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February 2, 2018

To: Senator Jim Smith and members of the Revenue Committee

From: Aubrey Mancuso, Executive Director

**Re: Support for LB 1074 - Change provisions relating to individual income tax brackets and rates and the earned income tax credit**

Our state benefits when all children in Nebraska have the opportunity to reach their full potential. Growing up in a family that is struggling economically is associated with a variety of challenges related to health, education, and other opportunities. Voices for Children supports LB 1074 because it targets tax cuts to hardworking low-income Nebraskans, while preserving our state's ability to invest in other community infrastructure that is critical for kids.

In particular, we support the provisions in the bill to increase the Earned Income Tax Credit (EITC). The EITC is widely recognized as one of the most effective antipoverty programs in the nation, keeping an estimated 19,000 Nebraska children out of poverty.<sup>i</sup> The EITC is refundable and is received from the first dollar earned and phases out as family income increases. The credit incentivizes work and helps low-income families make ends meet. In fact, research shows that the boost to family income as a result of the EITC has been linked to positive health outcomes, improved student achievement, and even increased future earnings.<sup>ii</sup> Moreover, the EITC has been shown to promote community revitalization because families often utilize their credits to pay off debt, invest in education, and secure housing.<sup>iii</sup> In 2016, over 130,000 Nebraska families claimed the state EITC and it returned over \$30 million dollars to Nebraska's working families.

The state EITC, which is currently set at 10% of the federal EITC, has not been raised since 2007. We support LB 1074 because it would bring targeted tax relief to lower income working families in our state. This increase is also particularly timely due to the expected erosion of the EITC over time due to federal tax changes passed in 2017.

We are additionally supportive of the balanced approach that LB 1074 takes in ensuring that Nebraska will continue to be able to invest in programs that support vulnerable children.

We thank Senator Vargas for his leadership on this issue and respectfully urge the committee to advance the bill.

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<sup>i</sup> "Working Families Kept out of Poverty by the EITC and CTC, 2009-2011," Tax Credits for Working Families, <http://www.taxcreditsforworkersandfamilies.org/working-families-kept-out-of-poverty-by-the-eitc-and-ctc-2009-2011/>.

<sup>ii</sup> Chuck Marr et al., "EITC and Child Tax Credit Promote Work, Reduce Poverty, and Support Children's Development, Research Finds," Center on Budget and Policy Priorities, October 2015, <https://www.cbpp.org/research/federal-tax/eitc-and-child-tax-credit-promote-work-reduce-poverty-and-support-childrens>.

<sup>iii</sup> Ibid.