

Wednesday, March 28, 2007

Help working families, expand the state's EITC

The issue

- The Iowa Legislature is considering expanding the state's Earned Income Tax Credit.

We suggest

- Expanding EITC is the next piece of the puzzle for improving the lives of Iowa's working families after increasing the minimum wage.

What do you think?

- Do you take full advantage of EITC?
- Send letters to Opinion Page, P.O. Box 2480, Iowa City, Iowa 52245 or e-mail to opinion@press-citizen.com.
- Post your comments directly to <http://forums.press-citizen.com>.

With a long-needed minimum wage increase taking effect Sunday, the Iowa Legislature now needs to take the next step by expanding the state's Earned Income Tax Credit. A bipartisan effort is under way in the statehouse to do just that.

The federal EITC is a tax credit available to many working people with earned income of less than \$38,348. The size of the credit depends on one's earnings and family status. The maximum credit is \$4,536 for a married couple with two children, or \$412 for a single person or couple without children.

As Mike Owen of the Iowa Policy Project explained in his recent guest opinion ("Enhance 'make work pay,'" March 27), the EITC has been shown to be an effective tool to encourage work. Unlike minimum wage, which focuses only on the hourly rate rather than on total income, the EITC targets those families that need economic help the most. To ensure that every family receives the full benefit earned, the federal credit is refundable.

Iowa is one of 20 states with an EITC, but at 6.5 percent of the federal credit, it is in the lower tier of that group. And because the state doesn't allow the credit to be refundable, Iowa's offering looks pretty meager in comparison.

Progress is being made, however. Last week, a 7 percent refundable credit unanimously passed the Iowa House Ways and Means Committee. Because the proposal targets low-income working families, it has support from those legislators concerned about the social safety net; because the proposal is offered as a tax credit, it has support from those legislators concerned about tax relief. The credit also is attractive because it could benefit communities by helping struggling families pay their bills and have some extra funds to spend in the local economy.

The Legislature should expand the EITC so more Iowans can take advantage of this economic tool.

'You Earned It! Now Claim It!'

Unfortunately, those Iowans who would most benefit from expanding the EITC also may be the least likely to seek out help in maximizing their tax deductions and credits. That's why Johnson County has an EITC outreach campaign -- "You Earned It! Now Claim It!" -- in which it partners with the University of Iowa Tippie College of Business, Johnson County AARP, Iowa City School District, Iowa City Housing Authority, Neighborhood Centers of Johnson County, Johnson County Council of Governments and United Way of Johnson County to bring free tax preparation services to working people throughout Johnson County. Anyone who earned under \$39,000 in 2006 may be eligible.

As the Legislature decides whether to expand Iowa's EITC, county residents need to make sure they are taking full advantage of the credits available to them. For a schedule and other information, visit the Johnson County Web site at www.johnson-county.com/socialServices/tax_services.shtml.

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