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March 4, 2015

To: Members of the Revenue Committee

From: Aubrey Mancuso, Policy Coordinator – Economic Stability and Health

Re: Support for LB 495

Voices for Children is in support of LB 495 because the Earned Income Tax Credit (EITC) is one of the most effective tools we have for addressing child poverty and it provides a tax cut to Nebraska's lower income working families. In 2007, Nebraska expanded the state EITC to 10% of the federal credit. LB 495 would take the next step to increase the credit to 15% and put us on par with neighboring states.

The EITC helps keep working families and children above the poverty line. In spite of a strong economy, our child poverty rate in Nebraska has continued to climb from 10% in the year 2000 to 17.7%, or almost one in 5 kids, in 2013.¹ Nationally, the EITC lifted 6.2 million people out of poverty, including about 3.2 million children. The number of poor children would have been one-quarter higher without the EITC. The credit also reduced the severity of poverty for another 21.6 million people, including 7.8 million children.²

Over 137,000 families in Nebraska, or almost 1 in 6 tax filers, claimed the state EITC in 2013 and over 31 million dollars was put back in the pockets of Nebraska's low income working families.³ The average adjusted gross income of those claiming the EITC in Nebraska was just over \$15K per year.⁴ For families in this income range, every penny counts and this increase in the EITC contained in LB 495 would be significant in helping to meet basic needs.

Over 177,000 children live in Nebraska households who benefit from the EITC.⁵ Studies show that the impact of these tax credits on children and families is significant. An increase in family income from these credits is associated with increases student achievement in school as well as the child's future earnings as an adult.⁶ The EITC has even been found to be associated with positive impacts on child health. Expanding state EITCs has been associated with higher rates of private health insurance and lower rates of public health insurance for children. EITC increases and expansions have also

¹ Kids Count in Nebraska Report (2014)

² Center on Budget and Policy Priorities (2015) Policy Basics: The Earned Income Tax Credit

³ Kids Count in Nebraska Report (2014)

⁴ Brookings Institute, Characteristics of EITC Eligible Tax Units in 2013 by State

⁵ Ibid

⁶ "Studies Show Earned Income Tax Credit Encourages Success in School and Reduces Poverty," Center on Budget and Policy Priorities. June 26, 2012.

been associated with better birth outcomes for infants.⁷ The investment we make in working families through the EITC puts children on a solid path to a prosperous future both for themselves and our economy.

Finally, the EITC is a tool for promoting savings among lower income families. One study of those that received an EITC of greater than \$1,000 found that 39% saved some portion of their tax return.⁸

In conclusion, the EITC is one of the most effective tools we have for addressing child poverty and it has several benefits for children that extend beyond just additional money for their family to meet basic expenses. We urge the committee to advance this bill. Thank you.

⁷ CLASP (2013) EITC Research Brief

⁸ Ruby Mendenhall, Kathryn Edin, Susan Crowley, Jennifer Sykes, Laura Tach, Katrin Kriz, and Jeffrey R. Kling, "The Role of Earned Income Tax Credit in the budgets of Low-Income Families," June 2010.