and saved locally. Twenty-four states and the District of Columbia already have state EITC programs.

Key findings

- State EITC would benefit 822,000 working families.
- Twenty-four states and D.C. already have an EITC.
- Cost is just 1 percent of state budget for 10 percent credit, just 2 percent for 20 percent credit.

State EITC programs work

The report reviews existing studies and other state EITC programs, finding direct and indirect benefits that include:

- **The EITC rewards work.** Only people who earn income can claim the EITC. People who work full time should be able to support their families, but often live on poverty wages. The EITC ensures that working families are able to provide for the basic needs.
- **EITC filers pay taxes.** These working families pay their fair share of income taxes, pay into Social Security and Medicare, and pay sales taxes.
- **The EITC has bipartisan support.** The federal EITC was first created by President Gerald Ford in 1975 and has expanded under every president after. Of the 24 states that have implemented state EITC programs, 13 were under Democratic governors, 10 were under Republican governors and 1 was from a politically independent governor. States with a variety of income and sales tax structures have implemented a state EITC program.
- **The EITC stimulates the economy.** Families that claim the EITC use the refunds to pay for basic needs like housing, food, transportation and child care. These purchases of goods and services help stimulate local economies.