



The coronavirus pandemic calls for innovative approaches to address challenging economic conditions. Idaho's Return to Work Bonuses are an example of a promising policy that helps working Idahoans with low and moderate-incomes make ends meet while boosting the economy. A state EITC would build on the policy benefits of the state's work bonus program, while eliminating some of the program's limitations.

Return to Work Bonuses Help Workers and the Economy

Research shows that Americans who qualified for enhanced federal unemployment benefits, which ended July 31, were no less likely to return to paid work than Americans who did not qualify for the benefits.¹ Idaho's Return to Work Bonuses are a one-time boost for qualifying Idahoans that will help cover the cost of rent and other essentials as well as drive much needed activity in local businesses.

Full-time employees may receive up to \$1,500 and part-time workers up to \$750. The bonuses are limited to households who earn less than \$75,000.² As of August 17, the program had reached nearly 30,000 Idahoans.³ Because the program is income-targeted, as of August 27, the bonuses had amounted to a relatively modest, \$34.2 million (the grocery credit – intended to offset spending on groceries- costs \$161 million by comparison).⁴ A family of four in the Treasure Valley could purchase about two months of groceries with \$1,500.⁵

As an economic stimulus policy, the Bonus program's design limits its effect. The program is voluntary and employers apply for the bonuses on behalf of their employees. Thus, employees are reliant upon their employers to apply for the bonuses, which will leave some eligible workers out. Furthermore, workers who did not lose their jobs during the pandemic do not receive the bonuses, though many have experienced drops in income.

Widespread Support for the EITC

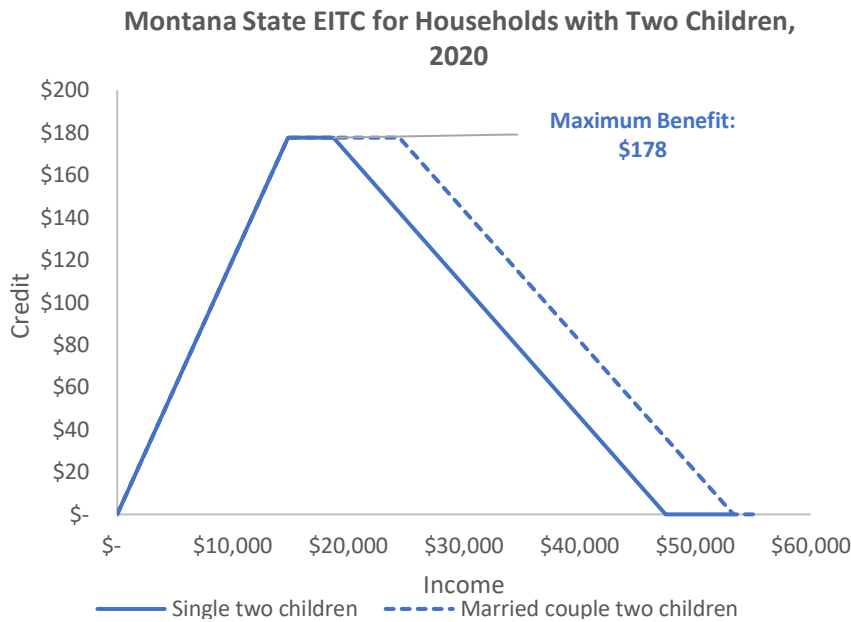
A state Earned Income Tax Credit (EITC) can provide many of the same benefits as Idaho's work bonus program. A state EITC is a well-researched and proven policy that provides a tax credit to families with moderate and low incomes in order to boost local economies and help working families cover basic needs. Since the 1980s, 29 states have implemented a state EITC.⁶ In 2017, Montana, South Carolina, and Hawaii became the most recent adopters of the policy.⁷

While each state has designed its EITC to meet its policy goals, many share a few basic design elements to help ensure it is well-targeted:

1) Accessibility. All workers who meet the income qualifications receive the tax credit when they file their taxes.

2) Credit refundability. Refundable tax credits allow people to receive the full value of the credit even if federal taxes are not owed or are less than the value of the credit.⁸

3) Targeting. The credit increases as workers' wages grow and gradually declines as families reach middle-class wages. The chart below describes Montana's EITC, which is set at 3 percent of the federal EITC.⁹ It illustrates how both a single parent and a married couple with two children in Montana would



see their EITC benefits grow as they earned more and shrink as their income stabilizes. Structuring the credit this way ensures that all families can cover necessary spending – such as car repairs – that largely benefits local economies.

Looking Ahead

In the next legislative session, Idaho policymakers should consider enacting a state EITC to build on and expand the benefits of the work bonus program for Idaho communities. An EITC would better position Idahoans from all walks of life and businesses to bounce back from a recession that is expected to last beyond 2020.

¹ Altonji et al., “Employment Effects of Unemployment Insurance Generosity During the Pandemic,” Tobin Center for Economic Policy Yale University, July 14, 2020. Accessed at: [https://tobin.yale.edu/sites/default/files/files/C-19%20Articles/CARES-UI_identification_vF\(1\).pdf](https://tobin.yale.edu/sites/default/files/files/C-19%20Articles/CARES-UI_identification_vF(1).pdf).

² Idaho Rebounds, “Return to Work Bonuses.” Accessed on August 17, 2020 at <https://rebound.idaho.gov/return-to-work-bonuses/>

³ Office of the Governor, “Idaho to continue economic rebound by participating in President Trump’s new lost wages program,” press release August 17, 2020. Accessed at: <https://gov.idaho.gov/pressrelease/idaho-to-continue-economic-rebound-by-participating-in-president-trumps-new-lost-wages-program/>

⁴ Transparent Idaho, “Return to Work Bonus.” Accessed on August 28, 2020 at: <https://idahocaresact.opengov.com/data/#/47588/query=49D88A5E23F80A4A76BBDA462018B263&embed=n> & Idaho Division of Financial Management. “General Fund Revenue Book,” Accessed on August 24, 2020 at: https://dfm.idaho.gov/publications/eab/gfrb/gfrb_jan2020.pdf

⁵ Economic Policy Institute, “Family Budget Calculator.” Accessed on August 11, 2020 at: <https://www.epi.org/resources/budget/>

⁶ Center on Budget and Policy Priorities, “29 States plus DC and Puerto Rico have EITCs.” Accessed on July 23, 2020, at: <https://www.cbpp.org/29-states-plus-dc-and-puerto-rico-have-eitcs>

⁷ Center on Budget and Policy Priorities, “State EITC Wins Help Spread Prosperity,” August 10, 2017. Accessed at: <https://www.cbpp.org/blog/state-eitc-wins-help-spread-prosperity>

⁸ IRS, “Earned Income Tax Credit”, Accessed on August 10, 2020 at: <https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit>

⁹ Montana House Bill 391, “Provide for Montana Earned Income Tax Credit”, became law May 11, 2017. Accessed at: <https://leg.mt.gov/bills/2017/billhtml/HB0391.htm>