



MEMORANDUM

TO: Members of the Senate Committee on Finance

FROM: Monique Stanton, President and CEO

DATE: December 8, 2021

SUBJECT: Support to increase the Michigan Earned Income Tax Credit, SB 417

Thank you for the opportunity to provide written testimony in support of Senate Bill 417, which would increase the Michigan Earned Income Tax Credit for Michigan families. I am Monique Stanton, President and CEO of the Michigan League for Public Policy, a nonpartisan policy institute dedicated to economic security and well-being for all Michiganders. The Earned Income Tax Credit has been one of our organization's long-standing policy priorities, and we have continued to advocate for restoration of the credit—or improvements beyond—since the credit was slashed in 2011.

The Michigan Earned Income Tax Credit is a refundable tax credit for families and individuals, which boosts take-home pay for families earning low wages, helping them make ends meet. At its current rate of 6% of the federal credit, Michigan's EITC provided an average \$150 credit to 738,000 families in tax year 2019. If the credit had been 30% of the federal credit last year, these families would have received \$750 on average. This represents an **additional \$600** to make ends meet, ensuring households can afford things such as rent, child care, utilities, food and education expenses.

The credit has significant benefits for families with children. By boosting families' incomes, the state EITC creates positive short- and long-term effects for children. In the short term, the EITC is positively associated with improved infant and maternal health, resulting in fewer low-weight and premature births. In the medium term, the EITC is linked to higher test scores, higher graduation rates, and higher college attendance rates. In the long term, children see higher earnings in adulthood compared to similar children whose families did not receive additional income.

State EITCs also have a positive impact on local economies. By putting money in the pockets of families with the highest need, they tend to spend their refunds on immediate expenses, like utilities, groceries and transportation expenses. Research shows each additional federal EITC dollar creates an economic impact of over \$1.50 for local economies. Increasing the state EITC will further boost these effects.

Increasing the state EITC will help offset the regressive nature of Michigan's tax structure, which relies most on those least able to pay. It will do this by reducing the racial income and wealth disparities that exist in part due to a history of racist tax policies in Michigan. Moreover, it will further boost the incomes of rural residents who, as a percentage of the population, are more likely to benefit from a larger EITC.

Increasing the credit to 30% will put **an additional \$443 million** into the hands of Michiganders with the greatest need—families with children, people of color, and households in rural communities—and support their local economies. We are proud to join with the many supporters testifying today and urge you to support SB 417.