The Impact of EITC & VITA in Washington\(^1\)

Each year, the Earned Income Tax Credit (EITC) supports the financial stability of over 25 million low- and moderate-income workers by reducing their federal tax burden. In 2018, the average EITC refund was $2,470.\(^2\) Beyond encouraging work, the EITC refund gives millions of households an opportunity to catch up on bills, provide for their families and save for emergencies, or their future. Studies on the impact of the EITC have found that children living in households who receive the credit have improved health and educational outcomes.\(^3\) For such a modest program, it goes a long way to help lift people out of poverty.

The federal EITC has been so effective that 29 states and D.C. have enacted a state EITC to further boost economic mobility for workers. These are often based on a percentage of the federal EITC, and some states have a refundable credit that allows those who do not owe taxes to still receive the credit as a refund.

How does Washington benefit from the EITC?

Washington directly benefits from the estimated 407,000 residents that receive the credit each year. In 2018, these residents received more than \$893 M in EITC refunds, an average of \$2,194 for each household in Washington that claimed the EITC. Research suggests that the credit may create local economic impacts equivalent to at least twice the amount of EITC dollars received.\(^4\)

Who’s Missing from the EITC?

As one of the most effective anti-poverty tools available to American households, it is incredibly important to maximize the usage of the credit. Unfortunately, not everyone who is eligible to the credit is claiming it! In Washington, 23.1% of EITC-eligible households do not claim the credit.\(^5\) That leaves \$165 M in new federal dollars on the table that could be injected back into Washington’s local economy!

In addition, workers without children cannot benefit from the full effect of this powerful credit. Expanding the EITC will open pathways out of poverty for nearly 254,000 workers across the state.\(^6\) Expansion will help address some of the challenges faced by many low-to-moderate income workers without children and help them get back more of what they earned!

Support VITA in Washington!

Federal, state and local policymakers can help low-income, EITC-eligible taxpayers by supporting Volunteer Income Tax Assistance (VITA) sites that provide high-quality tax preparation, financial stability services and connections to other community services at no cost.

As the tax code, EITC eligibility requirements and household situations have increased in complexity over the years, VITA sites have consistently remained poised to meet the growing needs of taxpayers by helping them claim federal and state credits like the EITC. However, the number of EITC-eligible taxpayers in Washington that can benefit from VITA services far exceeds those who utilize them. VITA programs will need additional volunteer and financial resources to meet the increasing demand for services. Your support for making the VITA program permanent and increasing its funding levels will directly benefit low- and moderate-income, EITC-eligible residents in Washington!

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\(^1\) All data sourced from IRS data


\(^5\) Internal Revenue Service, "EITC Participation Rate by States," Accessed Jan 3, 2019

\(^6\) "Expand the EITC for Workers without Qualifying Children," U.S. Department of the Treasury, Office of Tax Analysis, March 24, 2016