



FINANCIAL STABILITY - THE EARNED INCOME TAX CREDIT

Background

The Earned Income Tax Credit (EITC) is available to low income working families, and is recognized as one of the best anti-poverty tools in the U.S.

The 2016 Legislature appropriated \$500,000 to United Way to provide tax preparation assistance to 12,500 low income Asset Limited Income Constrained, Employed (ALICE) taxpayers, which will generate \$19 million in tax refunds - including EITCs - for low income families, and save them \$1.3 million in tax preparation fees. Local United Ways and their community partners are providing a 1:1.5 match, leveraging an additional \$1.5 million for the state investment.

Current Situation

In 2016, IRS-certified volunteers working at over 733 tax preparation sites coordinated by United Way, AARP, Military and VITA filed 225,000 tax returns that helped low-income individuals, families, the elderly and disabled claim over \$232 million in tax refunds and saved low-income taxpayers an estimated \$23.6 million in tax prep fees.

Floridians claimed \$5.2 billion in EITCS in 2015, though the IRS estimates that over 17 percent of eligible taxpayers don't claim the credits they have earned. This means more than \$1.1 billion in potential tax credits are being "left on the table" in Washington instead of providing much needed asset growth, financial stability, and economic stimulation to thousands of families throughout Florida.

2017 Request

The 2017 appropriations request is for the Legislature to invest \$1.2 million in state funding to expand the capacity of free tax preparation and financial education programs statewide.

A \$1.2 million investment will help up to 31,000 working families save \$3.3 million in tax preparation fees, and claim over \$30 million in tax refunds, reducing the \$1.1 billion in EITC credits being left in Washington every year.

Helping Florida's Asset Limited Income Constrained, Employed ('ALICE') families attain and maintain self-sufficiency is good for the economy and for families. Once a year, families that fall within the ALICE threshold are given an opportunity to use their tax refund to help them on the road to financial stability and prosperity. The additional income, combined with financial education, can help ALICE families make good decisions about their refunds and help save money year-round.

Total savings of more than \$30 million for low income ALICE families will help ensure these hard working Floridians are more financially stable, resulting in fewer of them needing state services plus increased economic activity generating state and local sales taxes.