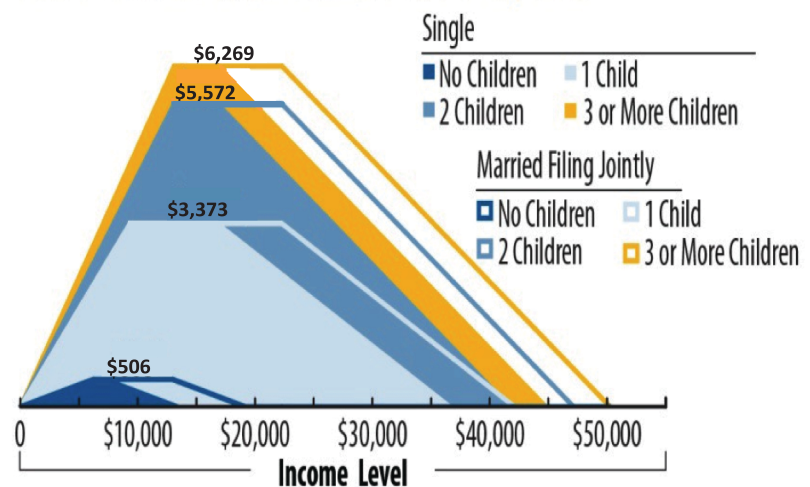


A State Earned Income Tax Credit: Helping Montana's Working Families and Economy

- A state **Earned Income Tax Credit (EITC)** for Montana would incentivize work and provides assistance (usually for 1-2 years) to working low-income families. This targeted policy is the most effective anti-poverty program in history, lifting millions of children out of poverty.¹
- **The phased-in EITC encourages work and helps families make ends meet.** A state EITC set at 10% of the federal credit **offers a maximum benefit of \$627 (Figure 1).**² With a federal credit, this is the equivalent to a wage increase of \$3.32/hour for a single mother of three.
- **The federal EITC is a temporary safety net.** The majority of recipients receive the credit for **1-2 years** to cover short-term costs like bills, groceries, and school supplies.³
- **Montana families with two children and two parents living in poverty have the third highest tax liability of any state in the nation.** Single parent families of two children have the fourth highest tax liability.⁴ A state EITC would mitigate the impact on families by reducing their income tax liabilities.
- **Rural residents claim EITC benefits at a greater rate than urban residents. These additional funds go directly into the local economy to help support rural communities, families, and small businesses.** In 2013, 21% of rural Montanans claimed a federal credit, compared to 18% of the entire population.⁵
- **EITC benefits stimulate the economy.** The federal EITC injected \$175 million into Montana's economy in 2012.⁶
- **Administrative costs are far lower than social safety net programs.** Administrative costs are less than 1% of the benefits provided. Errors are primarily due to the complexity of rules surrounding the credit, not fraud.⁷

Figure 1 – Value of the Federal Earned Income Tax Credit in 2016.



Source: Internal Revenue Service. 2016 EITC Income Limits.

Number of Taxpayers Claiming EITC by County (FY 2013)

Beaverhead	671	Madison	489
Big Horn	1,756	Meagher	161
Blaine	745	Mineral	363
Broadwater	372	Missoula	9,159
Carbon	673	Musselshell	334
Carter	68	Park	1,257
Cascade	7,277	Petroleum	44
Chouteau	324	Phillips	333
Custer	898	Pondera	519
Daniels	93	Powder River	83
Dawson	529	Powell	492
Deer Lodge	713	Prairie	73
Fallon	137	Ravalli	3,230
Fergus	873	Richland	605
Flathead	7,830	Roosevelt	1,271
Gallatin	5,915	Rosebud	895
Garfield	69	Sanders	918
Glacier	1,829	Sheridan	191
Golden Valley	54	Silver Bow	3,047
Granite	198	Stillwater	429
Hill	1,605	Sweet Grass	216
Jefferson	611	Teton	353
Judith Basin	108	Toole	312
Lake	2,883	Treasure	45
Lewis and Clark	4,696	Valley	565
Liberty	90	Wheatland	136
Lincoln	1,533	Wibaux	61
McCone	121	Yellowstone	11,141

Source: Brookings Institution. Earned Income Tax Credit Interactive and Resources

¹ Chuck Marr, Chye-Ching Huang, rloc Sherman, and Brandon Debot. "EITC and Child Tax Credit Promote Work, Reduce Poverty, and Support Children's Development, Research Finds." Center on Budget and Policy Priorities. October 2015.

² Internal Revenue Service. "2016 EITC Income Limits, Maximum Credit Amounts and Tax Law Updates." September 23, 2016.

³ Erica Williams, Center on Budget and Policy Priorities. "States Can Adopt or Expand Earned Income Tax Credits to Build a Stronger Future Economy" January 19, 2016.

⁴ Seth Hartig, Curtis Skinner, Mercedes Econo. "Taxing the Poor: State Income Tax Policies Make a Big Difference to Working Families." National Center for Children in Poverty. November 2014.

⁵ Jon Bailey. "Earned Income Tax Credit and Rural Households." Center for Rural Affairs. October, 2014.

⁶ Erica Williams. "How Much Would a State Earned Income Tax Credit Cost in 2017?" Center on Budget and Policy Priorities. 2016.

⁷ Robert Greenstein, John Wancheck, and Chuck Marr. "Reducing Overpayments in the Earned Income Tax Credit." December 1, 2015.