



Grow the Illinois EITC: Keep working families in mind during FY10 budget & tax talks

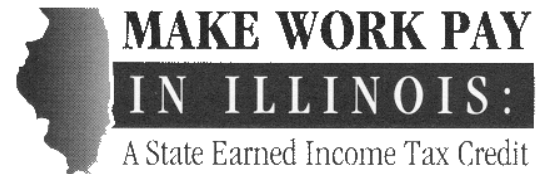
As decisions are made about how to handle Illinois' massive budget deficit, it's important to remember low- and moderate-income families who already struggle with unfairly high tax bills. We should protect them – and avoid making their situations worse. Growing the size of the Earned Income Tax Credit is one of the best answers, particularly in the context of any general tax increase.

What is the Illinois Earned Income Tax Credit? It's the only tax benefit that expressly encourages and rewards work – a credit that last year kept \$87 million in the pockets of nearly 850,000 low-income, working families statewide. Our state credit is based on the much bigger, federal EITC. Both the federal and state credits enjoy strong bipartisan support.

Who benefits and how? To claim the EITC, taxpayers must be both low-income and working. This year, households with earnings of less than \$41,646 qualified; the exact size of their credit depends on their specific income level and family size. However, because the Illinois EITC is set at only 5 percent of the federal credit, the maximum amount of the Illinois credit is only \$241 per family – the nation's second-smallest state EITC. Credits range as high as \$965 in Virginia and \$1,447 in New York.

Why the EITC?

- **It eases taxes**, helping offset low-income families' unfairly large share of state and local taxes, including property and sales taxes. As a percentage of their earnings, Illinois' poorest families spend up to twice as much on these taxes as the wealthiest families do.
- **It provides true economic stimulus** to local communities. From grocery bills to home and car repairs, working families are likely to spend the money they save through the EITC, and that's good for boosting a sluggish economy.
- **It's a work support**, available only to households in which one or more person is employed, and is credited with lifting more low-paid workers out of poverty than any other policy tool. This is particularly important as low-income workers' wages slip.



How can it be improved?

Our Illinois credit should be raised to at least 20 percent of the federal EITC (from its current, 5 percent level), putting ours in the midrange of other states' EITC amounts. This would provide struggling families with more of the fairness they need today – and help offset greater tax liabilities for them tomorrow. The cost would be about \$350 million more to the state.

*“The best anti-poverty, the best pro-family, the best job-creation measure to come out of Congress.”
– President Reagan, describing the federal Earned Income Tax Credit in 1986*

For more information, please contact: Sean Noble (312-516-5566, snoble@voices4kids.org) or Kelley Talbot (312-516-5572, ktalbot@voices4kids.org) at Voices for Illinois Children. See reverse for a list of Make Work Pay campaign supporters. 04.08.09



MAKE WORK PAY

IN ILLINOIS:

A State Earned Income Tax Credit

Make Work Pay campaign members include these 42 organizations, who support efforts to “make work pay” and taxes fairer for working families via EITC improvements:

Voices for Illinois Children
Center for Economic Progress
Sargent Shriver National Center on Poverty Law
Center for Tax and Budget Accountability
Protestants for the Common Good
Action Now
AIDS Foundation of Chicago
Catholic Conference of Illinois
Chicago Coalition for the Homeless
Chicago Foundation for Women
Chicago Interfaith Committee on Worker Issues
Children’s Home and Aid Society of Illinois
Citizen Action / Illinois
Fight Crime: Invest in Kids Illinois
Greater Chicago Food Depository
H&R Block
Heartland Alliance for Human Needs and Human Rights
Housing Action Illinois
Illinois AFL-CIO
Illinois Action for Children
Illinois African-American Coalition For Prevention

Illinois After-School Alliance
Illinois Coalition for Community Services
Illinois Family Partnership Network
Illinois Maternal & Child Health Coalition
Illinois Retail Merchants Association
Jewish Federation of Metropolitan Chicago
Latino Coalition for Prevention
League of Women Voters of Illinois
Lutheran Advocacy – Illinois
Lutheran Child and Family Services of Illinois
Lutheran Social Services of Illinois
Metropolitan Family Services
Ounce of Prevention Fund
Progressive Public Affairs
Project Irene
SEIU Illinois Council
SEIU Healthcare Illinois
Uhlich Children’s Advantage Network
United Food and Commercial Workers, Local 881
Women Employed
YWCA Metropolitan Chicago