**Earned Income Tax Credit: Rewarding Hard Work**

For low- to middle-income families working hard to get ahead, federal and state earned income tax credits can be a real help. The exact value of a federal EITC depends on the filer’s income, number of qualifying children and other factors detailed in the Internal Revenue Service’s Publication 596. Last year, 25 million workers and their families received about $63 billion in federal EITC.

But these numbers represent only 79 percent of all taxpayers that are EITC-eligible, according to the IRS and the Census Bureau. Reasons for not claiming the credit include simply not knowing about it, not understanding the requirements or not receiving enough income to be required to file a return.

State credits, which are largely calculated based on what a filer receives in federal credit, provide an additional benefit and are similarly underutilized. In 2017, 14 million families in California shared a total of $325 million in state credits, bolstering the $6.8 billion they received in federal credits. Currently, 29 states, the District of Columbia, Guam and Puerto Rico have these additional credits in statute. Six of these states offer nonrefundable credits, meaning they can only reduce what the filer owes in state income tax, but do not issue a refund if the credit outpaces liability.

For legislators interested in the EITC, policy options include creating or altering your state-level credit or promoting the federal credit, which reaches people in every state. To improve awareness and use of the EITC, the IRS leads an annual EITC Awareness Day, held this year on Friday, Jan. 25. The agency also provides free video, audio and social media advertising tools to help promote the credit.

—Richard Williams, manager, NCSL’s Family Economic Success Program

**State EITCs**

Twenty-three states, D.C., Guam and Puerto Rico offer refundable earned income tax credits that, like the federal credit, give recipients the maximum value they qualify for even if that exceeds what they owe in income taxes. Six nonrefundable states return only up to what the recipient owes in income taxes.

**The Federal EITC**

Who qualifies and for how much (for tax year 2018)?

<table>
<thead>
<tr>
<th>Number of Children</th>
<th>0</th>
<th>1</th>
<th>2</th>
<th>3+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>$15,570</td>
<td>$40,320</td>
<td>$45,802</td>
<td>$49,194</td>
</tr>
<tr>
<td>Married, Filing Jointly</td>
<td>$20,950</td>
<td>$46,010</td>
<td>$51,492</td>
<td>$54,884</td>
</tr>
<tr>
<td>Maximum Credit Amounts</td>
<td>$519</td>
<td>$3,461</td>
<td>$5,716</td>
<td>$6,431</td>
</tr>
<tr>
<td>Maximum Limit on Investment Income</td>
<td>$3,500</td>
<td>$3,500</td>
<td>$3,500</td>
<td>$3,500</td>
</tr>
</tbody>
</table>

**What State Legislators Can Do to Create a State EITC**

- Set the minimum qualifications
- Set the method of calculation (most states use a percent of the federal credit)
- Decide if it will be refundable
- Develop a data collection system for claims
- Conduct outreach and awareness through employers and assistance programs
- Offer tax preparation assistance