



EARNED INCOME TAX CREDIT

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THE PROBLEM: State spending is on the rise in Missouri, led by a growth in public welfare dollars. Public welfare spending now accounts for more than 44% of total spending and is the largest driver of general spending growth in Missouri. The growth in public welfare shares of total spending has eclipsed the growth of all other general expenditure functions.

THE SOLUTION: *Transition toward the Earned Income Tax Credit (EITC).*

Implementing an EITC (a refundable tax credit for low- to moderate-income workers) will slow the growth of public welfare spending while providing material benefits to working families.

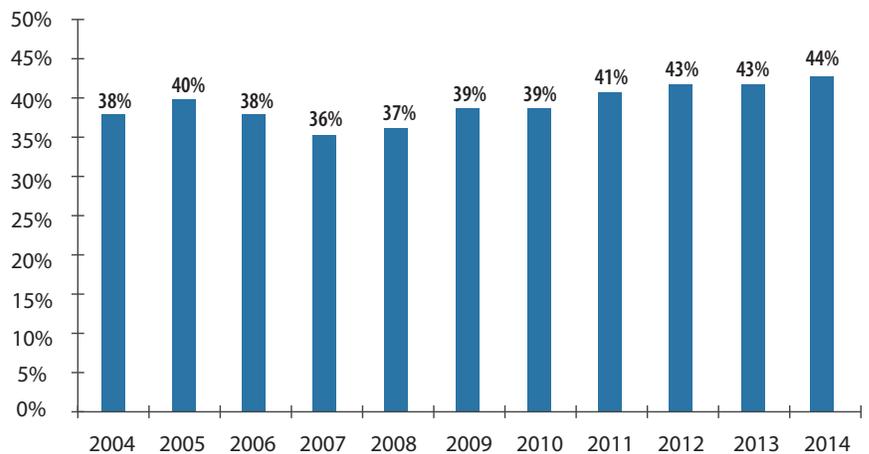
WHO ELSE DOES IT? Twenty-five states and the District of Columbia offer EITCs at either the state or local level, although the amounts and refundability of the credits vary.

THE OPPORTUNITY:

Transitioning current public welfare dollars to an EITC will help foster a culture of self-reliance among the state's poor while also restricting growth in public welfare spending. Not only does the EITC help working families make ends meet, but it also encourages recipients and families to find jobs and increase hours worked. Missourians can move up the economic ladder with the aid of the EITC—which can help move people off state assistance entirely, thus mitigating the cost of the credit. An EITC is an effective way to increase work participation while helping families become self-reliant and escape poverty.

PUBLIC WELFARE AS A PERCENTAGE OF TOTAL EXPENDITURES MISSOURI

Public welfare spending as a share of total expenditures is higher than it has been at any point in the last decade.



Public Welfare includes state expenditures on Public Welfare, Health, and Hospitals as defined by the U.S. Census Bureau.

Source: U.S. Census Bureau.

KEY POINTS

- Aid to our most vulnerable citizens will be better targeted, while still providing the help they need.
- Individuals will be able to invest in themselves.
- EITC recipients can build the self-esteem that comes from work.
- Public money will go toward helping families rise from poverty and escape dependence on government.

SHOW-ME INSTITUTE RESOURCES

Blog post: [“Moving Missourians from Welfare to Work”](#)

Blog post: [“Making Strides toward Welfare Reform”](#)

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