

The Michigan Earned Income Tax Credit (EITC)



Rachel Richards, Fiscal Policy Director
Michigan League for Public Policy

History of the EITC

TY 2020 Data:

25 million - \$60B - avg: \$2,411

MI avg: \$2,467

Source: IRS

Participation Rates (TY 2018):

National: 78.1%

MI: 80.5%

Source: IRS

1975	1993	2006	2011	2021	2022
Federal EITC Enacted Enacted as part of the Tax Reduction Act - made permanent in 1978.	Federal Expansion The federal credit is made available to workers without children.	MI EITC Enacted Michigan enacts a state EITC equal to up to 20% of the federal credit.	MI EITC Reduced The state EITC is reduced to 6% of the federal credit.	American Rescue Plan Act ARPA temporarily expands the EITC.	Opportunities for State Expansion SB 417 = 30% Gov. = 20%



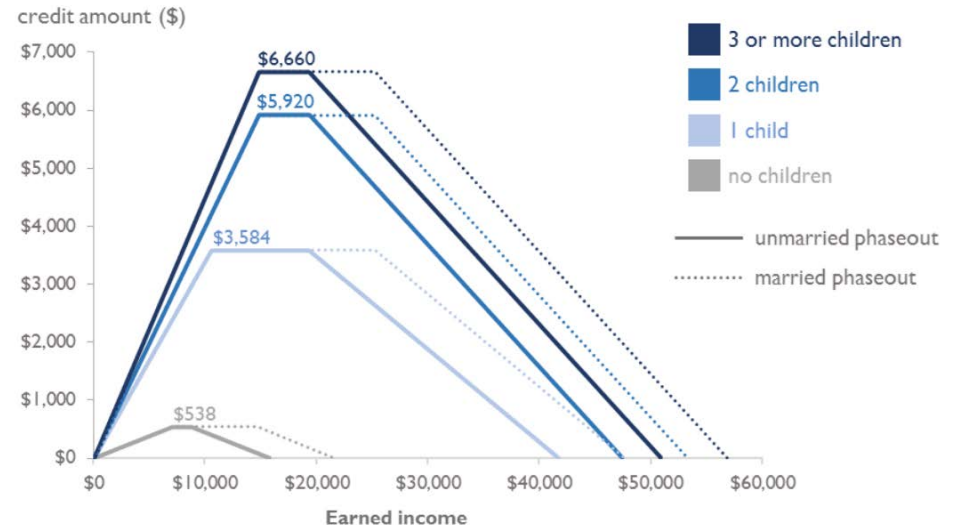
How the EITC works

The credit formula is based on numerous factors:

