



April 18, 2007

House Committee on Ways & Means

80th Legislature

HB 1830 Relating to a grant program for the implementation and operation of volunteer income tax assistance programs.

The Comptroller is the lead EITC agency: The Comptroller is required by statute to be the lead agency for promoting awareness about the federal EITC and to encourage other agencies to promote awareness of the EITC for eligible working families (*Section 403.0111 of the Government Code*);

The EITC is the largest and most successful anti-poverty program:

- Each year, the EITC lifts at least *500,000 Texans*, including over *300,000 children* over the poverty line;
- Average EITC Refund=\$2,050
- The EITC serves as a springboard for building assets and savings

The EITC and EITC outreach yields significant economic benefits:

- About \$4.7 billion claimed in Tax Year 2005 (highest of any state in U.S.);
- City of San Antonio Return on Investment (ROI): Each \$1 invested in outreach yielded \$127 in EITC refunds;
- The average EITC recipient spends 30-40% of credit on taxable items;

Investing in EITC is a best practice among the states:

- What states are doing (National Governors Association Center for Best Practices)
 - Publicizing the availability of free tax preparation services;
 - Supporting expansion of free tax preparation services;
 - Using EITC as a vehicle for building assets
- Delaware, Illinois, Louisiana, Michigan Pennsylvania, Washington, and West Virginia have also invested in EITC campaigns, including stepping up their efforts in recent years.

Texas is missing opportunities to maximize economic impact:

- According to the IRS, 20% of potentially eligible filers did not claim the EITC, at a cost of \$1 billion in Tax Year 2003;
- 36% of Texas EITC filers used a Refund Anticipation Loan (RAL).

SB 1830 will make a difference by:

- Increasing EITC claim rates; according to IRS data, 20% of potentially eligible filers did not claim the EITC in Tax Year 2003
- Decreasing the use of expensive refund loan products, which can drain up to 20% of the total refund

Texas and the EITC: Tax Year 2004 Data, by House District (Ways & Means Committee)

Senate District	EITC Returns	% of Returns that are EITC	EITC Refunds (\$)	% of EITC Filers that Use RALs
Rep. Bonnen	11,008	20.96%	\$21,914,178	41.62%
Rep. Davis	18,972	31.68%	\$38,032,586	48.18%
Rep. Flores	32,684	53.58%	\$84,354,483	21.67%
Rep. Keffer	12,540	21.73%	\$23,571,297	36.68%
Rep. Otto	13,738	23.61%	\$27,001,883	37.33%
Rep. Paxton	7,768	8.43%	\$13,540,823	30.66%
Rep. Peña	27,744	53.50%	\$70,232,239	30.08%
Rep. Pitts	13,299	20.14%	\$25,906,270	44.35%
Texas (Statewide)	2,170,132	23.7%	\$ 4,450,508,548.68	35.78%

Source: Brookings Institution Metropolitan Policy Program, 2007; CPPP Analysis, 2007.