

*Why do working families need the FY08 budget
to include an EITC increase?*

What is the Illinois Earned Income Tax Credit? It's the only tax benefit that expressly encourages and rewards work – a tax credit that last year benefited nearly 765,000 low-income, working families statewide. It is based on the federal EITC, which long has enjoyed strong bipartisan support.

Who benefits and how? To claim the EITC, taxpayers must be both low-income and working. Families with earnings up to \$37,263 qualify. However, because the Illinois EITC is set at only 5 percent of the federal EITC, the maximum amount of the Illinois credit is only \$220 – the lowest in the nation. **We can do better for working families by raising our EITC to 10 or even 20 percent of the federal credit** (increasing their maximum state credit to \$440 or even \$880, respectively).

Why should we increase the EITC? Because ...

- 1. Low-income, working families pay more of their income in taxes than anyone else.**
 - Today, working-poor families shoulder an unfairly large share of taxes. Illinois households earning less than \$16,000 a year pay over 13 percent of their incomes in state and local taxes, while those earning more than \$300,000 spend less than 6 percent of their incomes in state and local taxes.
- 2. Illinois' tax system is among the nation's most regressive.**
 - Our state's tax structure has been placed on the list of the country's "Terrible Ten" most regressive tax systems by the Institute on Taxation and Economic Policy (Illinois ranks 6th). The poorest Illinois families pay double the effective tax rate of the wealthiest households in the state.
- 3. The income level at which families begin paying taxes in Illinois is far too low.**
 - Illinois begins taxing two-parent families of four when they earn \$15,600 a year – a figure lower than the federal poverty level, and the nation's seventh-worst "tax threshold."
- 4. Nearly a quarter of all working families in Illinois fall below the poverty line.**
 - From 2001-04, the number of families earning poverty-level incomes grew from 21.4 percent to 23 percent.
- 5. Working-poor families' share of taxes has risen over the past three decades.**
 - Over the last decade, the percentage of income that working-poor families pay in taxes has grown by almost 2 percent, while that of the wealthiest has declined.
- 6. Real wages have been declining in Illinois.**
 - From 1999-2004 alone, Illinois' median household income dropped 12 percent. This was the country's second-sharpest decline and larger than the 3.8 percent, nationwide decline over the same period.
- 7. The number of Illinoisans living in poverty is on the rise.**
 - Since 1999, the number of people living in poverty grew by 2.3 percent in Illinois. By 2004, 12.2 percent of all Illinois residents were living in poverty, along with 17.7 percent of the state's children.
- 8. The state's current EITC is the lowest in the nation.**
 - Set at 5 percent of the federal EITC – and representing a maximum value of \$220 per qualifying family – is the Illinois EITC is tied for the smallest such credit in the country.
- 9. The EITC focuses assistance on those who need it most.**
 - The EITC is targeted to help families who work hard but don't earn a lot, and nonetheless spend an unfairly large share of their incomes on taxes.
- 10. The EITC enjoys strong, longstanding, bipartisan support.**
 - Begun under President Ford, the federal EITC was supported and expanded by Presidents Reagan and Clinton. Illinois legislators of both parties have championed creation and improvement of the Illinois EITC.



MAKE WORK PAY IN ILLINOIS:

A State Earned Income Tax Credit

Make Work Pay campaign members include these organizations, who support efforts to “make work pay” and taxes fairer for working families:

Voices for Illinois Children
Center for Economic Progress
Sargent Shriver National Center on Poverty Law
Center for Tax and Budget Accountability
Protestants for the Common Good
ACORN (Association of Community Organizations for Reform Now)
Action for Children
Catholic Conference of Illinois
Chicago Coalition for the Homeless
Chicago Foundation for Women
Chicago Interfaith Committee on Worker Issues
Children’s Home and Aid Society of Illinois
Citizen Action / Illinois
H&R Block
Heartland Alliance for Human Needs and Human Rights
Housing Action Illinois
Illinois AFL-CIO
Illinois Family Partnership Network
Jewish Federation of Metropolitan Chicago
Latino Coalition for Prevention
League of Women Voters of Illinois
Lutheran Advocacy – Illinois
Lutheran Child and Family Services of Illinois
Lutheran Social Services of Illinois
Metropolitan Family Services
Ounce of Prevention Fund
Progressive Public Affairs
Project Irene
SEIU Illinois Council
SEIU Local 880
Uhlich Children’s Advantage Network
United Food and Commercial Workers, Local 881
Women Employed
YWCA Metropolitan Chicago

List as of 11 June 2007