Making Work Pay: A State Earned Income Tax Credit for West Virginia

FACT SHEET

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In these uncertain economic times, low income working West Virginians are having trouble making ends meet. Like everyone else, they must provide housing, heat, health care, clothing, and food for their families. However, the rising cost of basic expenses, stagnant wages, and the disproportionate amount of taxes low-income families pay is stretching family budgets beyond their limits.

A West Virginia State Earned Income Tax Credit (SEITC) would boost the incomes of more than 145,000 working West Virginia families, providing an average credit of $351 based on 20 percent of the federal credit. Recipients could use their credit to pay off debts, for home repairs, childcare and groceries. So far, 24 states have implemented SEITC's.

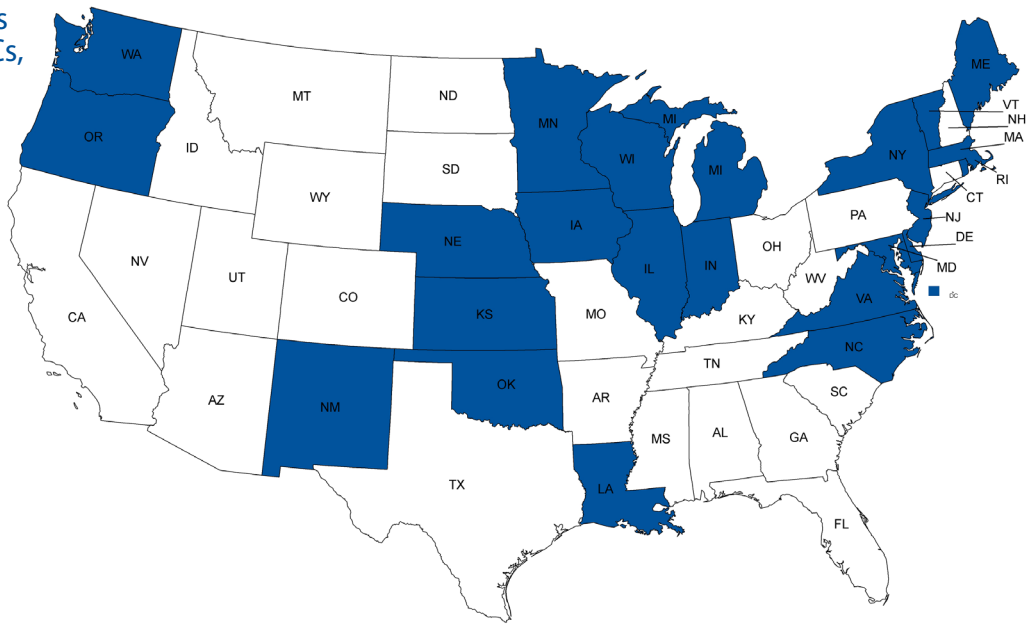
- **A Refundable SEITC Makes a Difference for Working West Virginia Families.**
  Offsets the high cost of payroll and sales taxes, creates an incentive for individuals to join the workforce and reduces poverty.

- **The EITC Program Receives Bi-Partisan Support.**
  President Reagan called the EITC "The best anti-poverty, the best pro-family and the best job creation measure to come out of Congress." The program was enacted in 1975 under President Ford. Due to the EITC's overwhelming success, it was expanded under President's Reagan, Bush and Clinton. At the state level, SEITC's have been enacted under both Democratic and Republican Governors.

- **SEITC's Provide a Vehicle to Build Assets.**
  Recipients can use their credit to pay off debts, open savings accounts and advance their education, which may lead to a higher paying job.

- **How Does a SEITC Work?**
  SEITC's piggyback on the federal EITC and are set at a fixed percentage of the federal credit—ranging from 3.5-percent to 40-percent. Families that qualify for the federal EITC would also be eligible for the SEITC, making it very simple to administer.

- **Who Would Qualify?**
  Working families with incomes below $41,646 would qualify for a SEITC.

- **Who Benefits From a SEITC?**
  One out of five West Virginia working families would qualify for a SEITC, 71 percent of these participants earn less than $20,000 annually. Ninety-seven-percent of the tax credit would go to families with children. Approximately 60 percent of eligible parents would be full-time workers. Fifty-four percent of all people receiving the SEITC would be from rural counties, while 46 percent would be from urban counties.

Twenty-four States Have Enacted EITCs, June 2008