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

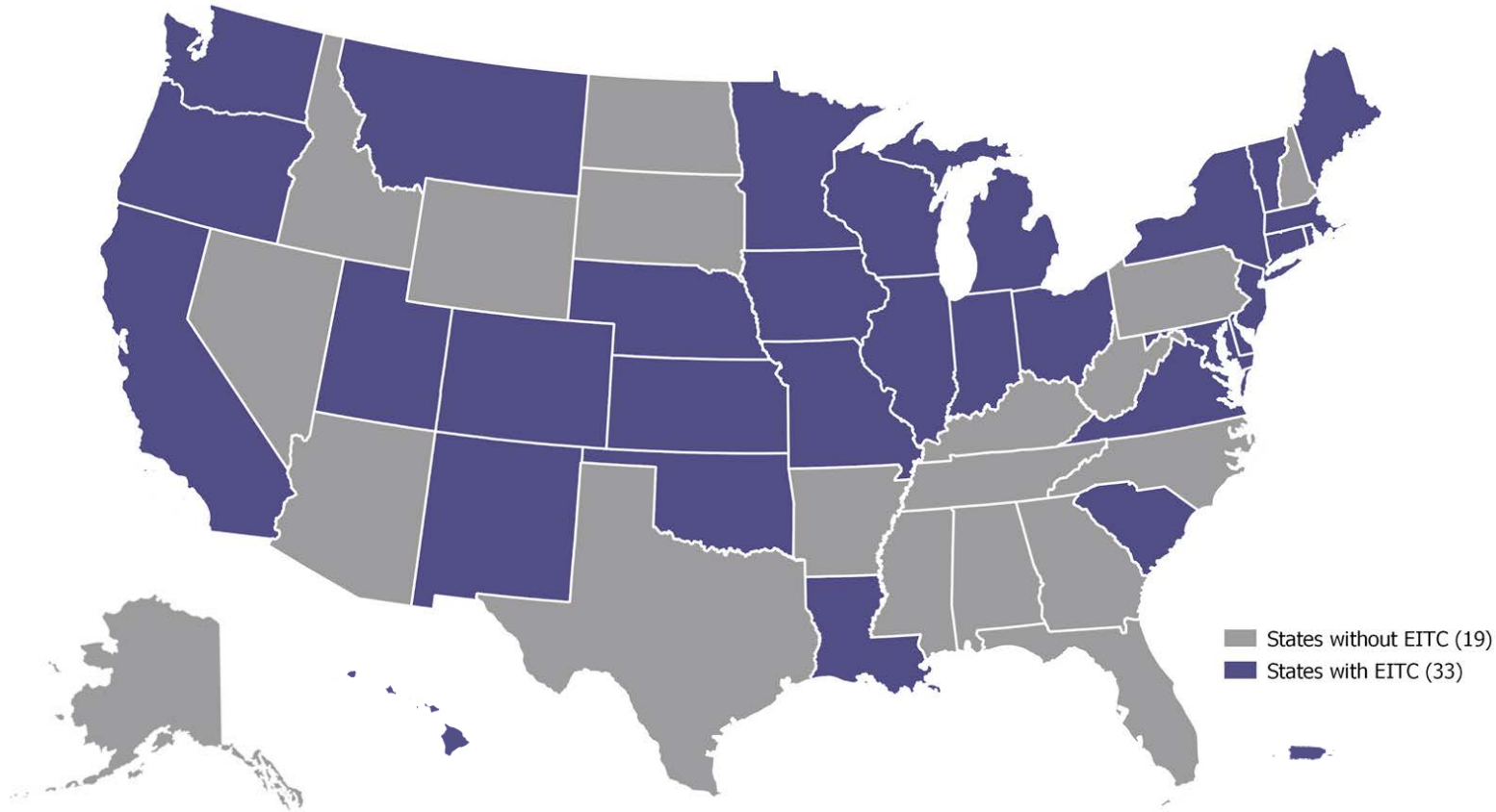
Children	Maximum AGI	
	Single	MFJ
Zero	\$ 21,430	\$ 27,380
One	\$ 42,158	\$ 48,108
Two	\$ 47,915	\$ 53,865
Three+	\$ 51,464	\$ 57,414

EITC Amount by Number of Qualifying Children, Marital Status, and Income, 2020



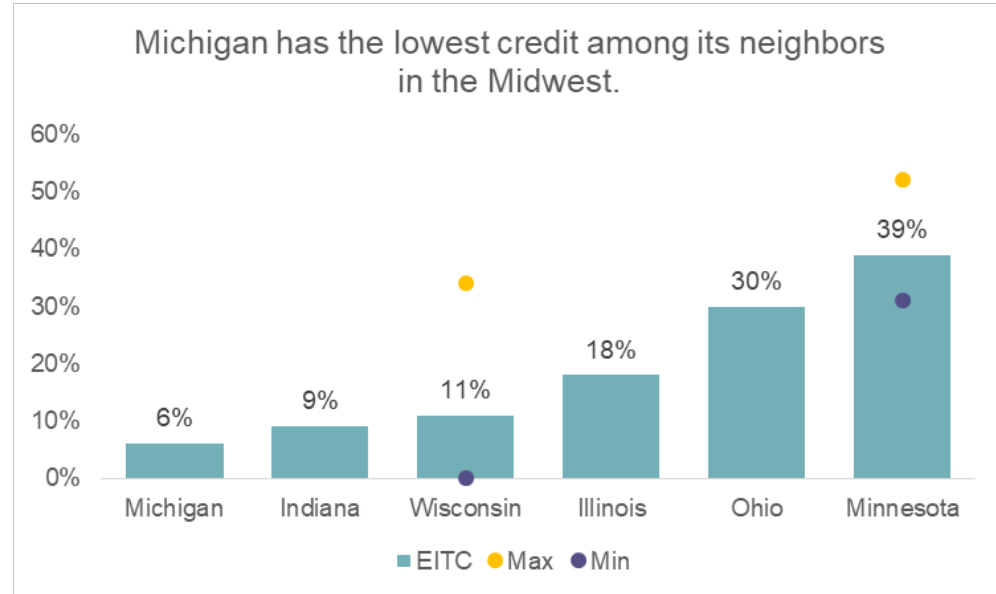
Source: Congressional Research Service

31 states plus D.C. and Puerto Rico have EITCs



State EITCs

- Missouri enacted in 2021 - effective 2023; Utah enacted in 2022 - effective 2023
- Of the 31 states and DC with a state-level EITC:
 - Only 6 nonrefundable
 - States have decoupled from federal EITC
 - Range from 3% (MT) to 100%+ (DC/MD - without dependent children; SC nonrefundable)



