

Earned Income Tax Credit

Supporting Working Families



The Earned Income Tax Credit (EITC) is a federal and state tax credit that puts money back in the pockets of working families by reducing the taxes they owe, or if no taxes are owed, increasing their tax refund.

332,000
CO working families received the EITC in 2018

\$2,173
Average federal EITC amount in CO.

\$217
Average state EITC amount in CO.

EITCs lead to:

BETTER HEALTH AT BIRTH

IMPROVED EDUCATION OUTCOMES

INCREASED LIFETIME EARNINGS

for Colorado kids

*Amounts are for federal EITC in tax year 2018, the most recent data available.

70%
are CO filers with children.

400,000
CO children live in homes that receive the EITC.

14%
are CO filers living in rural areas.

Why is the EITC an effective poverty intervention?

EITCs adjust for earnings: as earnings increase the EITC increases then tapers off, effectively combating the cliff effect.

EITCs help the economy: EITCs puts money in the pockets of people who are most likely to spend it in their local communities. For every \$1.00 spent by a family that receives the EITC it creates an economic impact of \$1.50 to \$2.00.ⁱ

A TOOL FOR RACIAL JUSTICE

The EITC pushes back against racial income disparities that exist due to the racist history of tax policy. The EITC helps to boost incomes and is proven to pull people of color, especially women of color, out of poverty. ⁱⁱ

In 2018, more than **40%** of CO EITC filers were people of color, including:

- **28%** Latinx filers
- **3%** Asian, Native Hawaiian, or Pacific Islander filers
- **7%** Black filers
- **4%** Other race/ethnicity filers

i. <https://www.ncsl.org/research/labor-and-employment/the-state-of-the-earned-income-tax-credit.aspx#:~:text=As%20the%20nation's%20largest%20anti,educational%2C%20economic%20and%20health%20outcomes.&text=Economists%20assert%20this%20EITC%20%E2%80%9Cmultiplier,and%20%20for%20local%20economies.>

ii. <https://www.cbpp.org/research/federal-tax/women-of-color-especially-benefit-from-working-family-tax-credits>