

*DEFINING THE CONTEXT*  
INTRODUCING THE  
EARNED INCOME TAX  
CREDIT

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March 16, 2009

# EARNED INCOME TAX CREDIT

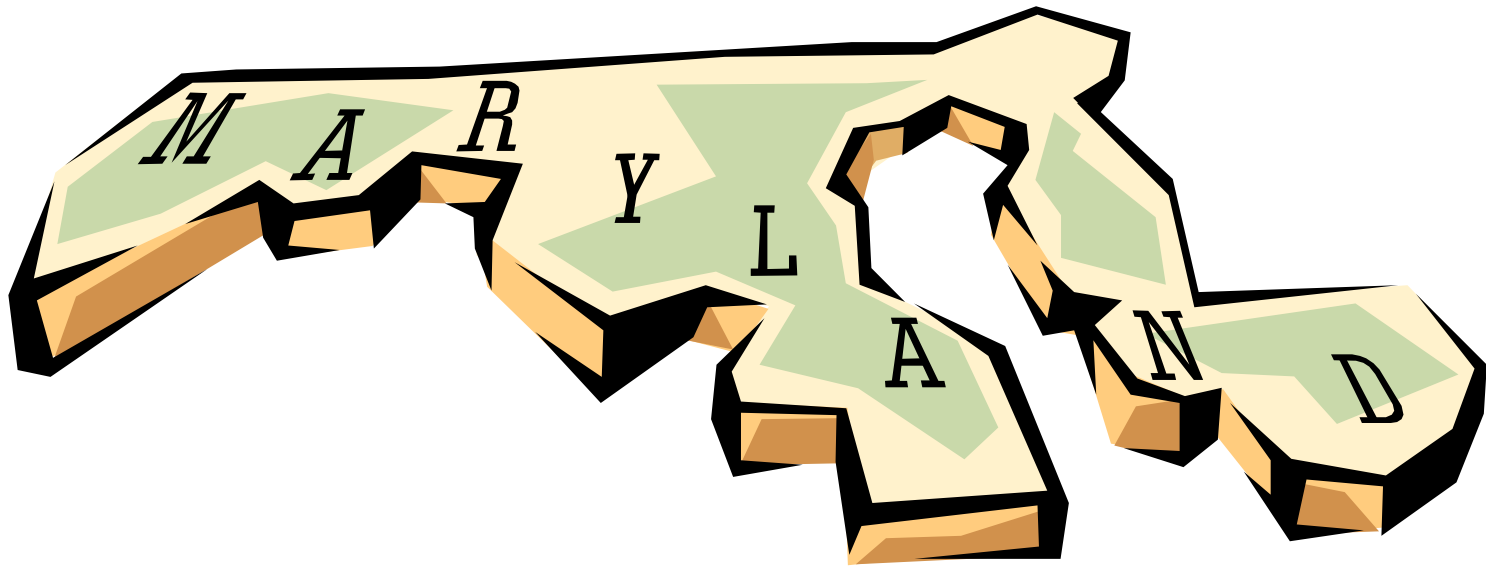
## AMERICA'S BIGGEST POVERTY-FIGHTING PROGRAM

- \$44 billion
- 23 million families
- Bigger than Food Stamps, or Temporary Cash Assistance

