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The MI EITC: Helping Michiganders make ends meet since 2008

Institute for Public Policy and Social Research Forum, January 18, 2023
Rachel Richards, Fiscal Policy Director | rrichards@mlpp.org

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History of the Earned Income Tax Credit

1975

Federal EITC Enacted

Enacted as part of the Tax Reduction Act - made permanent in 1978.

1993

Federal Expansion

The federal credit is made available to workers without children.

2006

MI EITC Enacted

Michigan enacts a state EITC equal to up to 20% of the federal credit.

2011

MI EITC Reduced

The state EITC is reduced to 6% of the federal credit.

2021

American Rescue Plan Act

ARPA temporarily expands the EITC.

2023

Opportunities for State Expansion

How the EITC works

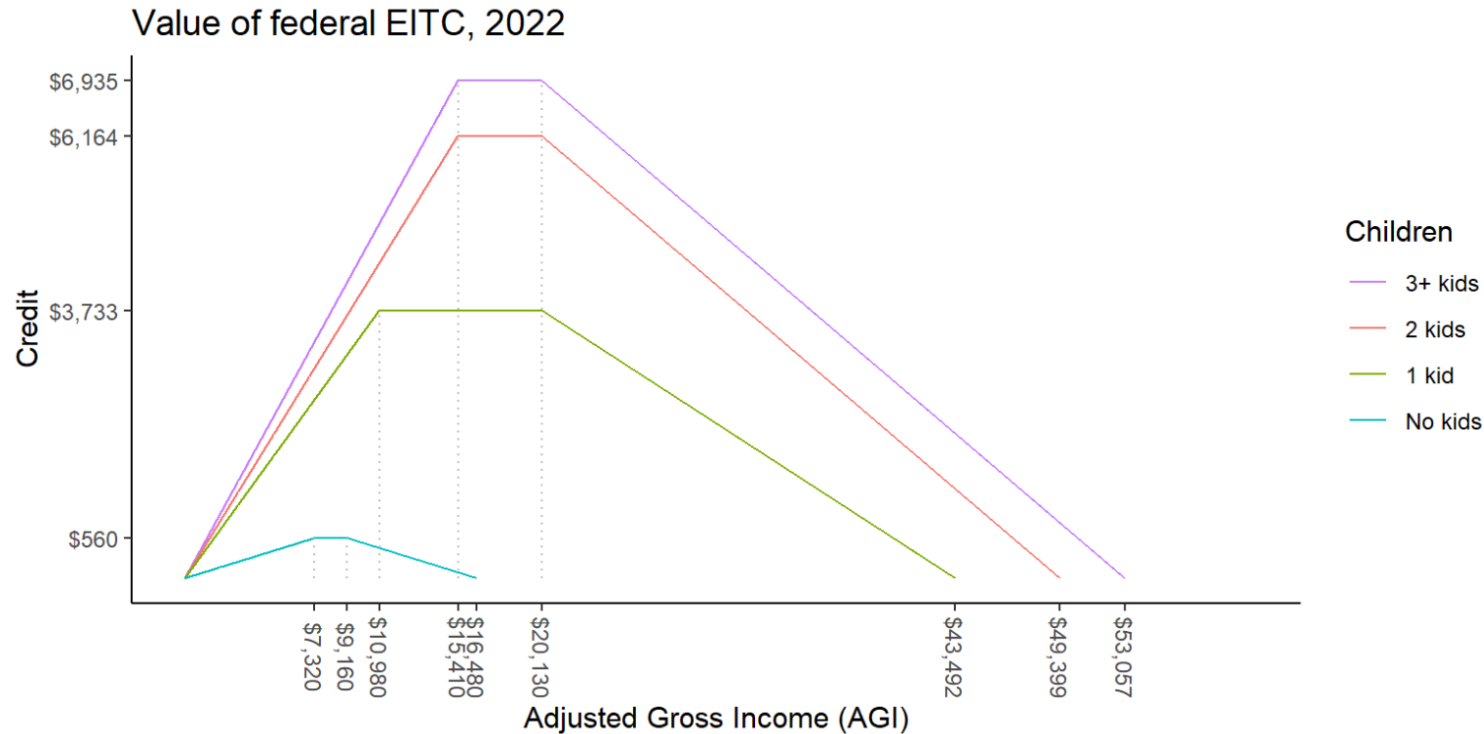
The credit formula is based on numerous factors:

- Earnings
- Number of children
- Marital status
- Age (for workers without children only)
- Inflation

Maximum AGI (2022)		
Children	Single	Married
0	\$16,480	\$22,610
1	\$43,492	\$49,622
2	\$49,399	\$55,529
3+	\$53,057	\$59,187

Maximum Credit (2022)	
Children	Federal Credit
0	\$560
1	\$3,733
2	\$6,164
3+	\$6,935

The EITC rewards work by increasing for each dollar more earned at low incomes and phases out at higher income levels

