



# 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 46% of total spending and is the largest driver of general spending growth in Missouri.

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

An EITC is a credit that may be used to offset a worker's state income tax liability. Proper use of EITCs could 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.

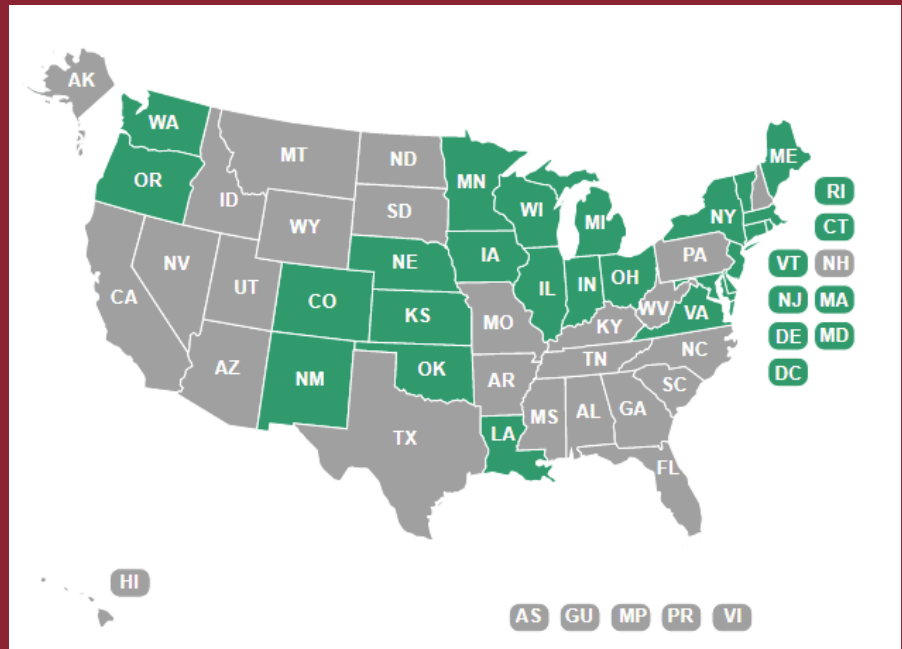
**THE OPPORTUNITY:** Moving current public welfare dollars to an EITC will encourage self-reliance among the state's poor while also restricting growth in public welfare spending. Not only does the EITC help working families make ends meet, but it also encourages recipients and families to find jobs and increase hours worked. Missourians can move up the economic ladder with the aid of the EITC—which can help people get off state assistance entirely, thus bringing down the cost of the credit.

## KEY POINTS

- Aid to our most vulnerable citizens will be better targeted, while still providing the help they need.

## STATES THAT OFFER EARNED INCOME TAX CREDITS

*Twenty-five states and the District of Columbia offer EITCs.*



Source: "Tax Credit Reform: Recommendations to Make Missouri a Best-in-class State." Governor's Committee on Simple, Fair, and Low Taxes. 2017.

- 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"