



7521 Main Street, Suite 103
Omaha, Nebraska 68127

(402) 597-3100
www.voicesforchildren.com

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February 8, 2019

To: Chairperson Linehan & Members of the Revenue Committee
From: Juliet Summers, Policy Coordinator
Re: Support for LB 628, to increase 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 for children related to health, education and other opportunities. Voices for Children supports LB 628 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.

The Earned Income Tax Credit (EITC) is widely recognized as one of the most effective antipoverty programs in the nation, raising over 6 million people - half of them children - above the poverty line each year.¹ The EITC is refundable, 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.² 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.³ Unmarried mothers, in particular, work more hours as a result of the credit, perhaps because refundable EITCs can be used to pay for necessary work supports like child care and transportation.⁴

In 2017, 126,316 Nebraska families claimed the state EITC and it returned almost \$30 million dollars to Nebraska's working families.⁵ However, the state EITC is currently set at 10% of the federal EITC, and has not been raised in over a decade. We support LB 628 because it would bring targeted tax relief to lower income working families in our state. We thank Senator Pansing Brooks for her leadership on this issue and respectfully urge the committee to advance the bill.

¹ National Conference of State Legislatures. *Tax Credits for Working Families: Earned Income Tax Credit*. April 17, 2018. Available at: <http://www.ncsl.org/research/labor-and-employment/earned-income-tax-credits-for-working-families.aspx>

² 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. Available at: <https://www.cbpp.org/research/federal-tax/eitc-and-child-tax-credit-promote-work-reduce-poverty-and-support-childrens>.

³ *Ibid.*

⁴ David Neumark and Peter Shirley. *The Long-Run Effects of the Earned Income Tax Credit on Women's Earnings*. University of California-Irvine Economic Self-Sufficiency Policy Research Institute. December 18, 2017. Available at: https://www.esspri.uci.edu/files/docs/working_papers/ESSPRI%20working%20paper%202017%20Neumark%20Shirley.pdf

⁵ ITEP. *Who Pays? A Distributional Analysis of the Tax Systems: Nebraska*. 2018.