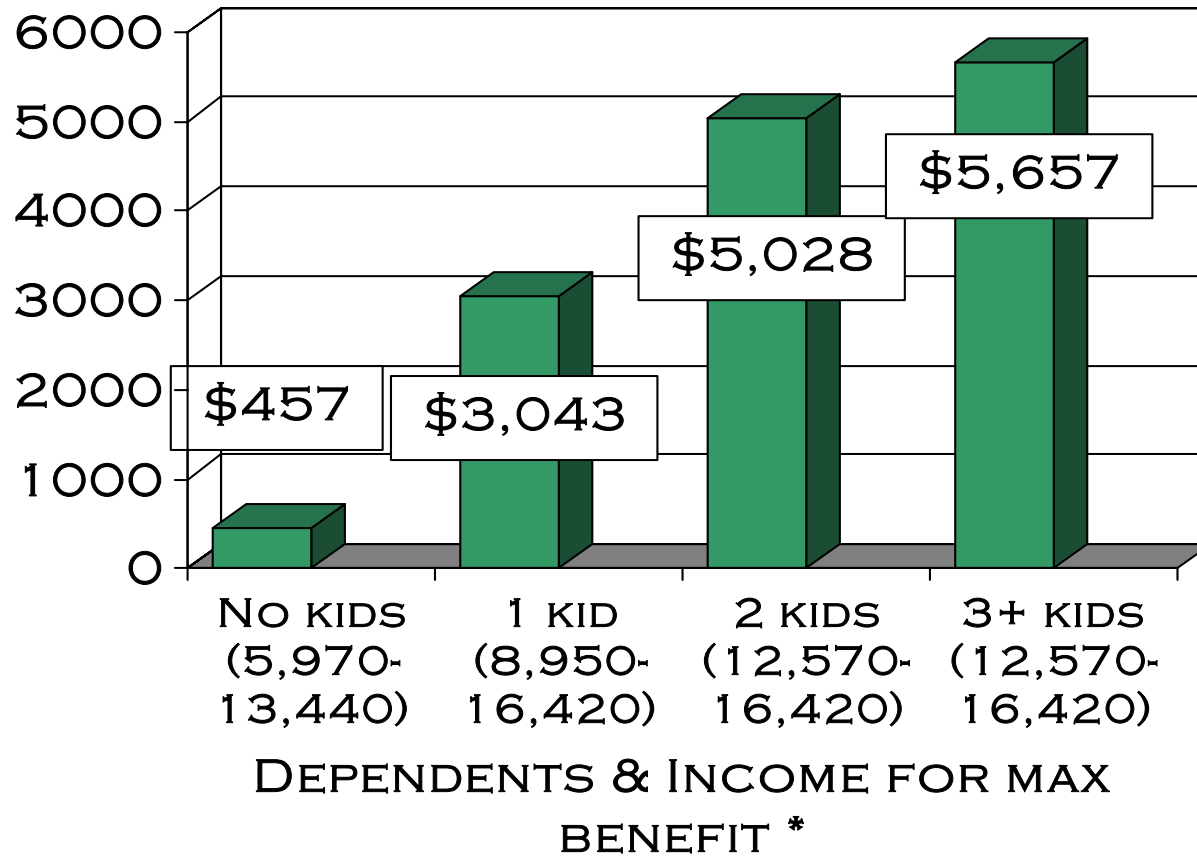


# FEDERAL EITC CREDITS IN MARYLAND

- 353,000 recipients
- \$643 million
- Average = \$1,800

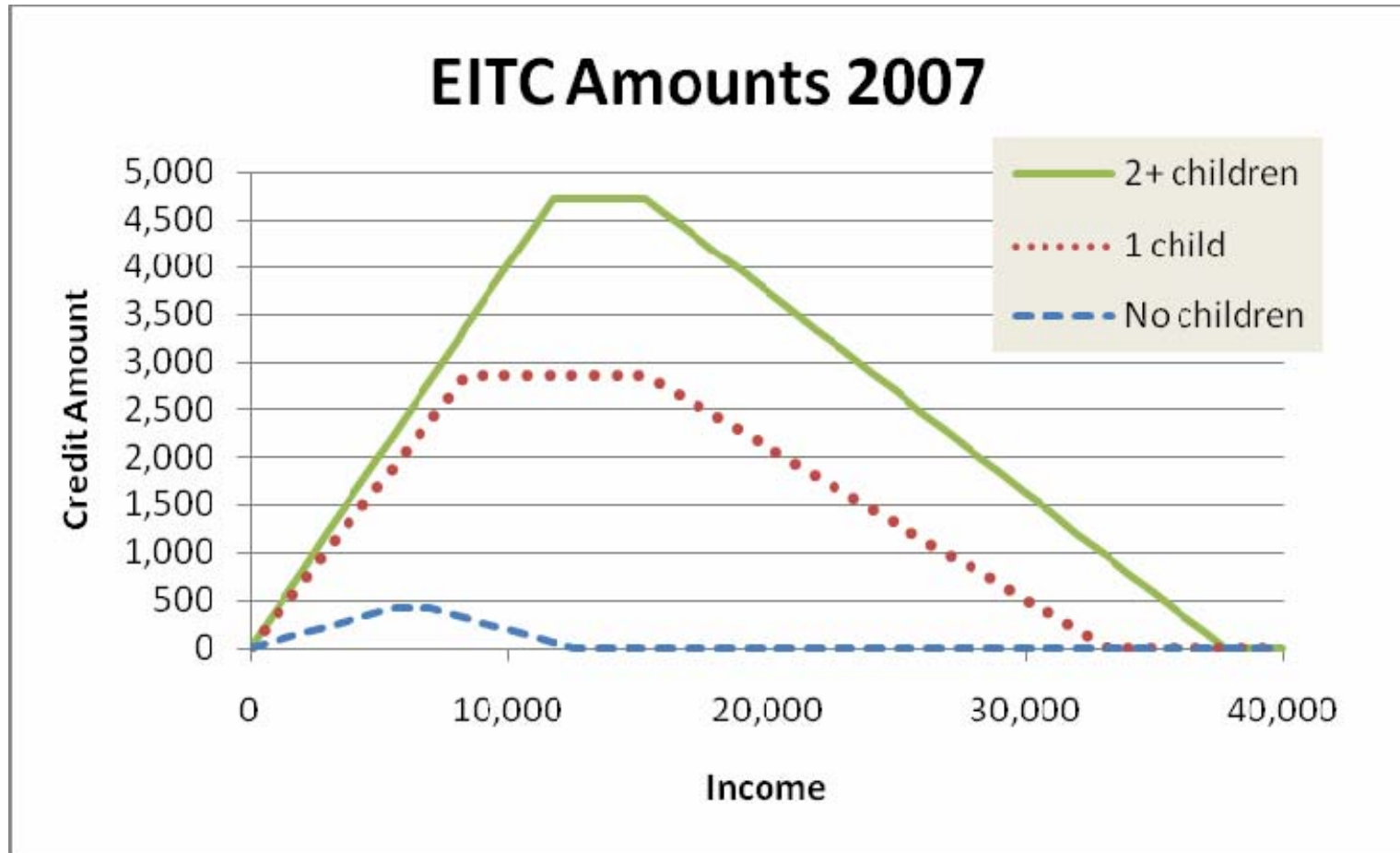


# MAXIMUM FEDERAL CREDIT (2009)



\* Incomes above & below maximum range can get smaller credits

# STRUCTURE OF THE CREDIT



# STATE CREDITS

- In addition to Federal Credit
  - Maryland is 1 of 23 states plus DC
- Maryland state credit
  - Non-refundable – 50% of federal credit
  - Refundable – 25% of federal credit
  - 345,000 recipients (2007)
  - \$172 million.



# WHAT AMERICA LIKES ABOUT THE EITC



- Lifts families out of poverty
- Adds to – not replaces – other poverty-fighting programs
- Cash benefit – no restrictions on use
- Helps Families with Kids
- Rewards Work
- Separate from Social Services System
  - Less Administrative Cost
  - Avoids “Welfare” stigma

# WHAT AMERICA DISLIKES ABOUT THE EITC



- Complexity
  - Hard to understand
  - Reduced participation
  - Need for tax preparation service
  - Opportunities for error and abuse
- Lump sum payment
- Marriage penalty
- Work DIS-incentive at “higher” incomes.

# FEW LOW-INCOME MEN BENEFIT FROM THE EITC



- Low credit amount for individuals without children
- For childless earners, benefits phase out around \$13k
- Marriage penalty
  - adding a second income in the same household can reduce or eliminate the EITC benefit
- *Note that while the EITC does not treat men and women differently – the real world does*

*THANK YOU*

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