

NC JUSTICE CENTER FACT SHEET

North Carolina should put in place a common-sense anti-poverty tool used by 29 other states to strengthen the economic well-being of hardworking families and boost local economies. A state Earned Income Tax Credit (EITC), or tax credit for working families, provides a bottom-up tax cut to workers who earn low wages -- such as sales clerks, nurses, military service members and early childhood teachers -- allowing them to keep more of what they earn.

A state EITC would benefit nearly 1 million working families in N.C.

Each year more than 950,000 families could benefit from a state Earned Income Tax Credit in North Carolina, including nearly 1.2 million children.

Working families across the state are struggling with stagnant wages and rising costs for housing and child care. A bottom-up tax cut will provide a modest boost to their household budgets.

A state EITC would return more money back to communities.

Working families in every community of the state would benefit from having more money in their pockets. The dollars delivered to working families through a state-level tax credit go toward necessities like transportation, childcare, food and paying for heating and cooling bills. As a result, it helps local economies where the dollars are spent.

In addition to helping working families and the local economy, this credit helps small businesses directly. Small business owners who file for taxes as individuals can claim the EITC to help support their families, educate themselves, and keep their businesses alive and growing; 23 percent of microbusinesses claimed the EITC nationwide.¹

The benefits of the EITC are far-reaching, long-term, align with NC priorities.

The Earned Income Tax Credit is an evidence-based policy that helps families cover necessities, like going to the doctor when they are sick and having breakfast before they go to school. The increased financial security that this modest income provides is proven to support lifelong health and well-being.²

Children in low-income families that get additional income through tax policies like the EITC perform better in school, are more likely to attend college,³ and earn more as adults on average.³

¹ CFED, "The Tax Code and Microbusinesses." Accessed at: <http://eclkc.ohs.acf.hhs.gov/hslc/tta-system/operations/Fiscal/Financial%20Management/Asset%20Building/TheTaxCodeand.htm>

² Tazra Mitchell, "First in Flight from the EITC: Low-income Working Families Bid Farewell to NC's Earned Income Tax Credit," Budget Brief, Budget & Tax Center, Raleigh, NC, March 2014.

³ Marr, Chuck et al. "Earned Income Tax Credit Promotes Work, Encourages Children's Success at School, Research Finds: For Children, Research Indicates that Work, Income, and Health Benefits Extend Into Adulthood." Center on Budget and Policy Priorities. 2013. Available here: <http://www.cbpp.org/cms/?fa=view&id=3793>