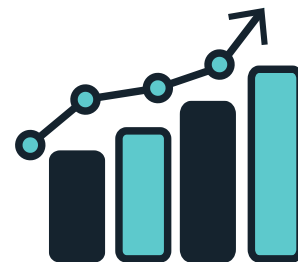


Working Families Tax Credits

Why the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC) are good for the economy



What is a tax credit? A tax credit is a dollar for dollar reduction of the income tax you owe to federal and/or state governments.



What are the EITC and CTC? The EITC and CTC are federal refundable tax credits for working families that put money back in the pockets of working families and are proven to provide long-term health and economic benefits.



Workers and families who qualify for these tax credits are more likely to spend that money in their local economies and at local small businesses.



For every \$1.00 spent by a family that receives the EITC, it creates an economic impact of \$1.50 to \$2.00.

How do these tax credits uplift local economies?

Tax credits like EITC and CTC promote work and have been called “one of the most successful labor market innovations in U.S. history.”ⁱ

- A large amount of research shows that the amount of a family's income they spend, differs across income groups.ⁱⁱ
- Table 1 shows that low and middle-income households spend a bigger portion of their earnings in the local economy than high-income households.

Table 1. Everyday Working Families Power Local Economies (Portion of Expenditures of After-tax Income)			
	\$15,000 to \$29,000	\$50,000 to \$69,999	\$200,000 and more
Housing	59%	32%	18%
Food at home	14%	8%	3%
Food out of home	8%	5%	4%
Healthcare	16%	9%	4%
Transportation	24%	17%	10%
Apparel and Services	4%	3%	2%
Entertainment	7%	4%	4%

Source: Table 1203. Income before taxes: Annual expenditure means, shares, standard errors, and coefficients of variation; Consumer Expenditure Survey 2018

Notes: Income-after-taxes minus expenditures; housing includes utilities; this table does not include all after tax expenditures

i. Stanford's Pathways Magazine, "Jobs, Joblessness, and the New American Poverty," Summer 2014
ii. <https://www.coloradofiscal.org/2020/06/08/budget-cuts-tax-cuts-colorado/>