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**Testimony of the League of Women Voters of Delaware
in support of HB 16: Earned Income Tax Credit**

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The League of Women Voters of Delaware has long supported efforts to amend the state Earned Income Tax Credit in order to make our Credits refundable. **We urge passage of HB 16 in order to initiate refundability in Delaware.** Doing so will begin to help the *lowest* income Delawareans, who are not currently able to take advantage of our EITCs and benefit from this important tax provision.

Because the lowest of low-income residents pay little if any taxes, they cannot receive a meaningful "Credit." By making our Credits *refundable*, we would enable them to receive a refund greater than their state tax liability and improve the equity of the program.

Unlike Delaware, most state EITCs (23 states, D.C., Guam and Puerto Rico), like the federal credit, *are refundable*. Besides Delaware, Ohio, South Carolina, Virginia, Oklahoma and Hawaii are the only states with EITCs that are NOT refundable. Maryland offers a 28% refundable or a 50% non-refundable EITC. Taxpayers can claim either, but not both.¹

According to the Center on Budget & Policy Priorities:² "A powerful anti-poverty tool, the EITC does more than help families transition out of poverty. Research shows that the EITC strengthens families, communities, and the country in a number of ways:

1. **It promotes work and fuels the economy.** The EITC increases workforce participation and encourages low-wage workers to get additional education or training to boost their employability and earning power. For every EITC dollar a recipient earns, they [return \\$1.50-\\$2 to the economy](#), supporting not only their families but also their communities.
2. **It expands economic security.** Workers mainly use their tax credit to pay for necessities like groceries, transportation, medical expenses, rent, and utilities. The tax refund can also help workers build savings and establish financial stability.
3. **It increases children's educational performance and attainment.** Children in families receiving the EITC score higher on tests and are likelier to graduate from high school, enroll in college, and earn more when they enter the workforce.

¹ <https://www.ncsl.org/research/labor-and-employment/earned-income-tax-credits-for-working-families.aspx>

² <https://www.cbpp.org/blog/5-ways-the-eitc-benefits-families-communities-and-the-country>

4. **It improves health outcomes.** Expectant mothers with increased EITCs were likelier to receive prenatal care and less likely to give birth to premature or low- birth- weight infants, a study found.
5. **It provides a short-term safety net.** Almost half of taxpayers with children claimed the EITC at least once during an 18-year period, providing a source of temporary insurance and preventing entry into poverty.

To claim the EITC, a tax return with proper documentation must be filed with the Internal Revenue Service (IRS). The amount of the credit changes every year and is based on earnings, number of qualifying children and marital status.³

Most states calculate their EITCs as a simple percentage of the federal credit, as does Delaware, ranging from 3% in Montana to 125% in South Carolina.

We also urge that once a refundable Credit is enacted, the state will implement a strong educational awareness program.

Several states have measures in place to increase the awareness of EITCs. Iowa and [Maine](#) are among states that require beneficiaries of certain assistance programs to be informed of the benefits of EITCs. Laws in Oregon, Vermont and Virginia directly charge state agency heads with leading EITC outreach activities. [Oregon](#) requires its Bureau of Labor and Industries commissioner to adopt rules requiring employers to share information about state and federal EITCs with their employees. In addition, several states—including [Iowa](#), Oklahoma, Texas and [Virginia](#)—appropriate funds or implement measures to help state and federal EITC-eligible families prepare their tax filings. With these models available, we should be able to move quickly to spread awareness of this opportunity

³ This and the balance of our statement is from <https://www.ncsl.org/research/labor-and-employment/earned-income-tax-credits-for-working-families.aspx>