

# Louisiana EITC

## FACT SHEET



### Louisiana's EITC: Investing in Our Families and Our Economy

Since 2007, the Louisiana Earned Income Tax Credit (EITC) has been a bipartisan policy that helps families meet their basic needs while strengthening local economies and increasing tax fairness to the benefit of everyone in the state. The EITC makes work pay by offsetting federal payroll and income taxes for working families up to a specified limit. Louisiana's refundable EITC works the same way at the state level and is set at 3.5 percent of the federal EITC, the lowest in the country—the national average is 16 percent.

#### 1) SUPPORTING OUR FAMILIES

- The EITC can free up resources for necessary family expenses by decreasing the amount of taxes owed. EITC refunds can boost family savings, which may help working families avoid future financial setbacks.
- 491,390 working Louisiana households, 28.6 percent of all tax filers, received the EITC in 2012, including 24,000 veteran and armed-forces families.<sup>1</sup>
- The average federal EITC received by Louisiana households was \$2,685 and the average Louisiana EITC was \$94, only 3.5 percent of the federal credit in 2012.<sup>2</sup>



#### 2) GROWING OUR ECONOMY

- The Louisiana EITC generated a net benefit of \$23.1 million to the state economy in fiscal year 2012 – 2013.<sup>3</sup>
- The money generated by the EITC provides both immediate and long-term economic stimulus to state budgets.
- The EITC promotes spending in our communities by Louisiana's working families.

#### 3) BENEFITING ALL OF US

Research shows that the EITC encourages work and provides income, educational, and health benefits to its recipients and their children.<sup>4</sup> Benefits to working families translate into savings for the state in social services, health, and education.

- Lifts tens of thousands Louisianans out of poverty annually<sup>5</sup>
- Reduces the number of female-headed households receiving cash welfare assistance
- Reduces low-weight and premature births
- Improves health of mothers
- Improves children's educational performance
- Increases children's likelihood of attending college
- Increases children's future earnings as adults
- Reduces children's risk of early onset disabilities and illnesses associated with child poverty

— See Reverse —

#### 4) INCREASING TAX FAIRNESS

Working families are being taxed into poverty while corporations benefit from numerous tax exemptions and credits.

- In 2014, the EITC lowered the tax burden of the bottom 60 percent of income earning families (families making less than \$47,000).<sup>6</sup>
- The bottom 80 percent of Louisiana families pay more than twice as much of their incomes on state and local taxes than the top 1 percent.
- 80.1 percent of potential collections from corporate income tax were not collected because of various corporate subsidies and tax exemptions, \$2.0 billion out of \$2.4 billion in FY 2013-14.<sup>7</sup>

#### 5) PRACTICING CATHOLIC SOCIAL TEACHING



- The EITC rewards work and family life and helps families to grow and thrive.
- Relaxes the “marriage penalty” for low-income, married workers filing jointly.<sup>8</sup>
- Contributes to workers’ ability to make a family wage, “a wage sufficient to maintain a family and allow it to live decently.”<sup>9</sup>
- Promotes a just and equitable system of taxation where tax burdens are “proportioned to the capacity of the people contributing.”<sup>10</sup>

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<sup>1</sup> Center on Budget and Policy Priorities (CBPP). 2014. *Louisiana Fact Sheet: Tax Credits Promote Work and Fight Poverty*. <http://apps.cbpp.org/3-5-14tax/?state=LA>

<sup>2</sup> Brookings Institute. 2014. *Earned Income Tax Credit (EITC) Interactive and Resources*. <http://www.brookings.edu/research/interactives/eitc>

<sup>3</sup> Calculation based on a conservative 1.5 multiplier estimate from The United States Conference of Mayors. 2012. *Dollar Wise Best Practices: Earned Income Tax Credit* using data from Louisiana Department of Revenue. 2014. *Tax Exemption Budget 2012-2013*. Note: Louisiana EITC cost \$46.2 million in fiscal year 2012-2013.

<sup>4</sup> CBPP. 2015. *EITC and Child Tax Credit Promote Work, Reduce Poverty, and Support Children’s Development, Research Finds*. <http://www.cbpp.org/files/6-26-12tax.pdf>

<sup>5</sup> 142,000 Louisianans were lifted out of poverty, including 82,000 children, each year, on average, between 2010 and 2012. See CBPP 2014.

<sup>6</sup> Institute on Taxation and Economic Policy (ITEP). 2014. *Improving Tax Fairness with a State Earned Income Tax Credit*. <http://itep.org/eitc/>

<sup>7</sup> Louisiana Department of Revenue. 2015. *Tax Exemption Budget 2013-2014*.

<sup>8</sup> United States Conference of Catholic Bishops: Committee on Domestic Justice and Human Development. 2010. *Letter to House and Senate on Earned Income and Child Tax Credits*.

<sup>9</sup> Pontifical Council for Justice and Peace. 2005. *Compendium of the Social Doctrine of the Church*, No. 250.

<sup>10</sup> Pope John XXIII. 1961. *Mater et Magistra (On Christianity and Social Progress)*, No. 132.