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Fact Sheet: The Earned Income Tax Credit

The federal Earned Income Tax Credit (EITC) is a refundable tax credit that can be claimed by people with low-wage jobs (it doesn't apply to unemployment benefits or other assistance). Currently, 26 other states and the District of Columbia have implemented a state EITC to enhance the benefits of the federal EITC credit. Hawaii currently does not have a state EITC; however, the Republican Caucus is proposing one this year.

How the EITC works

- The EITC reduces the amount of taxes an individual or couple filing jointly has to pay.
- State EITCs increase the benefit mount.
- In 2016, the federal EITC applies to single filers earning no more than $14,880 and joint filers earning no more than $53,500.
- The EITC is structured so that the credit is provided to those who need it the most:
    - Joint filers qualify for a higher credit than single filers.
    - Dependent children increase the credit.
    - The credit decreases with higher wages.
- If the credit amount exceeds a person's or couple's tax liability, the difference is paid back in a refund check.

How a State Earned Income Tax Credit would help Hawaii

- A 10% state EITC would help make the state's taxes less regressive. Low-income earners pay a higher percentage of their income in taxes when factoring in both income taxes and the general excise tax applied to necessities, according to the nonpartisan Institute on Taxation and Economic Policy. The lack of a state EITC is listed as a regressive feature.
- The Hawaii Appleseed Center for Law and Economic Justice said that a 10% state EITC in Hawaii would help 309,060 people, including 127,018 children, and help put $24 million into the economy.
- A state EITC would help low-income families keep more of their money for basic needs, including transportation and child care, which may be critical to keeping them working.