



# VIEW*S* & VISIONS

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## An Earned Income Tax Credit Would Lift Up West Virginia

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Ted Boettner is the Executive Director and co-founder of the West Virginia Center on Budget and Policy – a nonpartisan and nonprofit research organization based in Charleston, West Virginia.

In addition to his work with the Center, Boettner is the author of numerous reports on state tax and budget issues, economic development and family economic security, including the annual “State of Working West Virginia.” He frequently presents policy proposals to the West Virginia Legislature and testifies before legislative committees. He also regularly addresses statewide civic groups on state tax, budget and economic policies and is often quoted in news stories on those topics.

In 2011, *The State Journal* named Boettner “one of the most influential business leaders” in West Virginia. He serves on the board of directors of Cabin Creek Health Systems, Legal Aid of West Virginia, The Dunn Foundation and Mountain State Justice. He has taught classes at West Virginia University Institute of Technology and West Virginia University.

Boettner holds a bachelor’s degree in journalism from West Virginia University and a master’s in political science from the University of New Hampshire.

West Virginia is facing an economic crisis. For too long, a high share of low-wage jobs coupled with declining workforce participation has caused us to rank poorly on health, education, incarceration and poverty when compared to other states. While there is no silver bullet to fixing all of these problems, putting more money in the pockets of low-income families who are struggling to make ends meet is a good place to start. One easy way to do that is for West Virginia to join the 29 other states that have a state version of the federal Earned Income Tax Credit (EITC).<sup>1</sup>

The federal EITC goes to almost 152,000 low-income West Virginia households – or over 300,000 people – most of whom are children.<sup>2</sup> The typical (median) income of families who receive the federal EITC is around \$13,000. In 2017, the EITC put over \$355 million back into the pockets of families in West Virginia, providing an average benefit of \$2,344 to each family that qualified. The EITC especially helps women and people of color who are disproportionately represented in low-wage jobs.

Combined with the Child Tax Credit, the federal EITC lifts an estimated 38,000 West Virginians out of poverty, including 18,000 children.<sup>3</sup> Because the EITC comes in a lump sum payment at tax time, many families use it as an opportunity to open a checking or savings account.<sup>4</sup> Currently, nearly one in four low-income (under \$15,000) West Virginians does not have a bank account.<sup>5</sup> This is one of many reasons why the West Virginia Bankers Association supports the creation of a state EITC.

On top of reducing poverty and boosting financial stability, the EITC is designed to encourage and reward work. The EITC does



this by increasing benefits for each additional dollar of earnings until it reaches its maximum value. In turn, this creates an incentive for folks who earn low wages to increase their work hours and leave some public assistance programs. That’s why several academic studies have found that the introduction of an EITC encourages individuals – especially single moms – to enter the labor force.<sup>6</sup>


The benefits of the EITC also extend to children. Research shows that children in households that claim the EITC experience improved physical and mental health, higher rates of college attendance and better school achievement, as well as increased earnings when they reach adulthood.

A West Virginia EITC set at 15 percent of the federal credit would put nearly \$50 million into the pockets of those who need it the most. For a family that earned a \$3,400 federal credit, this would mean an additional \$510 to spend on necessities like car or house repairs, a washer or dryer, or clothing for their children.

Because state EITCs are well targeted to low- and moderate-income working families, the cost is more moderate than other tax cuts the legislature often considers. State EITCs are also easy to administer, often just adding one line to a state’s income tax form. Not surprisingly,

the creation of a West Virginia EITC has strong bipartisan support in the state legislature (HB 2326).

We could pay for a state EITC by using money from online sales tax collections (e.g. remote sales, digital downloads) or by coupling it with a tax on unhealthy items, such as tobacco, alcohol or soda, or by utilizing a portion of our Temporary Assistance for Needy Families (TANF) block grant.

While there may be several approaches to either boosting workforce participation or lowering poverty in West Virginia, this is the one policy that has a long track record of doing both. All we need is the courage and wisdom to make it a priority. Our future is counting on it. 

*Infographic Note: These figures are based on 2013 EITC data and assume that 90 percent of those that receive the federal EITC will receive a WV EITC.*

<sup>1</sup> <https://www.cbpp.org/research/state-budget-and-tax/policy-basics-state-earned-income-tax-credits>

<sup>2</sup> <https://www.etc.irs.gov/eitc-central/statistics-for-tax-returns-with-eitc/statistics-for-tax-returns-with-eitc>


<sup>3</sup> <http://apps.cbpp.org/3-5-14tax/?state=WV>

<sup>4</sup> [https://www.researchgate.net/profile/Sherrie\\_Rhine/publication/5042577\\_Householder\\_response\\_to\\_the\\_earned\\_income\\_tax\\_credit\\_path\\_of\\_sustenance\\_or\\_road\\_to\\_asset\\_building/links/551c4ad30cf2909047bc5f75/Householder-response-to-the-earned-income-tax-credit-path-of-sustenance-or-road-to-asset-building.pdf?origin=publication\\_detail](https://www.researchgate.net/profile/Sherrie_Rhine/publication/5042577_Householder_response_to_the_earned_income_tax_credit_path_of_sustenance_or_road_to_asset_building/links/551c4ad30cf2909047bc5f75/Householder-response-to-the-earned-income-tax-credit-path-of-sustenance-or-road-to-asset-building.pdf?origin=publication_detail)

<sup>5</sup> [https://www.economicinclusion.gov/surveys/2015household/documents/yoy/State-Unbanked-West\\_Virginia\\_2015\\_YOY\\_Analysis.html](https://www.economicinclusion.gov/surveys/2015household/documents/yoy/State-Unbanked-West_Virginia_2015_YOY_Analysis.html)

<sup>6</sup> See V. Joseph Hotz and John Karl Scholz, "The Earned Income Credit," 173-176, in Robert A.

Moffitt, ed., in *Means Tested Transfer Programs in the United States*, Chicago: University of Chicago Press, January 2003 and Nada Eissa and Hilary Hoyes, "Behavioral Responses to Taxes: Lessons from the EITC and Labor Supply," *National Bureau of Economic Research, Working Paper 11729*, November 2005, pp.14



## @WVEITC

When we invest in working families,  
we invest in WV's economy.

State EITC Profile

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Creating a state EITC will benefit

# 162,961


children throughout West Virginia

**Children in EITC households have:**


Better birth outcomes



Higher educational attainment




More earnings as adults



141,176

Households helped by creating a state EITC.



**Local Impact from creating a state EITC**

|   |                |
|---|----------------|
| Average boost to working families' incomes          | \$332          |
| Annual economic activity from creating a state EITC | \$46.9 million |

**Why creating a state EITC works for West Virginia's economy:**

- The EITC lets low-and moderate-income working families keep more of their earnings to help pay for things that help them keep working, such as child care and transportation.
- The EITC reduces the number of children living in poverty and improves kids' chances of success as adults.
- By helping low-wage workers keep more of their incomes, the EITC increases consumer spending which then boosts local economies across the state.

Create a state EITC: Invest in Working families and grow our economy!  
For more information visit [investinwvfamilies.org](http://investinwvfamilies.org)