



EXPANDING MICHIGAN EARNED INCOME TAX CREDIT: Providing a Much-Needed Boost to Young Workers

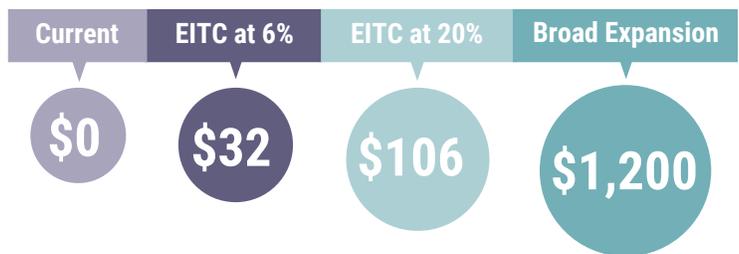
Rachel Richards, Legislative Director | April 2019

Michigan’s Earned Income Tax Credit (EITC) is an effective pro-work and anti-poverty tool that supplements the federal EITC in boosting the after-tax incomes of Michiganders who are eligible for it. However, because Michigan’s credit piggybacks off of rules set by the federal government, many Michiganders who aren’t raising children in their homes are left out and those who do qualify receive very low credits.¹ As a result, childless workers, including those who may be parents but whose kids don’t live with them, often remain the sole group still taxed into poverty by state and federal tax codes. Michigan would help these Michiganders by enacting a broader credit like the Cost-of-Living Refund or at least expanding its current EITC to young workers without children and increasing its credit.

Who Are Young Childless Workers?

- ▶ About 129,000 Michiganders including 1,000 children would benefit.
- ▶ Noncustodial parents and their children who do not live with them.
- ▶ College students with low incomes.
- ▶ Young workers just joining the workforce.

Maximum State Credit If Expanded*



*Assumes the taxpayer does not meet the age requirements for childless workers under federal law, if in effect in 2019.

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State Trends in EITCs: States That Have Expanded Eligibility Beyond Federal Limits

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|------------|--|
| CALIFORNIA | <ul style="list-style-type: none"> Workers 18 and older without children in the home |
| D.C. | <ul style="list-style-type: none"> Workers without dependent children up to 200% of poverty Noncustodial parents |
| MARYLAND | <ul style="list-style-type: none"> Workers under 24 without children in the home |
| MAINE | <ul style="list-style-type: none"> Survivors of domestic abuse who are otherwise ineligible |
| MINNESOTA | <ul style="list-style-type: none"> Workers without children in the home aged 21-24 |
| NEW YORK | <ul style="list-style-type: none"> Noncustodial parents |

Benefits of EITC

- ✔ Helps people make ends meet and reduces poverty.
- ✔ Promotes work and keeps families working.
- ✔ Improves tax fairness, offsetting regressive state taxes.
- ✔ Has long-lasting positive impacts on children.

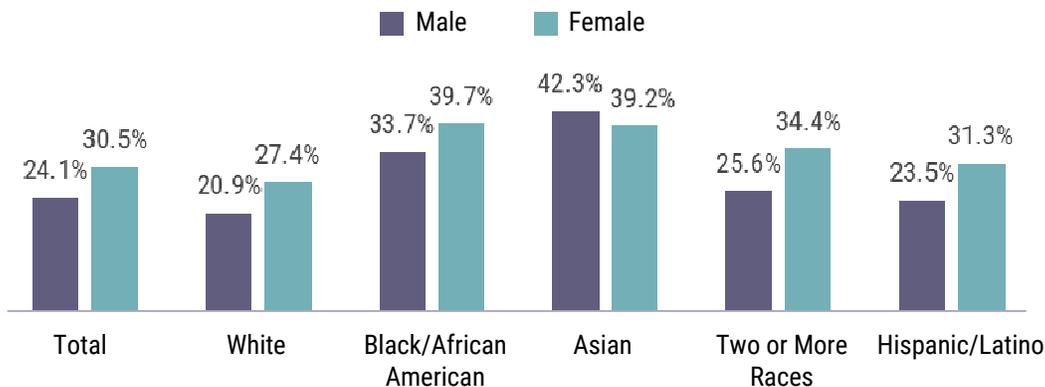
¹ Under federal laws, a childless worker is only eligible for the credit if he or she is at least 25 but under 65 years old as of the end of the tax year.

Why Michigan Should Expand EITC Eligibility

Young Workers Struggling to Make Ends Meet

With more than one-quarter of Michiganders aged 18-24 living in poverty, and many more struggling to make ends meet, expanding Michigan's EITC could go a long way toward helping young workers. The EITC supports and encourages work, boosts local economies, and helps improve racial equity by reducing some of the impacts of systemic racism.

More than one-quarter of young adults, especially young adults of color, aged 18-24 live in poverty



Source: American Community Survey, 5-year estimates, 2017

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Youth Aging Out of Foster Care

About 1 in 4 of Michigan's foster care children are aged 14 and older. Older foster care children are less likely to be adopted or reunited with family and are instead emancipated once they leave the foster care system. Unfortunately, Michigan provides very few services to foster care youth transitioning out of care, leaving many ill-equipped for employment, education and housing.

One in 3 foster youth become parents by age 21.



34%

One in 5 Michigan kids is owed child support.



20.8%

Young Parents and Their Children

About 9% of all 18-24-year-olds are young adult parents. Nearly 3 in 4 children (73%) in Michigan with young parents live in families with low incomes. Boosting incomes of young parents, including non-custodial parents, directly improves lives of kids. Noncustodial parents would be able to use the EITC to help pay for things their kids need or meet child support expectations, and children in families that receive the benefit of the EITC are often healthier, do better and go further in school, and earn more as adults.

Sources: Erica Williams and Samantha Waxman, *States Can Adopt or Expand Earned Income Tax Credits to Build a Stronger Future Economy*, Center on Budget and Policy Priorities, March 2019. *Fostering Youth Transition*, Annie E. Casey Foundation, November 2018; *Opening Doors for Young Parents*, KIDS COUNT, Annie E. Casey Foundation, September 2018; Kids Count data center.