



POLICY Rx: Increase the State Earned Income Tax Credit (EITC)

2019

The Issue

The Earned Income Tax Credit ([EITC](#)) is designed to help move low-income families out of poverty by providing an incentive to work. The EITC is a "refundable" tax credit, which means that it is available to workers even if they did not earn enough wages to pay federal or state income taxes. In order to claim the EITC, a tax filer must have some earnings from work.

There is both a federal EITC and a Wisconsin EITC, and many workers are eligible for both. The federal EITC is determined by a worker's income, number of children, and marital status. [The Wisconsin EITC](#) is based on a percentage of the federal EITC (0%, 4%, 11%, or 34% depending on the number of qualifying children). Nationally, 1 in 5 people eligible for the EITC fail to claim the credit.

One weakness of both the federal and state EITC's is that [neither provides much benefit](#) to low-income workers who do not have dependent children. The [federal](#) EITC is only available to workers without dependent children age 25 or older and is only a small fraction of the tax credit provided to workers with dependent children. Workers without dependent children are completely ineligible for the Wisconsin EITC.

Unfortunately, Wisconsin recently [cut the state EITC](#) as part of the 2011-2013 state budget, which increased the amount of taxes that lower-income families paid to the state between 2011-2015 by approximately [\\$114 million](#). In 2018, Wisconsin [failed](#) to pass a bill that would have raised the state's EITC to 34% of the federal EITC, no matter how many dependent children the worker had.

Why is Increasing the State Earned Income Tax Credit Important to Women?

- The federal EITC has been an incredibly successful tool for lifting women, and especially women of color, out of poverty. In 2014, the federal EITC lifted the incomes of more than [5.6 million people above the poverty line](#), including almost 1.6 million adult women, nearly 3.1 million children, nearly 1.2 million African Americans, and more than 2.3 million Latinos. [Recent expansions](#) of the federal EITC benefited about 19 percent of Black women, 27 percent of Hispanic women, and 12 percent of Asian American and Pacific Islander women, compared with about 11 percent of all workers. Increasing the state EITC would provide a similar benefit to women from traditionally marginalized communities in Wisconsin.
- Increasing the state EITC would also help offset the [regressive nature of state and local taxes](#), which [disproportionately burden lower-income individuals](#) because of their reliance on sales and property taxes that take a larger share of lower- and middle-income earners' income than would a progressive income tax.
- Increasing the state EITC also provides a strong incentive to work. Many lower-income working moms cannot afford basic costs like child care and reliable transportation that are necessary in order to obtain and maintain stable employment. Increasing the state EITC will [help make the costs of these necessities within the reach](#) of more lower-income working moms.
- [Simultaneously increasing the state EITC and state minimum wage](#) would be particularly helpful to low-wage working women and their families, as combining these policies would provide a [higher income boost to lower-wage workers and would cover a larger number of workers and families](#) as compared to either policy in isolation. For more information about boosting Wisconsin's state minimum wage, see our section on that topic.



Wisconsin Alliance for Women's Health

What Wisconsin Can Do

Increasing the federal EITC has been one of the few areas of bipartisan agreement reached by Congress during recent years. Congress has both [extended the eligibility for the federal EITC and increased the amount of the EITC](#) for families with three or more children. These changes were recently made permanent.

Wisconsin should follow Congress' lead. During the 2017-2018 legislative session, one piece of legislation was introduced that would improve the state EITC for lower-wage workers and their families by:

- Having restored the cuts that were made to the state EITC as part of the 2011-2013 state budget and created a refundable state EITC for lower-wage workers who do not have children.
- Having allowed an individual to claim the state EITC for a child who does not have the same principal place of residence as the tax claimant and even if another person claims the federal and state EITC for the child, so long as the claimant is legally the parent of the child and in compliance with a child support order for the child.

The Wisconsin Department of Revenue [estimated](#) that, if enacted, the restoration of the previous cuts to the state EITC would increase the EITC for lower-wage working families by approximately \$25 million per year. These were two separate bills in the 2016-2016 legislative session and were combined for the 2017-2018 legislative session. However, it failed to pass into law.

How Can I Help Make Expanding the State EITC a Reality in Wisconsin?

There are lots of ways you can help make expanding the state EITC a reality in Wisconsin.

- Call or email your [state legislators](#) to urge them to support legislation that would expand the state EITC
- Connect with organizations in Wisconsin already working on expanding the state EITC:
 - [Kids Forward](#)
 - [The Public Policy Institute](#)
- Learn more about why expanding the state EITC is important for women's economic security with these resources:
 - [Center on Budget and Policy Priorities: State Earned Income Tax Credits and Minimum Wages Work Best Together](#)
 - [Wisconsin Budget Project: Increasing Both the Earned Income Tax Credit and the Minimum Wage Would Strengthen Wisconsin's Families](#)
 - [National Women's Law Center, Moving Women and Families Forward: A Roadmap to Economic Justice](#)