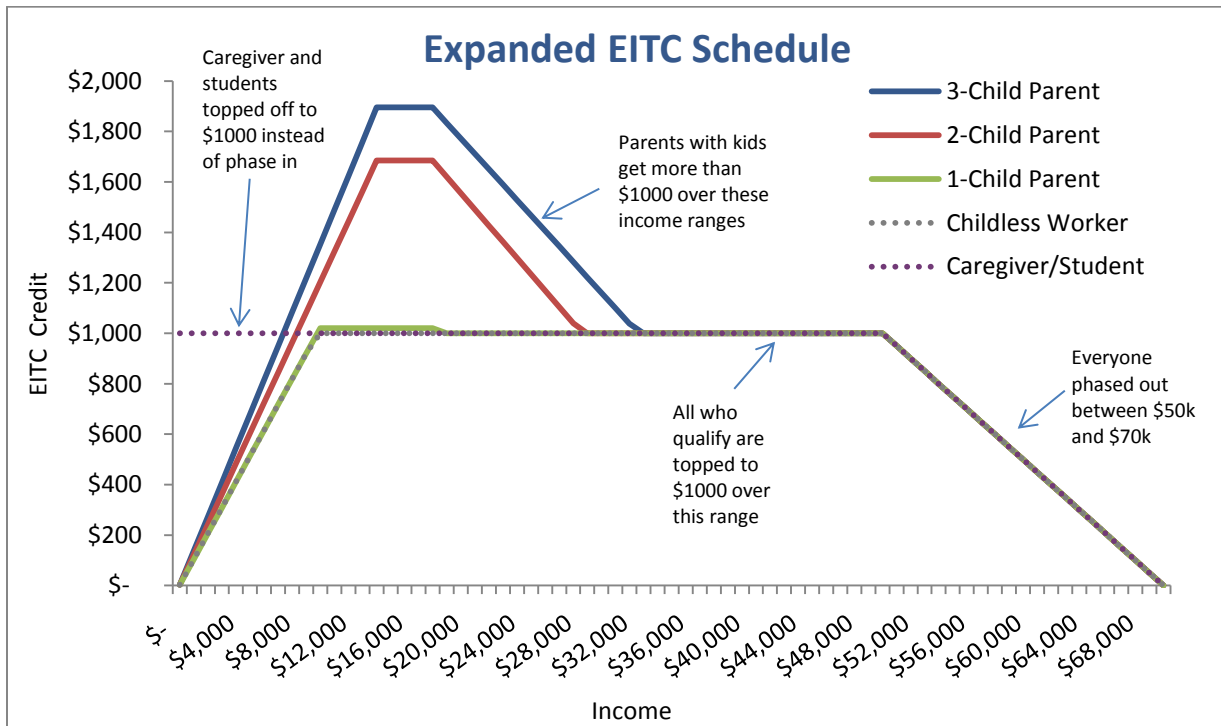


CFI Memo on Expanded EITC Proposal

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This memo outlines the impacts of an expanded Earned Income Tax Credit (EITC) proposal that would offer either a \$1000 basic credit or up to 30% of the federal credit for Coloradans with income less than \$70,000—targeting middle class Colorado households as the median household income is \$65,685. The expanded EITC proposal would expand the reach of the state EITC to cover students and some caregivers. The proposed expansions are to be funded by increasing the state income tax rate on earners with more than \$500,000 in taxable income—the top 1.1 percent of tax filers in Colorado. The income tax rate for taxpayers with taxable income above \$500,000 would increase to around 11.8%.



Who Benefits by How Much? A Distributional Look at the Expanded EITC							
	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Average Income in Group	\$15,000	\$34,000	\$56,000	\$90,000	\$167,000	\$403,000	\$1,734,000
% with Credit	93%	92%	88%	10%			
Avg. Credit for Those w/Credit	\$1,042	\$1,031	\$881	\$376			
Share of Total EITC	34%	35%	28%	1%			