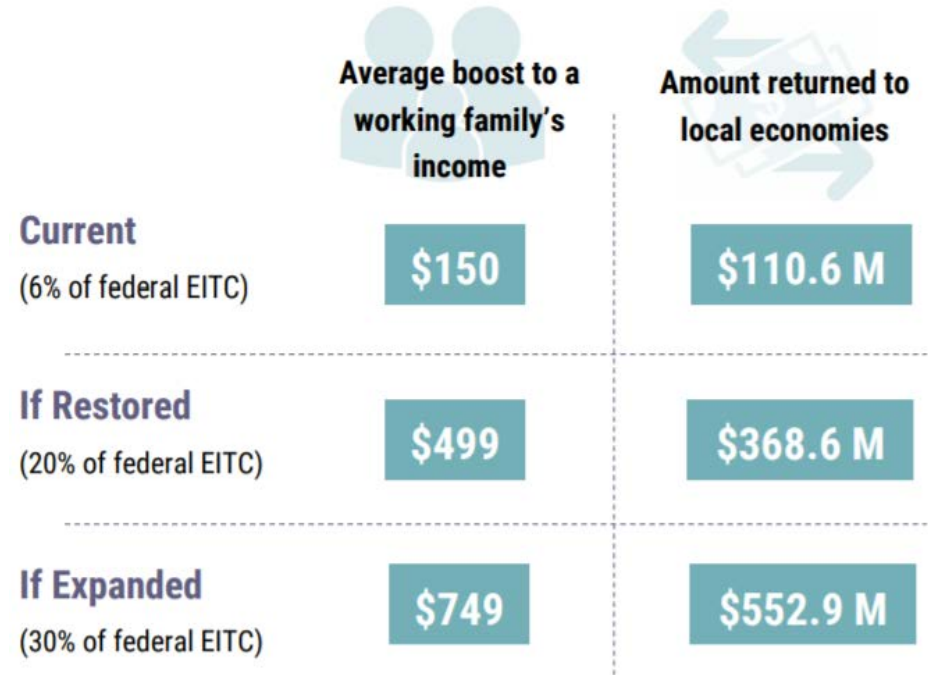
Impact of the EITC

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.

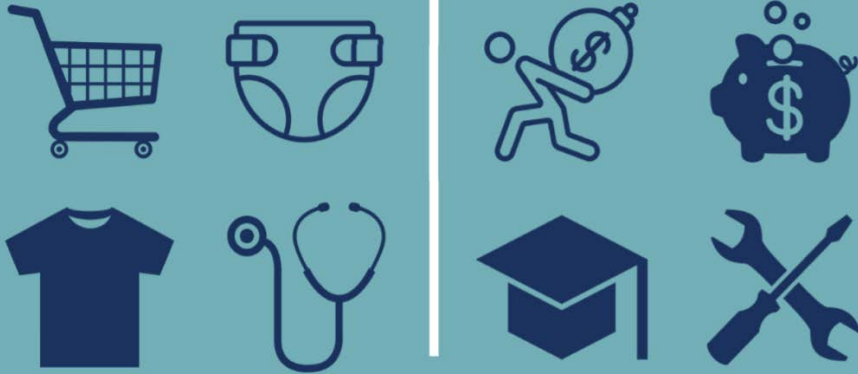
The EITC has **positive, long-lasting effects** for children, including better health, higher test scores, and increased earnings in adulthood.

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



Source: MLPP calculations from MI Dept of Treasury data; TY 2019

Impact of the EITC



Families spend roughly half of their EITCs on items like groceries and child expenses. Families spend the other half paying off debts and building up assets through savings, education, and home repairs.

- The EITC has no “cliff” effect—recipients continue to benefit as hours and earnings increase.
- Research on the federal EITC shows a positive association with workforce participation for unmarried mothers.
- The EITC is one of the least expensive anti-poverty programs, as recipients put money right back into local businesses in their communities.

