

Supporting South Dakota Workers in Tax Reform

Working Tax Credits and Volunteer Income Tax Assistance

United Way Urges Congress to:

- **Protect** the **Earned Income Tax Credit (EITC)** and **Child Tax Credit (CTC)** in reform
- **Expand** the EITC for workers taxed into poverty
- **Authorize** the Volunteer Income Tax Assistance (VITA) grant program at \$30 million

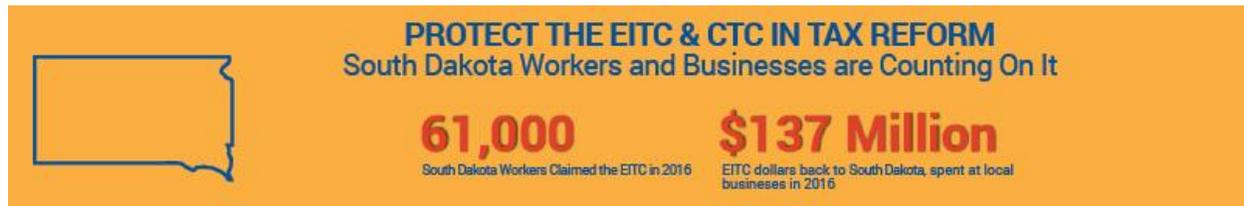


Only People Who Work Are Eligible for the EITC & CTC

THE BASICS

The EITC is a common sense tax break that helps lower-income workers keep more of what they earn to put food on the table, cover rent, and have a shot at a brighter future. The EITC is a refundable tax credit that is structured to encourage and reward work, helping to offset federal payroll and income taxes. The amount of EITC depends on a worker's income, marital status, and number of children. The refundable CTC is similarly designed to incentivize work and helps parents offset the cost of raising children. Together, the EITC and CTC are among our nation's most effective

pro-work, anti-poverty tools. Because workers spend their tax refunds at local businesses at home, the EITC & CTC pump money into communities all around South Dakota, supporting the local economy.



ⁱ References are in the footnotes.

EXPANDING THE EITC FOR WORKERS TAXED INTO POVERTY

Currently low-income working Americans not raising children at home are eligible for little to no EITC. Young people age 21-24 are entirely blocked from the pro-work, anti-poverty tool. So while the EITC is one of the most effective tools we have to help working *families* keep their heads above water, it excludes millions of workers including:



Parents who don't live with their kids but help pay for child expenses



Young workers paying for their own higher education



Veterans who fought for our country and are finding stable ground at home

EXPANDING THE EITC FOR WORKERS TAXED INTO POVERTY

The effect of this exclusion is that millions of Americans are taxed into poverty every year because the EITC cannot offset payroll and income taxes. Workers in essential professions are impacted, including:



Custodians



Home Health Aides



Retail Workers



Office and Admin Workers



Child Care Workers

EXPAND EITC

Congress can build on this common sense policy by increasing the size of the EITC for workers not raising children at home and lowering the age of eligibility to 21 to enable young people just starting out to have greater stability entering the workforce.

EITC EXPANSION IMPACTS ON SOUTH DAKOTA

Under bipartisan expansion proposalsⁱⁱ, 37,000 South Dakotans would become newly eligible for the EITC or receive a larger EITC including:

- 3,000 military and service members
- 10,000 workers age 21-24 who would be newly eligible
- 17,000 rural workers

VOLUNTEER INCOME TAX ASSISTANCE – IMPROVING ACCURACY & ACCESS

Through VITA, volunteers become IRS-certified tax preparers and provide qualifying individuals and families with free, reliable assistance in filing federal tax returns. Tax returns prepared by VITA volunteers have higher accuracy ratings for EITC than returns filed by any other means, including paid and self-prepared. But right now, only about 3% of EITC claims are filed through VITAⁱⁱⁱ, largely because communities are underequipped to meet demand for the quality tax preparation service. Limited federal funding is available through the VITA matching grant program, but the FY2017 appropriation of \$15 million represents only a fraction of the costs of operating VITA sites nationwide.

AUTHORIZE THE VITA GRANT PROGRAM FOR \$30 MILLION

Congress can help hardworking Americans meet their tax obligations and improve EITC accuracy by formally authorizing the VITA grant program at \$30 million through tax reform.

THE BOTTOM LINE – IN TAX REFORM

- **Protect** the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC)
- **Expand** the EITC for workers taxed into poverty
- **Authorize** the Volunteer Income Tax Assistance (VITA) grant program at \$30 million

ⁱ Number of 2016 EITC claimants and amount brought back to state from IRS: <http://bit.ly/2pRrRnH>. Percentage decrease in poverty from Brookings Institution: <http://brook.gs/2qozKnj>.

ⁱⁱ Speaker Ryan and President Obama proposed virtually identical plans to double the maximum EITC for workers not raising children to around \$1,000 and to lower the age of eligibility to 21. Data sources and methodology for estimates available at <http://bit.ly/2cXOs0v>

ⁱⁱⁱ IRS EITC Compliance Study, August 2014: <http://bit.ly/2pTwXPs>