



THE COST-OF-LIVING REFUND: Providing a cost-of-living bump to Michiganders and boosting local economies

Rachel Richards, Legislative Director | April 2019

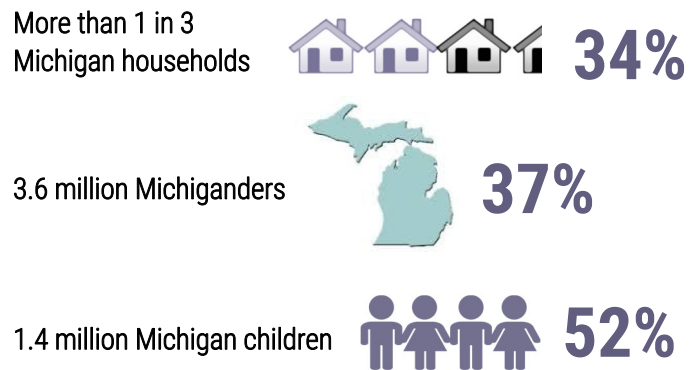
What is the Cost-of-Living Refund?

The Cost-of-Living Refund is an enhanced and modernized version of our state Earned Income Tax Credit (EITC). Michigan’s current EITC—at just 6% of the federal credit—provides a huge help to working families struggling to make ends meet by boosting after-tax incomes, pulling Michigan families above the poverty line, and delivering long-lasting benefits to children in these families. The Cost-of-Living Refund would build on these benefits by providing larger credits to more families, modernizing the definition of work, and including people who work but who are left out of the EITC, including caregivers and young workers without kids. It would also make the credit more user-friendly, for example, by making it available on a monthly basis to recipients and making it easier for people to file for the credit.

THE BASICS:

- Provides a \$1,200 basic credit or up to 50% of the federal EITC.
- Expands income eligibility to \$75,000 (or \$37,500 if childless).
- Expands to young workers aged 19 and up who don't have children.
- Expands eligibility to college students with low incomes.
- Expands eligibility to people caring for children under age 6, relatives with a disability, or elderly family members.

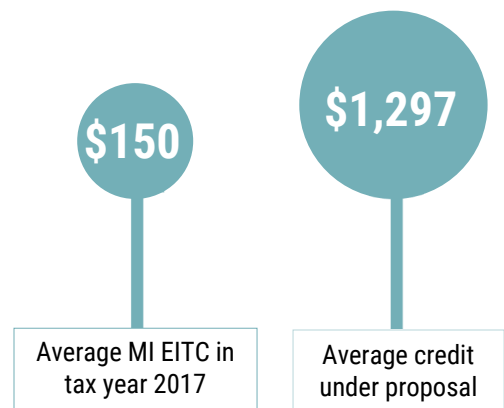
WHO WOULD BENEFIT FROM THE COST-OF-LIVING REFUND?