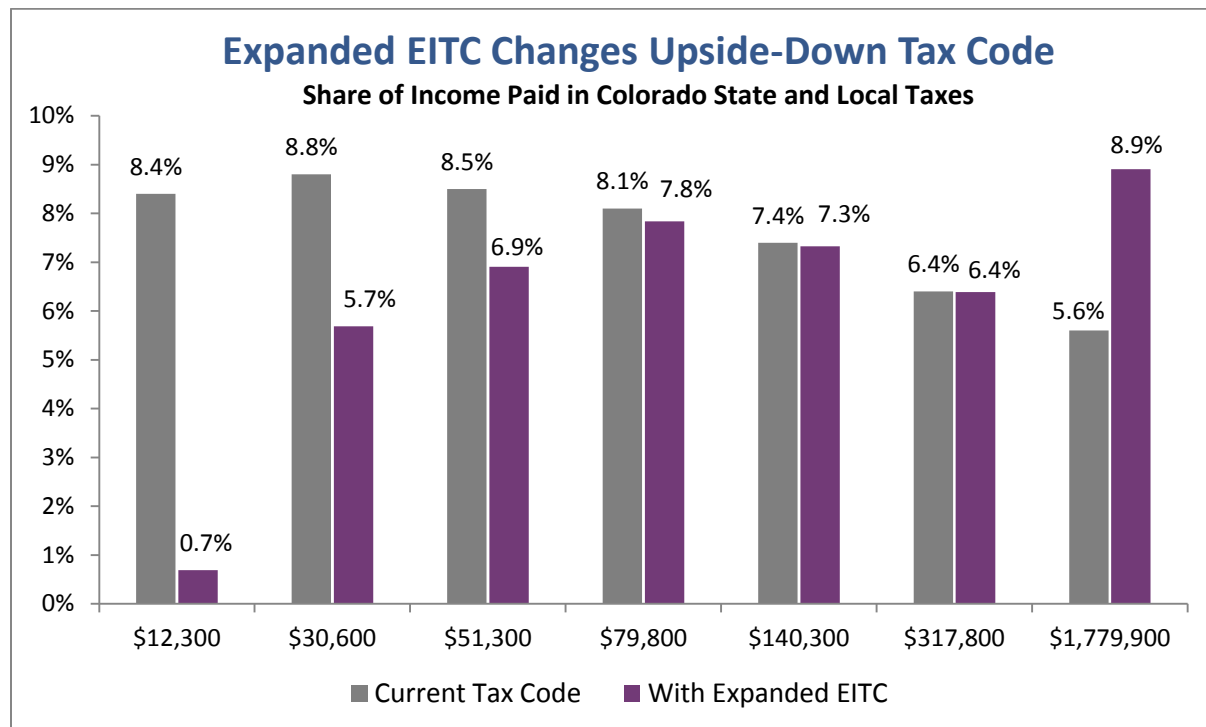
The credit amount depends upon number of children and income. A Coloradan with three children making between \$14,000 and \$18,000 annually would qualify for the largest credit of \$1,895. A Coloradan with two children could get up to \$1,685.

Maximum Credit Possible from Expanded EITC					
3 children	2 children	1 child	Worker (no children)	Caregiver (no children)	Student (no children)
\$ 1,895	\$ 1,685	\$ 1,020	\$ 1,000	\$ 1,000	\$ 1,000

57 percent of Colorado Households would benefit from an Expanded EITC

Nearly three-fifths of Colorado households would see their paychecks boosted from the expanded EITC. Most recipients would receive a credit of \$1000 or more. The expanded benefit would impact 763,000 children.

Beneficiaries and Costs of EITC	
Number of recipient beneficiaries	2,708,000
Number of recipient children (under 19)	763,000
Total cost (in millions of \$2018)	\$1,413
<i>ITEP's analysis of EITC proposal (2018 data)</i>	



The Expanded EITC would reduce Poverty by 8% and Child Poverty by 11%

Supplemental Poverty Measure Impact	
The EITC Proposal would reduce the number of Coloradans under the Supplemental Poverty Line by	8%
SPM poverty rate at baseline	11.2%
SPM poverty rate with credit	10.3%
The EITC Proposal would reduce the number of Colorado Children under the Supplemental Poverty Line by	10.8%
SPM child poverty rate at baseline	13.0%
SPM child poverty rate with credit	11.6%

IPUMS CPS data 2013-2014-2015 (CPS survey years 2014-2015-2016)

The expanded EITC would reduce the supplemental poverty rate by a magnitude similar to how much SNAP and housing subsidies reduce the SPM poverty rate. (For instance, in 2016, SNAP reduced the poverty rate by 1.12 percentage points and housing subsidies reduced the SPM poverty rate by 0.98 percentage points.) The expanded EITC would pull 23,000 kids out of poverty.

