

COMMONWEALTH INSIGHTS



A publication of the
Massachusetts Nonprofit
Network
2017 First Edition

Doing More Good: Making the Most of the Earned Income Tax Credit (EITC)

Few issues cut across the nonprofit sector like the issue of opportunity, and few policies that increase opportunity are as impactful as the Earned Income Tax Credit (EITC). The federal and state EITCs provide a cash supplement to the income of low-wage workers. However, not everyone who is eligible for the EITC receives it.

That problem is especially acute during tax season, when people apply for and receive the EITC. This edition of Commonwealth Insights highlights the benefits of the EITC, the gap between actual and eligible recipients, EITC resources in Massachusetts, and the steps needed to spread its benefits to as many low-wage workers as possible.

Because of the work nonprofits do in communities, they are in a unique position to help make the most of the EITC. So this edition of Commonwealth Insights also represents a call to nonprofits—to scan the range of people they work with, identify those who might be eligible for the EITC, and direct them



The United Way of Pioneer Valley (UWPV) works with local organizations to provide free tax assistance services

What Needs To Be Done:

- Increased tax season outreach – By nonprofits, government offices, and civic-minded organizations
- Expanded availability to vulnerable populations
- Improved payment plans and state match

Why Is the EITC Important:

- It's one of the most powerful anti-poverty programs available
- In Massachusetts, over 100,000 who are eligible don't yet utilize the EITC
- Approximately 1 of every 3 children in Massachusetts lives in an EITC-eligible household

THE BENEFITS OF THE EITC

to resources to help them claim the credit.

The federal EITC has become a lifeline that millions of families depend on each tax season. As the table on page 2 indicates, it provides a powerful boost to income—as much as \$7,700 per year for a family with three children.

In addition to increasing earnings and encouraging employment, the EITC has been shown to boost Social Security benefits and improve health outcomes, particularly for children and mothers. People who receive the EITC often use it to pay bills, save for emergencies, buy food, and pay down debt.

The EITC is a refundable tax credit, so recipients benefit from it even if they have no tax liability. The amount of the credit depends on claimants' marital status, their income earned during the tax year, and their number of dependent children. In 2015, more than 26 million eligible workers and families received more than \$67 billion from the EITC program. Nationwide in 2015, the EITC lifted about 6.5 million