

SUPPORT THE 'EITC SIMPLIFICATION' BILLS:

HB556 (Collins-Millner-Silverstein-Pankau, Delgado)

SB338 (Currie-Lindner-Black-W.Davis-Mendoza, Miller, Patterson, Golar, Gordon, Younge, Jefferies, Osterman)

Help working families get all the tax-credit help they deserve

These identical bills propose to simplify the Illinois Earned Income Tax Credit statute, ensuring that all low-income, working Illinoisans who receive the federal EITC also get the full amount of the state EITC. This result was intended by the General Assembly when it made the state EITC “refundable.”

Problem: Because of confusing and unnecessary statutory language regarding the refundable portion of the state EITC, the Department of Revenue (DOR) has excluded the following groups of taxpayers from receiving EITC refunds:

- Foster parents
- Parents of totally and permanently disabled adult children
- Parents of children under age 24 who are full-time students
- Parents of children turning 18 in a taxable year
- Childless adults

The existing statutory language also has led the DOR to create a complicated eligibility worksheet in its tax-form instructions, confusing many Illinois taxpayers and causing them not to apply for the state EITC even though they are eligible for it. Ultimately, Illinois taxpayers are up to three times less likely to receive their state EITC than taxpayers in other states.

Solution: Remove the confusing and unnecessary statutory language.

Background: In 2003, the General Assembly unanimously approved legislation making the Illinois EITC refundable, mirroring the approach of the larger, federal EITC and many other states’ EITCs. This was done to ensure that EITC-eligible families receive the full amount of the credit due to them; if the credit is greater than the amount of income tax they owe, they receive a refund check for the difference.

The law included language regarding the federal Temporary Assistance for Needy Families block grant and related Maintenance of Effort obligations as a funding source. Administrative confusion over this language – hinging on questions about tax-filers’ TANF eligibility – has led to the exclusion of several groups of tax filers from receiving state EITC refunds, and confusion for many others who ultimately decide not to apply for the state EITC even though they are eligible.

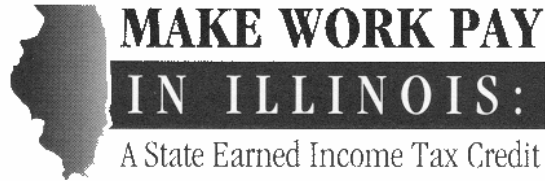
Legislators never intended to exclude foster parents, the parents of disabled children, or any other EITC-eligible families. Rather, in approving “refundability,” it was legislators’ intention to ensure that all families qualifying for the federal EITC also receive the full amount of the state EITC

Federal law already allows states to use TANF/MOE funding for the refundable portion of their state EITCs. HB556/SB338 does not change that; in fact, it offers state officials greater funding flexibility.

Cost Estimate: The Department of Revenue estimates that the bills would cost \$4 million.

For more information, please contact: Sean Noble (312 502 5566 or snoble@voices4kids.org) at Voices for Illinois Children, or Dan Lesser (312 368 2005 or danlesser@povertylaw.org) at the Sargent Shriver National Center on Poverty Law. See reverse for a full list of Make Work Pay campaign supporters.

04.10.07



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 30 April 2007