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2017 Joint Committee on Finance Paper #286

Earned Income Tax Credit -- Current Law Sum Sufficient Reestimate (General Fund Taxes -- Income and Franchise Taxes)

[LFB 2017-19 Budget Summary: Page 176, #2]

CURRENT LAW

The earned income tax credit (EITC) is offered at both the federal and state levels as a means of providing assistance to lower-income workers. The state EITC is calculated as a percentage of the federal credit. The state, therefore, uses federal definitions and eligibility requirements for purposes of the EITC, except that the state does not provide a credit to individuals without children. Both the federal and state credits are refundable -- if the credit exceeds the amount of tax due, a check is issued for the difference.

The credit is calculated based on family size, filing status, and the amount of earned income (although the credit can also be affected by adjusted gross income). Individuals without earned income are not eligible for the credit. The income limits and maximum federal credit amounts are adjusted annually for changes in inflation.

GOVERNOR

Decrease the estimated cost of the credit by $1,700,000 in 2017-18 and increase the estimated cost of the credit by $650,000 in 2018-19. Compared to base year funding of $103,600,000, the cost of the credit under current law is reestimated at $101,900,000 in 2017-18 and $104,250,000 in 2018-19.

The state credit is funded with a combination of GPR and PR funding. The program revenue is federal temporary assistance for needy families (TANF) funding transferred from DCF. The GPR portion is provided through a sum sufficient appropriation and covers the balance of the cost of the credit. The base level funding is $69,700,000 PR and $33,900,000 GPR.

MODIFICATION

Reestimate the total amount of credit payments at $99,800,000 in 2017-18 and $104,700,000 in 2018-19. Compared to base level funding, these amounts represent a decrease of $3,800,000 in 2017-18 and an increase of $1,100,000 in 2018-19. Compared to the bill, the reestimates represent a decrease of $2,100,000 in 2017-18 and an increase of $450,000 in 2018-19. These changes are reported as GPR, even though the EITC is funded by a combination of GPR and PR, and the bill proposes to increase PR funding in 2018-19. The expenditure of additional PR is dependent on decisions the Committee will make on other EITC proposals addressed in other papers.

Explanation: The modification reflects a reduction in the estimated total cost of the credit in 2017-18, compared to the bill, based on more recent claims data. The estimated increase in claims in 2018-19 is attributable to the indexing of federal EITC parameters in tax year 2018 based on the change in the inflation rate.

	Change to	
	Base	**Bill**
GPR	- $2,700,000	- $1,650,000

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