

Earned Income Tax Credit - EITC for North Dakota

EITC

is a federal tax benefit for low-income workers

STATE EITC

is a percentage of the federal EITC

WHO BENEFITS FROM EITC:

Working families with children

Low-income workers

State and local economies

Businesses

What is EITC?

The EITC is a federal tax benefit which has been in existence for decades. It is designed to help low-income workers increase their financial stability. It has several important purposes: to reduce taxes for these workers, to supplement wages, and to provide a work incentive.

What is a state EITC?

A number of states have enacted a state Earned Income Tax Credit that supplements the federal credit and works as a rebate for state taxes paid by low-income working people. Twenty-three states plus the District of Columbia offer a state EITC, which is usually a percentage of a worker's federal EITC rebate. In addition, some local city governments offer their own version of EITC. EITCs have been enacted in states controlled by both Republicans and Democrats and have been supported by both business groups and social service advocates.

Why is EITC important?

The EITC takes on added importance during any economic downturn. Families that have lost income badly need the boost that tax credits provide. The EITC can provide relief for families under severe economic stress, enabling them to pay back bills, avert utility shutoffs or eviction, buy groceries, and cover child care costs and other work-related expenses.

Who benefits from the EITC?

Working families with children

- Children and youth are more likely to be poor than Americans of any other age group. The largest EITC benefit is for working families with two or more children.
- Raising children is expensive. The EITC can help offset the costs of child care, clothing, school supplies, and other needs.

Low-income workers who do not have a qualifying child

- This credit provides a financial boost to people who work at very low wages or are only able to find part-time work: day laborers, migrant workers, temporary employees, homeless people, general assistance recipients who worked part of the year, and others.

State and local economies

- EITC participation boosts state and local economies. IRS data indicates that more than \$44.6 billion in federal EITC funds flowed into the states in 2007.
- Since most EITC benefits are spent locally, the EITC is an economic development tool for rural and urban neighborhoods. (See map on back for details by North Dakota legislative districts.)

Businesses

- Businesses make a valuable contribution to their communities by promoting the EITC.
- Surveys have found that 80 percent of EITC recipients plan to use their credit to help pay immediate bills, such as rent or utilities, or to pay for better housing, transportation or educational needs. The Advance EITC payment option can help workers stay current with their monthly household bills.
- Advance EITC payments increase the take-home pay of employees at no cost to the business for whom they work. Helping employees support themselves and their families can reduce turnover in the workplace.



Percentage of North Dakota Taxpayers Receiving 2005 Federal EITC Benefits, by North Dakota Legislative Districts

