

## **At Iowa tax deadline, remember value of the state EITC**

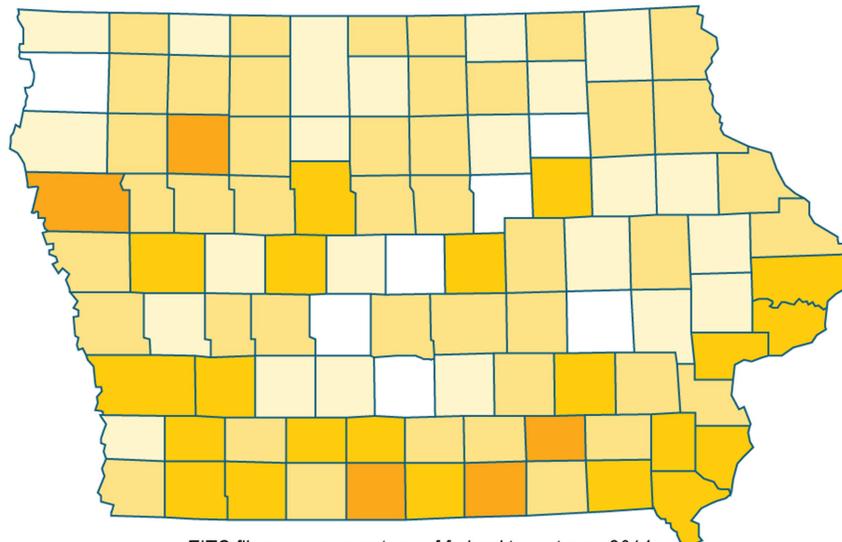
Refundable Earned Income Tax Credit promotes fairness for low-wage Iowans

The Earned Income Tax Credit (EITC) promotes and rewards work in the state of Iowa. The Iowa credit is 15 percent of the federal EITC, and is refundable, which means a recipient gets the full value of the credit regardless of taxes owed. As Iowans finish filing their state income taxes by the April 30 deadline, lower-income Iowans should be aware of their potential eligibility for the credit and all Iowans should recognize the benefit that the EITC provides to the state's economy and economic opportunity.

- Iowa is one of 24 states with a refundable state EITC.<sup>1</sup>
- In tax year 2014, Iowans filed for the EITC on 205,834 federal tax returns, totaling over \$460 million in benefits to low- and moderate-income working Iowa families.<sup>2</sup>
- Nearly 75 percent of Iowa EITC claims in 2014 were made by households with at least one child.<sup>3</sup> Claimants receiving EITC refunds can better meet basic needs such as transportation or child care, expenditures that support work. Those who qualify for the EITC pay more local and state taxes as a share of income than do wealthier households.<sup>4</sup>
- Refundability is one measure that lessens the regressive nature of Iowa's overall tax system. It also contributes to the progressive nature of Iowa's personal income tax. This increases fairness in the overall system of income taxes, property taxes and sales (and excise) taxes — the latter two taking a greater share of income from low- and moderate-income families than from high-income families.

### **Earned Income Tax Credit important to Iowa families**

*In most Iowa counties, EITC used by 10-20 percent of filers*



EITC filers as a percentage of federal tax returns, 2014

**<10%**   **10%+**   **13%+**   **16%+**   **19%+**



Iowa Fiscal Partnership

Source: Brookings EITC data, IRS tax return filings data, tax year 2014

<sup>1</sup> Center on Budget and Policy Priorities, "Policy Basics: State Earned Income Tax Credits." August 2017. <https://tinyurl.com/y8qksktx>

<sup>2</sup> Brookings Institution, "Earned Income Tax Credit (EITC) interactive and resources." December 2016. Iowa data by county, tax year 2014. <https://www.brookings.edu/interactives/earned-income-tax-credit-eitc-interactive-and-resources/>

<sup>3</sup> Iowa Department of Revenue, "Iowa's Earned Income Tax Credit Program Evaluation Study." December 2016. <https://tinyurl.com/y9sforuu>

<sup>4</sup> Institute on Taxation and Economic Policy, "Rewarding Work Through State Earned Income Tax Credits in 2017." September 2017. <https://ittp.org/rewarding-work-through-state-earned-income-tax-credits-in-2017/>