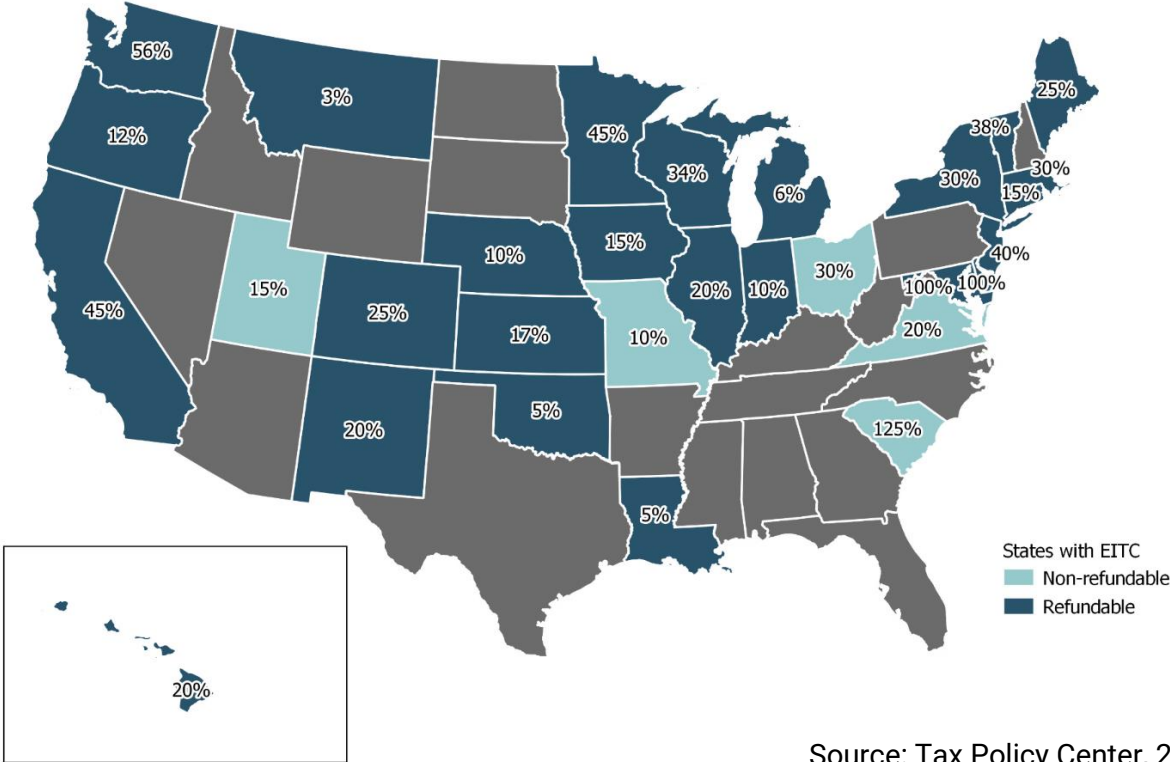


Source: Institute on Taxation and Economic Policy, 2022

Note: Assumes all income comes from earnings. Amounts shown depict a single filer; married filers can earn more before the phase-out begins.

States supplement the federal EITC with their own credits

For 2023, 53% of states (including DC) have a refundable EITC ranging from 3% to 100% of the federal credit.



Source: Tax Policy Center, 2022, with updates





Why states may supplement the federal credit with their own working families tax credit



The EITC helps workers make ends meet, allowing them to keep up with the rising cost of essentials like **groceries, transportation, and childcare** while remaining in the workforce.



The EITC supports **racial equity**, as Black and Hispanic families make up a greater share of households with low incomes due to a history of racial bias and discrimination.



The EITC has **positive, long-lasting effects** for children, including better health, higher test scores, and increased earnings in adulthood.



The EITC reduces poverty in communities across the state, with equal take-up in **urban and rural** counties of roughly 16% of taxpayers.

Several Proposals on the Table to Boost State Credit

Maximum Credit (2022)				
Children	Federal Credit	6% State	20% State	30% State
0	\$560	\$34	\$112	\$168
1	\$3,733	\$224	\$747	\$1,120
2	\$6,164	\$370	\$1,233	\$1,849
3+	\$6,935	\$416	\$1,387	\$2,081

What the EITC means to workers and families



Adrian makes \$32,000 a year as a delivery driver & Tess is a part-time pharmacy tech earning \$12,000. They're married with 2 kids.



Janine & Rob are married with 1 infant. Rob stays home with the baby & Janine works full time on an assembly line for \$41,000 a year.

6% EITC: \$146
30% EITC: \$728
Difference: \$582



6% EITC: \$83
30% EITC: \$413
Difference: \$330

Marie is a single mom raising 1 child making minimum wage as a cashier. Working full time, she makes \$21,000 a year.

6% EITC: \$216
30% EITC: \$1,078
Difference: \$862

Increasing the EITC to 30% would significantly benefit family budgets and local communities.

While the average EITC recipient only received **\$150** from the state in 2019, a credit equal to 30% of the federal credit would have provided families **\$749** on average.

For the average EITC-eligible Michigan family, raising the credit to

30%
would mean:



9 months of diapers
(National Diaper Bank Network)



10 months of internet access
(ALICE)



One month of housing for a family of four
(ALICE)



One month of healthcare for a family of four
(ALICE)



18 full tanks of gas
(Approx. based on a 12 gallon tank)



One month of childcare for a 4 year old
(Economic Policy Institute)

Thank you! Please contact us with any questions you may have



Rachel Richards | rrichards@mlpp.org



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