

Louisiana's Earned Income Tax Credit

Louisiana's Earned Income Tax Credit is a modest state investment that can pay big dividends for hard-working families and put children on a path to a brighter future.

Created in 2007, Louisiana's EITC is claimed each year by more than 580,000 households with low to moderate incomes, making it the broadest tax credit the state has to offer. Louisiana's EITC works hand-in-hand with the federal credit to lessen the financial strain on families struggling to cover the rising costs of basic necessities.

But Louisiana can do better.

Louisiana's EITC is the second-lowest among the 31 states that have established their own credit.¹ At 5% of the federal credit, the average payout of the state EITC in 2022 was \$120.60.

State lawmakers can reaffirm their commitment to working families in 2023 by **doubling the state Earned Income Tax Credit with House Bill 162** by Rep. Matthew Willard.

IMPROVING THE LIVES OF LOUISIANA FAMILIES

The federal earned income credit is one of the most effective tools available to fight poverty. In 2019, targeted tax credits, including the EITC and temporary child and dependent care tax credits, **lifted 9.6 million people out of poverty and improved the financial stability of 22 million more.** As pandemic-era benefits expire, the EITC will remain an economic lifeline for working families across the country.

The credit is an important extension of that lifeline.

The federal EITC dates to the early 1970s and has a tradition of bipartisan support. The credit encourages and rewards work by providing targeted assistance that tapers off as recipients reach the middle class.²

“The earned income tax credit rewards hard work, reduces our state's deep racial disparities and helps make our overall tax structure fairer for everyone.”

Louisiana Budget Project executive director Jan Moller and Capital Area United Way senior director for impact and equity Delores Hurst. "Guest Column: It's time to expand Louisiana's Earned Income Tax Credit." The Advocate. February 6, 2023.

¹ Montana's EITC is set at 3% of the federal credit. *Wisconsin's sliding scale for the EITC provides a state credit of 4% of the federal credit for filers with only one dependent child, but increases its state credit to 11% of the federal credit for filers with two children and 34% for those with three or more. Its top rate is among the most generous in the country.

² Earned Income Tax Credit (EITC): Legislative History - Congressional Research Service - Apr. 28, 2022 <https://sgp.fas.org/crs/misc/R44825.pdf>

LASTING EFFECTS FOR LOUISIANA CHILDREN

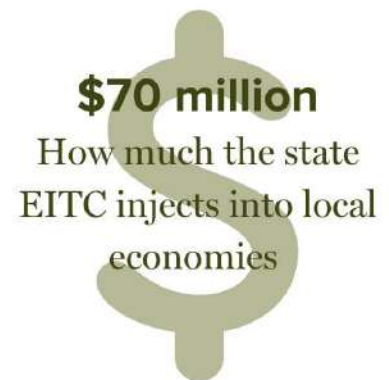
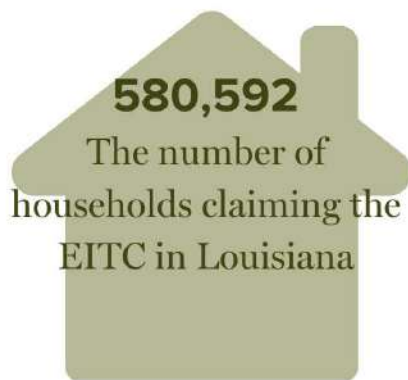
The biggest winners of any EITC expansion are children. **Nearly 80% of Louisiana households that claimed the EITC had children, and the credit directly benefits more than 649,000 Louisiana kids.**

Research has shown that the credit improves childrens' health and academic performance, and leads to lifelong increases in earnings.³ Studies have linked higher EITC payments with improved birth outcomes, and, in some cases, increased birth weight and better maternal health.⁴ Elementary and middle school students whose families receive the EITC and credits like it perform better on standardized tests the year they receive the benefits, and are more likely to enroll in college even years later.⁵

A STEP TOWARD A MORE EQUITABLE LOUISIANA

Louisiana's tax structure is regressive, meaning families with low incomes pay state and local taxes at higher rates than those at the very top. An investment in the EITC is a small step in making our tax code more fair for everyone.

The EITC's impact on Louisiana



Source: Louisiana Department of Revenue

3 EITC and Child Tax Credit Promote Work, Reduce Poverty, and Support Children's Development, Research Finds, Chuck Marr, Chye-Ching Huang, Arloc Sherman and Brandon Debot, Oct. 1, 2015. <https://www.cbpp.org/research/federal-tax/eitc-and-child-tax-credit-promote-work-reduce-poverty-and-support-childrens>

4 Income Support Associated With Improved Health Outcomes for Children, Many Studies Show <https://www.cbpp.org/research/federal-tax/income-support-associated-with-improved-health-outcomes-for-children-many>

5 Duncan, Greg & Magnuson, Katherine. (2013). The Long Reach of Early Childhood Poverty. Economic Stress, Human Capital, and Families in Asia. 57-70. 10.1007/978-94-007-7386-8_4. https://inequality.stanford.edu/sites/default/files/media/_media/pdf/pathways/winter_2011/PathwaysWinter11_Duncan.pdf