



THE ISSUE:

MISSOURI EARNED INCOME TAX CREDIT

👉 The Bill:

HB 109 – Sponsor: Mike Kelley (R – Lamar), Mary Nichols (D – Maryland Heights), Peter Merideth (D – St. Louis City)

👉 Summary of the Bill:

The bill creates a state EITC equal to 20% of the federal credit, or the taxpayer's Missouri income tax liability, whichever amount is less. Unused credits cannot be carried forward to future tax years. The Missouri Department of Revenue (DOR) is instructed to contract with one or more nonprofit groups to promote usage of the federal and state EITC.

The act shall become effective upon the later of January 1, 2019, or when a growth in net general revenue sufficient to trigger the first reduction of the individual income tax top rate under subsection 2 of section 143.011 RSMo, occurs. The act is conditioned upon continued net general revenue growth of at least an amount equal to the annual revenue reduction resulting from the Missouri earned income tax credit created by this act.

👉 The Ask:

Support passage of the Missouri Earned Income Tax Credit Act as an effective means to encourage full-time employment and lift working Missouri families out of poverty.

The Background: The Earned Income Tax Credit (EITC) is a federal tax credit for certain people who work. MRA supports the creation of a Missouri EITC to enhance the federal credit, as 25 other states and the District of Columbia have done. The MO EITC will assist economically disadvantaged working families to break the cycle of poverty by incentivizing full-time employment and promoting self-reliance rather than long-term dependence on government programs.

Supporters say that the Missouri Earned Income Tax Credit would be a tax cut for

working families and would help poor families have a higher quality of life.

Those who oppose the bill say that there are several technical issues with the bill. The Missouri Earned Income Tax Credit should not be tied to the federal tax credit because doing so would pass the costs of mistaken or fraudulent federal returns onto Missouri. Additionally, it would be better to make the tax credit part of a comprehensive tax reform.



Talking Points: The Earned Income Tax Credit, created by Congress in 1975, has proven to be an effective means to assist low and moderate wage earners while promoting full-time gainful employment. The EITC is available only to families earning income through work.

The EITC encourages low and moderate wage earners to work more hours by increasing the amount of the credit as earned income increases. The credit is calculated as a percentage of earned income until total income exceeds certain amounts and the credit begins to be phased out. Full-time work experience often translates into better job opportunities and higher wages over time.

The US Census Bureau found that the federal EITC lifted 5.4 million people above the poverty line in 2010.

According to the Center on Budget and Policy Priorities, three out of five families receiving the EITC do so for only one or two years. Afterward, family income rises to a level of self-sufficiency, and they can pay for necessities from their

earned wages and no longer rely on public benefits.

The federal EITC is refundable. It provides a tax refund even if a taxpayer does not owe any federal income tax. Taxpayers claim the refund on their federal tax return. The maximum amount of the federal EITC is \$3,359 for families with one qualifying child, \$5,548 for families

with two qualifying children, and \$6,242 for families with three or more qualifying children.

The MO EITC is not refundable and is, therefore, capped at the lesser of a taxpayer's state income tax liability or 20% of the federal EITC. Unused credits cannot be carried forward to subsequent tax years.



Actions:

On March 16, 2017 in the House:

- Referred: Rules - Administrative Oversight
- HCS Reported Do Pass - AYES: 9 NOES: 0 PRESENT: 0
- HCS Voted Do Pass
- Executive Session Completed
- Public Hearing Completed

On February 28, 2017 in the House:

- Referred: Special Committee on Tax Policy for Working Families

On January 5, 2017 in the House:

- Read Second Time

On January 4, 2017 in the House:

- Read First Time

On December 1, 2016 in the House:

- Prefiled

