

EITC 101:

The Basics

In 1998, Kansas enacted a state-level Earned Income Tax Credit (EITC) and is now one of 26 states that continue to build on the federal EITC—“offering a hand up to families that work.”¹

What It Is

The EITC is one of the most sensible aspects of the Kansas tax code, giving hardworking families across the state a much-needed boost at tax time. Modeled after the federal credit, **the Kansas EITC can only be claimed by people who earn income through work.** While the federal EITC offsets federal income, pay, and excise taxes paid by families with low- and moderate-incomes, the state credit offsets the range of state and local taxes working families pay, such as income, sales, and property taxes. That leaves families with more of what they earn to support their children, buy groceries, and help them pay for necessities like child care and transportation so they can continue to work. On average, the state credit puts a few hundred dollars a year (\$401 in 2014)² back into the pocketbooks of almost 209,000 working Kansas households. That money then flows right back into the Kansas economy throughout local communities and small businesses—**meaning the EITC works for the entire state.**

Who Qualifies

With this tax credit, Kansas is improving the economic well-being of low- and moderate-income families who struggle to make ends meet. Working families with children earning up to about \$39,000 to \$52,000 (depending on marital status and the number of children in the family) generally can qualify for Kansas' EITC, but the largest benefits go to families with incomes between about \$10,000 and \$23,000. The EITC helps these families get by in Kansas' low-wage economy.

In fact, twelve of the 25 occupations adding the most jobs in Kansas pay starting wages that leave too many families struggling to afford the basics (as measured by the federal poverty line, or \$20,420 for a family of three). Kansas' EITC goes to working families in every community, especially

those in rural areas. Of the top 20 counties with the highest percentage of tax filers claiming the EITC, 18 were rural.³

How It Works

The federal EITC increases with each dollar earned, until it reaches a maximum amount. This design rewards work effort. Households receive the maximum until their income reaches a moderate level, at which point the credit phases down. In Kansas, the state-level EITC is 17% of the federal credit. That means a working family receiving a federal EITC of \$1,000 would get an additional \$170 from the state credit. The result is an income boost that helps families make ends meet, which can have lasting effects. Children in low-income families whose income is increased by the EITC do better in school because they have their needs better met at home, according to several studies. This helps them go farther in school and earn more as adults. This is good for all Kansans and our economy because it puts more individuals and families on solid ground and fewer in need of help over the long haul.

Some lawmakers have suggested cutting or eliminating the state EITC, but that would hurt hardworking Kansans, such as many of the state's waiters and waitresses, auto mechanics, and child care providers. Instead, **lawmakers should protect this commonsense credit for Kansans who work day in and day out to make the state a great place to call home.**

¹ See Center on Budget and Policy Priorities, Policy Basics: State Earned Income Tax Credits. June 17, 2016. Available online: <http://www.cbpp.org/research/state-budget-and-tax/policy-basics-state-earned-income-tax-credits>

² Brookings Institution, Earned Income Tax Credit (EITC) Interactive and Resources, Tax Year 2014.

³ Kansas Wage Report. Kansas Labor Information Center, 2012 and 2015.