



NEWS RELEASE

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Less Than Three Weeks Remain to Claim EITC

******For localized data, contact 512-320-0222, X112 or kluever@cppp.org**

Austin, TX—Most folks realize that less than three weeks remain to file federal income taxes. But did you know that if you earned up to \$38,348 in 2006 you may be eligible for a large refund?

The refund comes by way of the Earned Income Tax Credit, or EITC.

First enacted in 1975 under President Ford, the Earned Income Tax Credit is a federal tax credit designed to "make work pay" by providing low- and moderate-income working families with a credit on their earned income. President Reagan called the EITC "the best anti-poverty, the best pro-family, the best job creation measure to come out of Congress."

Every year, the EITC lifts over 450,000 Texans—including 250,000 children—out of poverty while pumping billions of dollars into the economy. In Texas, the average EITC refund is \$2,050.

Nearly 24% of all Texas tax filers (over two million people) claimed the Earned Income Tax Credit (EITC) in Tax Year 2004, generating nearly \$4.5 billion in refunds.

"The Earned Income Tax Credit is a lifesaver for thousands of working families across the state," said Don Baylor, Senior Policy Analyst at the Center for Public Policy Priorities in Austin. "Unfortunately, not everyone knows about the refund, and many of those who do take out high cost tax loans to get their money faster."

Many workers turn to Refund Anticipation Loans (RALs) to secure their expected refund in advance. These loans are offered by commercial tax preparers at a hefty price—upwards of 15% of the refund. On average RALS cost filers \$100 to \$250 in fees and tax preparation.

Nearly 36% of EITC filers in Texas (around 1.2 million people) took out a Refund Anticipation Loan to claim their EITC in Tax Year 2004.

In addition to RALs, tax preparers now offer other refund-secured products throughout the year, such as "holiday" or "pay stub" loans that do not require IRS W-2 documentation. These products can siphon 10-15% from a filer's refund, with interest rates approaching 170% APR.

The IRS provides two free services to help filers get their money faster.

This first is a free, volunteer-run tax preparation program known as VITA (Volunteer Income Tax Assistance), which helps tens of thousands of Texans file their taxes free of charge. Tax filers who file electronically through VITA can receive their EITC refund within a week. Filers can locate their nearest VITA site by calling 211.

In addition, the IRS offers a website, Free File, <http://www.irs.gov/efile/article/0,,id=118986,00.html>, which allows filers who earn \$52,000 or less to file for free on the internet.

This legislative session, two bills have been introduced related to the EITC.

HB 1344/SB 1905 would establish registration and disclosure requirements for companies that offer RALs. HB 1948/SB 1830 would establish a grant program for entities that offer free tax preparation through the VITA program.

“Both bills would be good for Texas because they would protect working families from high-cost loans, encourage the development of free tax preparation sites, and stimulate the economy,” Baylor said.

For localized data, contact 512-320-0222, X112 or kluever@cphp.org. For data by Texas House and Senate member, visit <http://www.cphp.org/research.php?aid=642>.

Who Qualifies for the EITC?

- Workers who were raising one child in their home and had income less than \$32,001 (or \$34,001 for married workers) in 2006 can get an EITC of up to \$2,747;
- Workers who were raising more than one child in their home and had income of less than \$36,348 (or \$38,348 for married workers) in 2006 can get an EITC of up to \$4,536;
- Workers who were not raising children in their home, were between ages 25 and 64 on December 31, 2006, and had income below \$12,120 (or \$14,120 for married workers) can get an EITC up to \$412.

To determine EITC eligibility, families can visit <http://www.irs.gov/pub/irs-pdf/p3524.pdf> (available in English and Spanish) or <http://www.cbpp.org/eic2007/>.