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## **Earned Income Tax Credits: The Most Effective Tool for Lifting Families Out of Poverty**

### *What is the Earned Income Tax Credit (EITC)?*

- The federal EITC is a refundable tax credit worth up to \$4,140 for families with earnings from work.
- Families earning up to 200% of the federal poverty level can qualify.

### *Why is the EITC so helpful for working families?*

- The federal EITC is one of the most effective government programs at lifting children out of poverty. **In fact, in 2000 more than 270,000 families with children in Arizona received the federal EITC** (Arizona has the 36<sup>th</sup> worst child poverty rate in the nation).
- The fact that the tax credit is "refundable" means that families can take full advantage of the credit even if they owe little or nothing in federal income taxes, as is often the case for poor working families.
- In 1999, the federal EITC lifted over 2 1/2 million children in poverty nationally.
- Families spend the EITC in the local economy in ways that are likely to increase earnings or protect against future economic shocks, such as loss of a job. A team of researchers from Syracuse University and the Center for Law and Human Services found that families used money from the EITC to pay education expenses, repair their cars, move to a new neighborhood or put money in a savings account. **In 1999, it pumped over \$550 million back into our state economy.**