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February 1, 2017

To: Members of the Revenue Committee

From: Kaitlin Reece, Policy Coordinator for Economic Stability and Health

RE: Support for LB 69

We all benefit when families are empowered to leave a life of poverty behind. One of the most effective anti-poverty tools Nebraska has in its tool belt is the state earned income tax credit or EITC. The EITC incentivizes work and helps make the budgets of many low-income working families whole, enabling them to spend their tax refund on expenses such as rent, child care, car repairs, and groceries. Perhaps even more importantly, the EITC keeps families out of poverty. Between 2009 and 2011, Nebraska's EITC kept nearly 20,000 children out of poverty.¹ In 2015, 132,598 families claimed nearly \$31 million in refundable EITC credits.²

One of the reasons the EITC is so effective at combating poverty is its flexibility and ability to respond quickly to demographic changes. US Census data reveals that poverty is increasingly concentrating in suburban areas.³ Because the tax credit follows the tax payer, communities can respond swiftly and effectively as poverty increases—or decreases—in their communities. This allows Nebraska to respond more nimbly to shifting demographics and target poverty interventions to areas that need it most.

Studies show that the impact of these tax credits for children and families are significant. An increase in family income from these credits is associated with improved health outcomes, increased student achievement in school, including boosting high school graduation rates, as well as the child's future earnings as an adult. 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.⁴

Despite these many positive benefits, the Nebraska Legislature has not raised the EITC, currently set at 10% of the federal EITC, in a decade. Voices for Children in Nebraska supports LB 69 because it provides a tax cut targeted to low-income working families and makes us more competitive than neighboring states Iowa (15%) and Kansas (17%). By the time they are fully implemented, the increases in LB

¹ "Working Families Kept out of Poverty by the EITC and CTC, 2009-2011," Brookings Institution analysis of Supplemental Poverty Measure Public Use Data. Accessed at www.taxcreditsforworkingfamilies.org/working-families-poverty-eitc-ete-state/

² Nebraska Department of Revenue. Kids Count 2016.

<http://kidscountnebraska.com/economic-stability/>

³ "Responding to the New Geography of Poverty: Metropolitan Trends in the Earned Income Tax Credit." Brookings Institute. Accessed at <https://www.brookings.edu/research/responding-to-the-new-geography-of-poverty-metropolitan-trends-in-the-earned-income-tax-credit/>

⁴ "Studies Show Earned Income Tax Credit Encourages Success in School and Reduces Poverty," Center on Budget and Policy Priorities. June 26, 2012.

69 could mean an extra \$225 dollars on average for working families' budgets each year, money that will be reinvested into local communities across Nebraska in goods and services.

However, Voices for Children remains concerned about its inclusion in any tax package this year in which the EITC increase does not fully offset a tax proposal that raises taxes on lower income families and makes Nebraska's tax system more regressive. There are fewer better investments in tax policy that we can make for working families and encourage you to advance LB 69 as a stand-alone proposal.