Impact of the EITC

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)

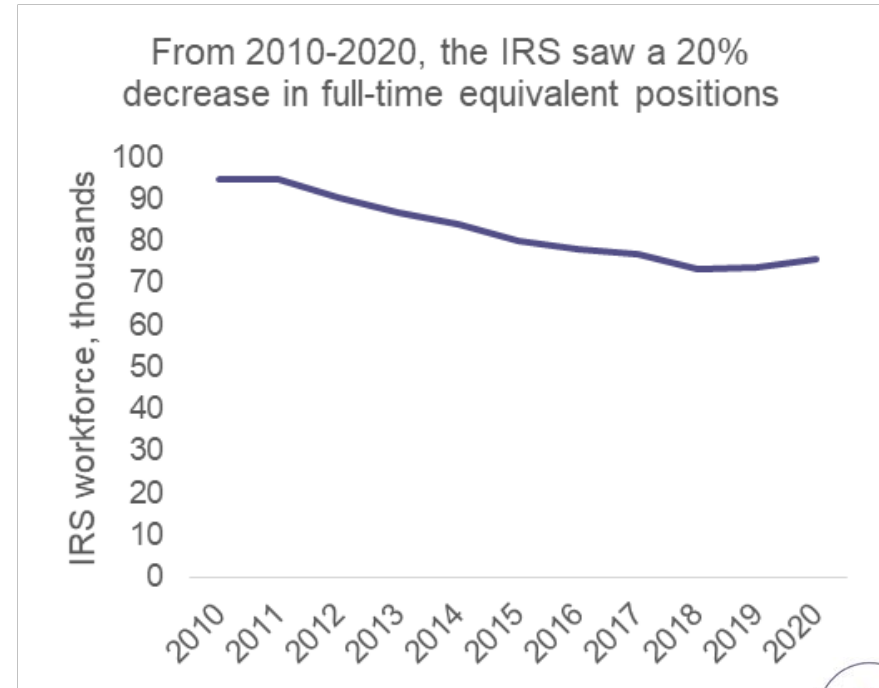
EITC overpayments

Understanding improper payments

- Errors in EITC refunds largely a result of the complexity in rules
- 2013 CBO report estimated overpayment rates of up to 25%
- IRS has taken steps to reduce EITC errors of paid preparers

Addressing overpayment concerns

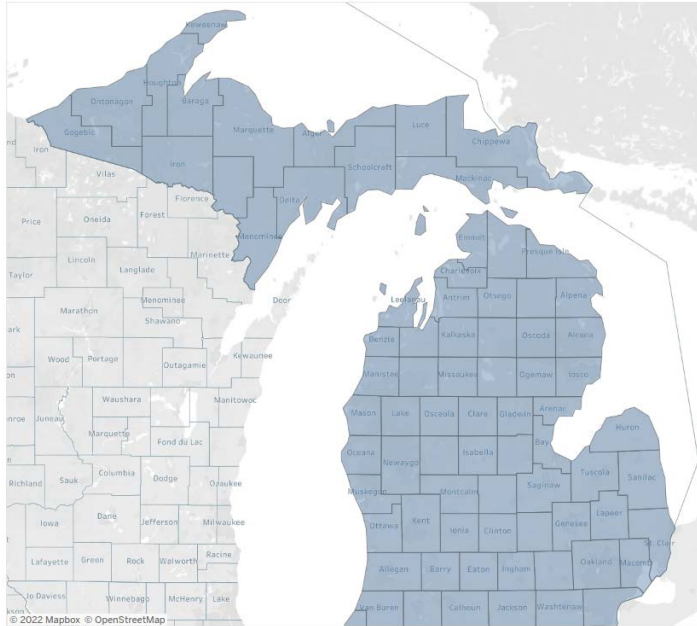
- Increased federal funding for the IRS
- Support for Volunteer Income Tax Assistance (VITA) sites



Source: IRS Budget & Workforce,,
Table 32

For more information

Impact of Michigan's State EITC by County



League resources

[Statewide and county fact sheets](#)

[2023 state budget priorities](#)

[Blogs, articles, and press releases](#)

Partner Resources

[CEDAM - MEIC](#)

[Free tax filing resources](#)



Questions?

Rachel: r-richards@mlpp.org

Anne Kuhnen, tax policy analyst: annek@mlpp.org

