



TO: Senate Committee on Housing and Human Services

FROM: Monique Stanton, President and CEO of the Michigan League for Public Policy

DATE: January 24, 2023

SUBJECT: Testimony supporting Senate Bill 3 to increase Michigan's Working Families Tax Credit

Good afternoon, Chair Irwin and members of the Senate Committee on Housing and Human Services. I am Monique Stanton, President and CEO for the Michigan League for Public Policy, a statewide non-partisan advocacy organization working to advance the economic security and well-being of all Michiganders. Thank you for the opportunity to speak with you today on Senate Bill 3 and the importance of a Working Families Tax Credit for Michiganders across the state.

The League has long been an advocate of the Working Families Tax Credit, better known as the Earned Income Tax Credit (EITC) at the federal level—from supporting its introduction in 2006 to opposing its reduction in 2011. Today, nearly half of Michigan's children benefit from the credit, ensuring better health outcomes, improved school performance and even higher earnings into adulthood for children whose families received the credit. With decades of research showing the benefits to workers, children and communities, we are happy to see the bipartisan support behind this proven credit taking priority in the new legislative session.

Michigan's existing credit allows nearly 740,000 workers with low incomes to keep more of what they earn, but at a rate of only 6% of the federal credit, Michigan's credit today is among the lowest in the country. With an average credit of just \$150 for eligible filers, Michigan's existing credit is not doing enough to help families make ends meet at a time when rapid inflation is driving up the costs of essentials like child care and groceries.

Increasing the credit to 30% will return \$443 million to those workers and families with the greatest need—Black, brown and white; rural and urban—and support the local economies where these workers live. An increase to 30% of the federal credit would raise the credit from \$150 to \$750 on average, benefitting both workers with moderate incomes and those living in poverty. A Michigan credit worth 30% of the federal amount is estimated to lift over 32,000 people, over half of them children, above the poverty threshold.

Today, we are happy to stand with lawmakers on both sides of the aisle as well as a coalition of more than 230 organizations across the state who recognize the benefits of a larger credit and have indicated support for Michigan's Working Families Tax Credit. With a \$9.2 billion budget surplus, there has never been a better time to improve our tax system for workers and families who earn low incomes.

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Lawmakers also have the opportunity to make Senate Bill 3 retroactive, ensuring working families see a larger credit this year instead of having to wait until they file their taxes in 2024. Following a year of soaring inflation, with consumer prices outpacing wage growth, workers should not have to wait for a break.

We would like to thank Senator McDonald Rivet for introducing this legislation early in the budget conversation this year as well as the members of this committee for providing the opportunity to increase awareness about the Working Families Tax Credit's benefits for the workers, families and communities driving Michigan's economy forward.

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