



February 19, 2025

To: Chairperson VonGillern and Members of the Revenue Committee

From: Katie Nungesser, Policy Coordinator for Voices for Children in Nebraska

**RE: Support LB 710, Increase Earned Income Tax Credit**

Voices for Children in Nebraska strongly supports LB 710, a critical piece of legislation that increases the state Earned Income Tax Credit (EITC) and provides much-needed financial relief to hardworking, low-income families. By increasing Nebraska's EITC, we are making a smart investment in children, families, and communities, ensuring that all children have the opportunity to reach their full potential.

The EITC is one of the most effective anti-poverty programs in the nation. It continues to lift children above the poverty line each year. Unlike many other tax benefits, the EITC is refundable, meaning families receive the credit even if they do not owe taxes, which helps ensure that Nebraska's lowest-income workers benefit. It phases in with earnings, incentivizing work, and phases out gradually as incomes rise, preventing a sudden loss of support.

Increasing the state EITC will provide immediate and tangible benefits to families across Nebraska. Research consistently demonstrates that boosting family income through the EITC leads to better health outcomes, improved student achievement, and increased future earnings for children.<sup>1</sup> Children in families receiving the EITC perform better in school, are more likely to graduate high school, and experience greater economic mobility as adults. The credit has also been shown to improve maternal and infant health, with studies linking EITC expansions to higher birth weights and reduced infant mortality.

Beyond individual and family benefits, the EITC stimulates local economies<sup>2</sup> Working families typically use their refunds to cover essential expenses like rent, childcare, car repairs, and groceries, injecting millions of dollars into local businesses and strengthening community stability. Studies have shown that every dollar received through the EITC generates significant economic activity, as families reinvest these funds in their communities.

Currently, Nebraska's state EITC is set at just 10% of the federal EITC and has not been increased in over a decade. Meanwhile, neighboring states have made greater commitments to supporting their working families—Iowa's state EITC stands at 15%, and Kansas offers 17%.<sup>3</sup> Raising Nebraska's EITC to at least 20% would not only help working families but also make the state more competitive in retaining a strong workforce.

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<sup>1</sup> Center on Budget and Policy Priorities. (2015, October 1). Chuck Marr. Retrieved February 10, 2025, from <https://www.cbpp.org/research/eitc-and-child-tax-credit-promote-work-reduce-poverty-and-support-childrens-development>

<sup>2</sup> Berube, A., & Holmes, N. (2015, November 20). The earned income tax credit and community economic stability. *Brookings*. <https://www.brookings.edu/articles/the-earned-income-tax-credit-and-community-economic-stability/#:~:text=Direct%20economic%20effects%20result%20from,tend%20to%20be%20purchased%20locally>.

<sup>3</sup> State EITC as percentage of the federal EITC. (2024, August 1). Tax Policy Center. <https://taxpolicycenter.org/statistics/state-eitc-percentage-federal-eitc>

Increasing the EITC is a targeted and effective way to provide relief. Many low-income workers in essential jobs—such as childcare providers, healthcare aides, and retail employees—have faced heightened economic challenges, and strengthening the EITC will help these workers, and their families achieve greater financial stability.

LB 710 represents a step toward a more equitable tax system by directing tax relief to the families who need it most, rather than disproportionately benefiting higher-income households. Voices for Children in Nebraska urges the Legislature to prioritize working families and advance LB 710. By doing so, we are making a commitment to reducing child poverty, supporting economic growth, and ensuring that every child in Nebraska has the opportunity to succeed.

We thank Senator Bostar for introducing this important legislation and respectfully urge the Committee to advance LB 710. Investing in working families through an expanded EITC is not just good policy—it's the right thing to do for Nebraska's future.