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PRESS RELEASE

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Earned Income Tax Credit Good for Families, Communities, and the Economy

Indianapolis, IN — The Indiana Institute for Working Families (Institute), a program of Indiana Community Action Association, and Northwest Indiana Community Action Corporation, a member agency of IN-CAA want to bring awareness to the Earned Income Tax Credit (EITC), as today is national EITC awareness day.

The EITC is a federal tax credit for low- to moderate- income working individuals and families. In general, for tax year 2011, working families with children and earning an annual income between \$36,000 to \$44,000 are eligible to receive the tax credit (see chart below). The amount of EITC received is dependent upon a worker's income, marital status, and number of children.

Eligibility Requirements for the Federal EITC, Tax Year 2011			
Number of Qualifying Children	Individual Filer	Joint Filer	Maximum Credit
Zero	\$13,660	\$18,740	\$457
One	\$36,052	\$41,132	\$3,094
Two	\$40,964	\$46,044	\$5,112
Three or more	\$43,998	\$49,078	\$5,751

Source: Internal Revenue Service (IRS), <http://www.eitc.irs.gov/central/abouteitc/ranges/>.

The credit reduces the tax burden placed on workers by offsetting payroll and income taxes. The credit is also refundable—meaning that if the credit exceeds the amount of taxes owed, the difference is given back to the worker. Thus, earned income is put back into the pockets of working individuals and families. In 2011, the EITC represented nearly \$59 billion to working, taxpaying households through the country. The average credit was \$2,100—representing a substantial help for low- to moderate-income families that work and play by the rules, but still struggle to cover their bills and basic day-to-day expenses.

Looking to save money wherever they could, George and his wife participated in NWICA's Volunteer Income Tax Assistance (VITA) site for the first time last year. After many good years working in a Northwest Indiana Steel Mill, George was laid off. He was immediately able to obtain employment at a local hardware store but did not have the level of income he enjoyed at the mill. The family found themselves struggling to make ends meet. "I wondered if I'd have enough for gas (for my car) and I

needed that gas so I could go to my new job”, George told a volunteer tax preparer. George did not know it, but he was eligible for the EITC. According to George, the extra money was a “tremendous” help to his family and freed up funds for other household necessities.

“This is a vital income support as our client’s story demonstrates above,” said Melissa Bohacek, Communications Manager, with NWICA. NWICA operates a VITA (free tax preparation site) and in 2010 NWICA returned \$396,682 in EITC dollars back into the communities we serve.

This is especially positive since the money is often spent in local economies. Economists suggest that every increased dollar received by low- and moderate-income families has a multiplier effect of between 1.5 and 2 times the original amount, in terms of its impact on the local economy and how much money is spent in and around the communities the families live in.ⁱ

Given the current economic recession, the EITC may be more important to working families than ever before. Workers who were eligible for the EITC in prior tax years, but did not claim it, can amend their tax returns to retroactively claim the EITC for up to three years. For a family with two children, this could equate to \$14,888 (for tax year 2008, 2009, and 2010).ⁱⁱ

In addition to the federal EITC Indiana is one of 24 states that have their own state EITC to supplement the federal credit. State EITCs range from 3.5 percent to 35 percent. The District of Columbia has the highest credit at 35 percent. Indiana’s EITC is based on the federal EITC and is set at 9 percent of the federal credit.

The EITC is often cited as one of the most effective anti-poverty programs, lifting more children out of poverty than any other single program or category of programs in the US. The EITC lifted an estimated 6.6 million people out of poverty in 2010, including 3.3 million children. President Reagan also called the EITC part of the “best anti-poverty, the best pro-family, and the best job-creation measure to come out of Congress.” Yet, despite this fact one out of every five people eligible for the EITC do not claim it.ⁱⁱⁱ

“Many do not claim the credit because they don’t know it is available to them, said Lisa Travis, Program Manager, with IN-CAA. “This is particularly troubling at a time when poverty levels are spiking and more families are becoming eligible for the EITC for the first time. We hope by raising awareness about the credit that more working Hoosiers will claim both the federal and state EITC.”

To learn more about the impact of the EITC, see paper released by one of the Institute’s partner’s, the National Community Tax Coalition at:

www.taxcreditsforworkingfamilies.org/wp-content/uploads/2012/01/NCTC-EITC-paper_Jan2012.pdf.

To learn more about the federal EITC visit: <http://www.eitc.irs.gov/central/abouteitc/>.

To learn more about the state EITC visit: <http://www.in.gov/dor/3803.htm>.

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Northwest Indiana Community Action Corporation

Northwest Indiana Community Action (NWICA) is a not-for-profit corporation dedicated to helping vulnerable populations overcome barriers to independence. Designated as the Area Agency on Aging, the Community Action Agency and the local 211 Call Center, our organization is committed to innovative

interventions leading to the creation of communities that support the independence of individuals and families across the lifespan. Through collaborations, such as the Northwest Indiana Asset Building Coalition and VITA volunteers, NWICA returned \$396,682 in Earned Income Tax Credits back into the communities we serve. To learn more about, NWICA, please visit: <http://www.nwi-ca.com>.

Indiana Institute for Working Families

The Indiana Institute for Working Families (Institute) is a program of the Indiana Community Action Association, Inc. (IN-CAA). The Institute was founded in 2004. The Institute conducts research and promotes public policies to help Hoosier families achieve and maintain economic self-sufficiency. The Institute is the only statewide program in Indiana that combines research and policy analysis on federal and state legislation, public policies, and programs impacting low-income working families with education and outreach. The Institute achieves its work by focusing its activities in the following areas: Public Policy: Research and Analysis; Education and Outreach; and National, Statewide, and Community Partnerships. To learn more about the Institute, please visit: www.incap.org/iwvf.html.

Indiana Community Action Association (IN-CAA)

The Indiana Community Action Association, Inc. (IN-CAA) is a statewide not-for-profit membership corporation, incorporated in the State of Indiana in 1970. IN-CAA's members are comprised of Indiana's 23 Community Action Agencies (CAAs), which serve all of Indiana's 92 counties. IN-CAA envisions a state with limited or no poverty, where its residents have decent, safe, and sanitary living conditions, and where resources are available to help low income individuals attain self-sufficiency. IN-CAA serves as an advocate and facilitator of policy, planning, and programs to create solutions and share responsibility as leaders in the War Against Poverty. IN-CAA's mission is to help the state's CAAs address the conditions of poverty through: training and technical assistance; developing models for service delivery; and providing resources to help increase network capacity. For more information about IN-CAA, please visit IN-CAA's web site at: www.incap.org.

ⁱ National Community Tax Coalition. "The Earned Income Tax Credit, Good for Our Families, Communities, and Economies." January 2012: Available at: http://www.taxcreditsforworkingfamilies.org/wp-content/uploads/2012/01/NCTC-EITC-paper_Jan2012.pdf.

ⁱⁱ Internal Revenue Service. *EITC limits, Maximum Credit Amounts, and Tax Law Updates*, Retrieved on 20 January 2010. Available at: <http://www.irs.gov/individuals/article/0,,id=150513,00.html>.

ⁱⁱⁱ National Community Tax Coalition. "The Earned Income Tax Credit, Good for Our Families, Communities, and Economies." January 2012: Available at: http://www.taxcreditsforworkingfamilies.org/wp-content/uploads/2012/01/NCTC-EITC-paper_Jan2012.pdf.