MICHIGAN LEAGUE FOR PUBLIC POLICY

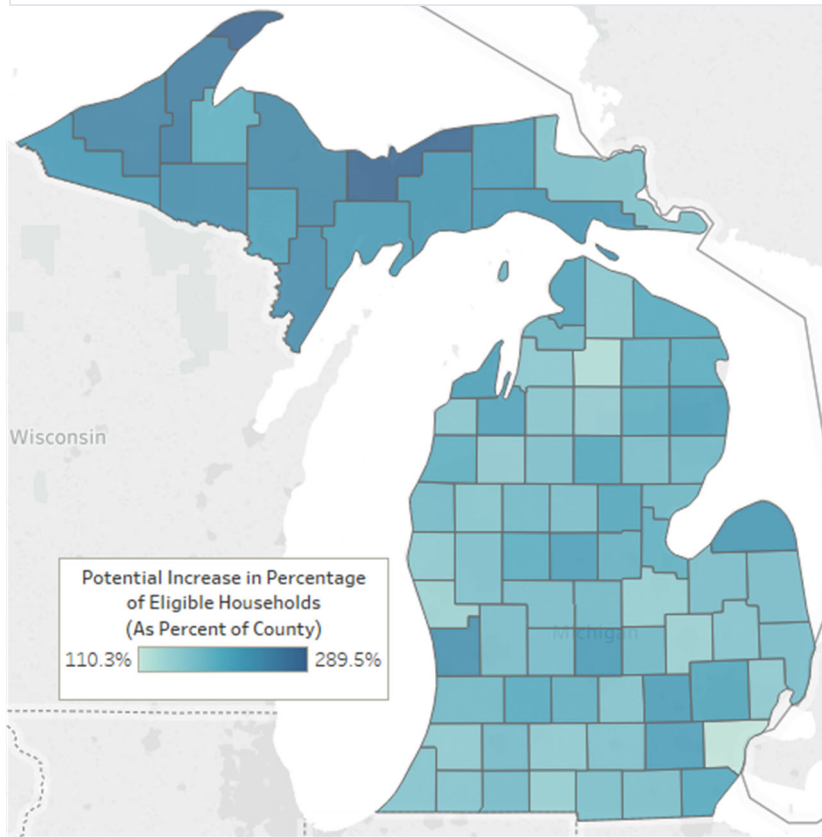
Maximum Credit by Household Type (2019)

Households With Children			Households Without Children		
3 Children	2 Children	1 Child	Worker	Caregiver	Student
\$3,279	\$2,914	\$1,763	\$1,200	\$1,200	\$1,200



Sources: Michigan Department of Treasury; Institute on Taxation and Economic Policy (ITEP), 2019

More Michiganders in All Counties Would Benefit



Source: MLPP analysis of data from Michigan Department of Treasury and American Community Survey, 5-year estimates, 2017

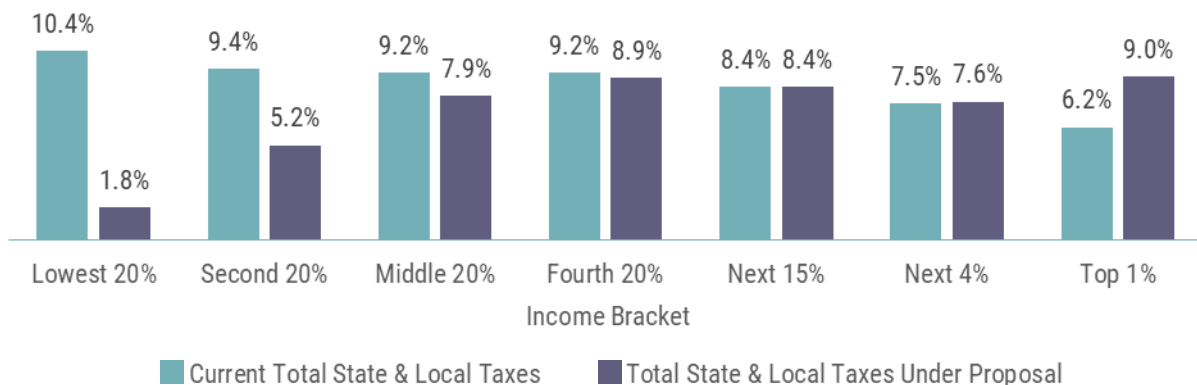
COST-OF-LIVING REFUND BOOSTS PROVEN BENEFITS OF EITC:

- ▶ Improves financial security and asset building, especially in families with children.
- ▶ Supports and encourages work.
- ▶ Boosts local economies, as recipients use the credits to pay for basic needs and things that help them keep working—like child care or transportation.
- ▶ Promotes better health and educational outcomes for children.
- ▶ Helps improve racial equity by reducing some of the impacts of systemic racism.

Making Our Tax Code Fairer

Michigan's tax code is currently upside down, with taxpayers with low incomes paying a higher proportion of their incomes in state and local taxes than wealthier taxpayers. By amending our constitution to allow a graduated income tax—and increasing income taxes on high-income earners—the Cost-of-Living Refund helps make our tax code fairer.

Right-Sizing Michigan's Tax Code



Source: Institute on Taxation and Economic Policy (ITEP), 2019