The Expanded EITC Would Provide Tax Benefits to Middle Income Taxpayers

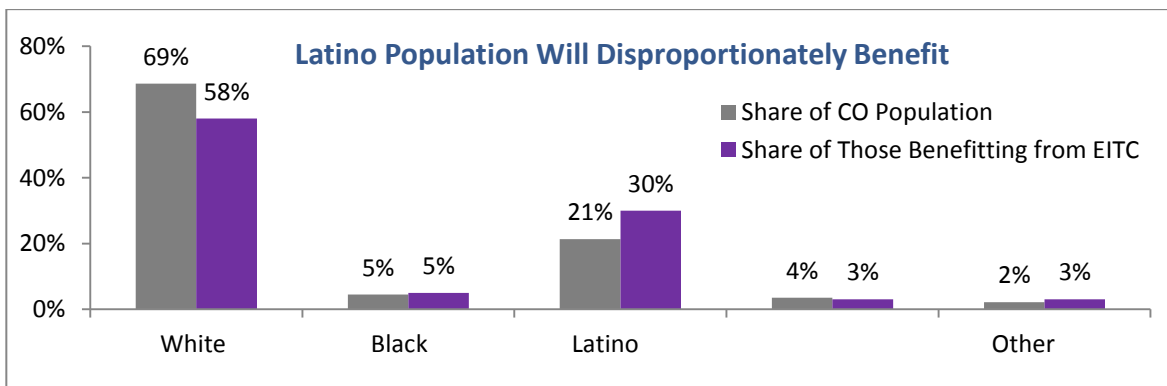
The proposal targets more than just those around the poverty line, as it would boost the earnings of middle income Coloradans. In other words, while the expanded EITC boosts income for people earning right around 100% of the supplemental poverty measure, it also boosts the paychecks and the financial stability of families earning income between 100% and 300% of the poverty line.

Demographics of EITC Benefits	
Age of recipient beneficiaries	
0-5	9%
6-18	18%
19-24	14%
25-29	12%
30-39	17%
40-49	12%
50-59	11%
60-69	6%
70+	1%
Female recipient beneficiaries	49%

IPUMS ACS data 2013-2014-2015

Demographic Effects of the Expanded EITC

The proposed change to the state EITC would provide tax benefits to all age groups with disproportionate benefits to Latino and rural Coloradans.



Fifty-seven percent of Coloradans statewide would benefit from the expanded EITC, but that proportion is much larger in rural Colorado counties. Seventy percent of rural Colorado families would receive a paycheck boost from an expanded EITC, while 55 percent of families in urban counties would receive the credit. The following chart shows which counties will disproportionately benefit from and expanded EITC.

Portion of Households Receiving Credit		Portion of Households Receiving Credit	
Adams	60.7%	Kit Carson	75.5%
Alamosa	82.3%	Lake	71.0%
Arapahoe	56.0%	La Plata	60.5%
Archuleta	72.3%	Larimer	58.8%
Baca	79.3%	Las Animas	76.9%
Bent	81.2%	Lincoln	76.3%
Boulder	51.6%	Logan	73.9%
Broomfield	43.9%	Mesa	69.5%
Chaffee	69.7%	Mineral	68.2%
Cheyenne	71.5%	Moffat	64.5%
Clear Creek	55.6%	Montezuma	76.0%
Conejos	80.6%	Montrose	75.0%
Costilla	83.6%	Morgan	70.3%
Crowley	84.4%	Otero	82.4%
Custer	82.3%	Ouray	61.7%
Delta	74.5%	Park	60.2%
Denver	61.8%	Phillips	69.8%
Dolores	77.7%	Pitkin	52.6%
Douglas	32.2%	Prowers	76.1%
Eagle	47.1%	Pueblo	75.0%
Elbert	40.7%	Rio Blanco	62.6%
El Paso	60.3%	Rio Grande	77.1%
Fremont	77.5%	Routt	59.0%
Garfield	58.4%	Saguache	82.3%
Gilpin	60.0%	San Juan	73.6%
Grand	56.9%	San Miguel	62.8%
Gunnison	68.8%	Sedgwick	77.6%
Hinsdale	71.1%	Summit	55.3%
Huerfano	77.4%	Teller	58.4%
Jackson	73.1%	Washington	72.8%
Jefferson	52.1%	Weld	58.7%
Kiowa	76.6%	Yuma	76.7%

Source: CFI analysis of ACS 2016 data based on household incomes below \$75,000