



COME AND CLAIM IT: TEXAS ECONOMY AND FAMILIES TO BENEFIT FROM \$5 BILLION EITC STIMULUS

Today, Governor Rick Perry issued a proclamation designating January 31st as Earned Income Tax Credit (EITC) Awareness Day in Texas. To read the proclamation, see http://www.uwtexas.org/data/docs/EITC_Proclamation.pdf.

The EITC is a refundable federal tax credit for eligible households with earned income no more than \$39,783. For the 2008 filing season, the maximum refund is \$4,716. As the nation's most successful anti-poverty program, the EITC enables working families to address basic needs while also providing a platform for financial stability and success. Families can apply online for the EITC at <http://www.irs.gov/efile/article/0,,id=118986,00.html> or by visiting a local Volunteer Income Tax Assistance (VITA) site. To find a VITA location nearest you, see http://www.uwtexas.org/data/docs/Texas_Tax_Preparation_Sites.pdf.

Some Quick Facts About the EITC and Texas:¹

- **Over 2.2 million Texans claimed the EITC, generating over \$4.7 billion in refunds.**
- **Almost 1 in 4 Texas filers (23.8%) qualify for the EITC; over 60% of Texas returns, or 5.7 million, are classified as "low income" (Adjusted Gross Income less than \$37,263).**
- **EITC returns accounted for over a third (34.6%) of all tax return dollars received by Texas filers.**
- **About a third of Texas EITC filers (33.2%) requested a high-cost Refund Anticipation Loan (RAL), well above the U.S. average (28.2%).**

Why Apply for the EITC?

The EITC provides tremendous benefits to Texas for the following reasons:

The EITC supports working families with children

Fundamentally, the EITC is about strengthening working families with children; for every dollar claimed by a Texas household, about 98 cents is refunded to a family with at least one child. Each year, the refundable tax credit lifts about 500,000 working Texans—over half are children—above the poverty line, enabling families to meet basic needs and build a ramp to the middle class. Finally, the EITC provides a once-a-year opportunity for many working Texans to start or continue saving for worthwhile goals, such as children's college savings or a home down payment.

The EITC fuels local economies and businesses during a traditionally slow period

Each year, the EITC delivers close to \$5 billion in tax refunds that stimulate economic activity during a time in which many consumers traditionally cut back their spending. To a large extent, EITC refunds are spent locally, bolstering sales tax receipts while stimulating economic development. Like almost everything, the EITC is bigger in Texas, as nearly 1 in 4 tax filers is EITC-eligible, a much higher proportion than the U.S. as a whole. Over the past several years, the share of Texas EITC filers has grown steadily.

However, the EITC as U.S. economic engine could be better harnessed with more efficient state policies.

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- **More than 1 in 5 Texas EITC filers (22.8%) did not have a bank account, leading to over 500,000 Refund Anticipation Checks (RAC), which generate extra fees.**
 - **Only 1% of EITC filers used a Volunteer Income Tax Assistance (VITA) or community tax center.**

Recommendations to Maximize Economic Impact of the EITC

Develop an aggressive marketing and outreach campaign to ensure that more eligible Texans claim and receive the EITC.

Commit state and local funds to support community tax centers, thereby generating a strong return-on-investment and providing state matching funds to secure federal grants. For more information, see <http://www.cppp.org/files/2/policyalert310.pdf>.

Establish a set of strategies to reduce use of refund anticipation products and increase use of free-filing methods sponsored by the Internal Revenue Service (IRS).

ⁱ These statistics represent an analysis of IRS data for Tax Year 2005.

To learn more, sign up for e-mails, or make a donation, go to www.cppp.org.

The Center for Public Policy Priorities is a nonpartisan, nonprofit research organization committed to improving public policies to better the economic and social conditions of low- and moderate-income Texans.