

# Targeted Tax Credit: an EITC Would Support Idaho's Working Families

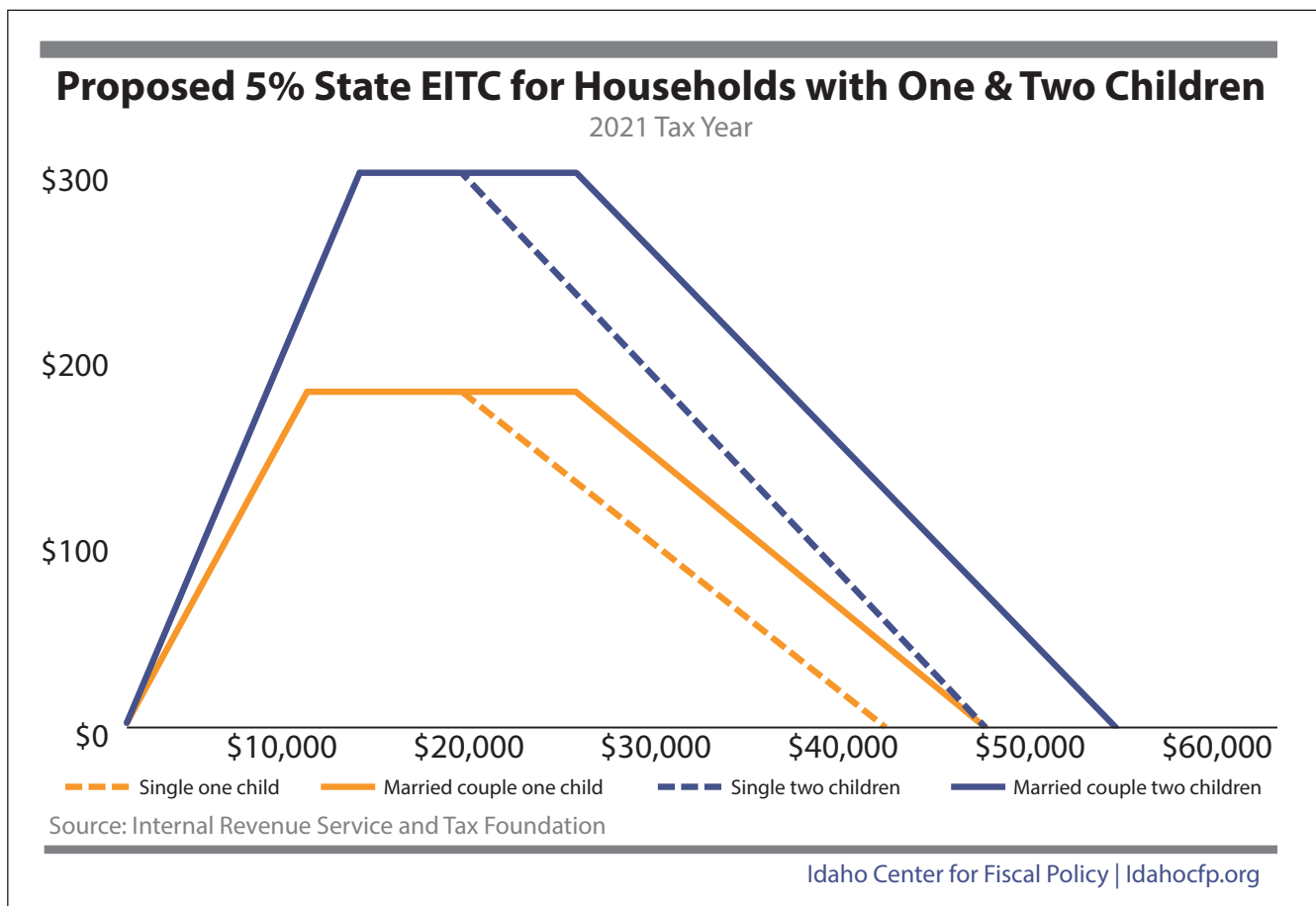
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**IDAHO**  
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A refundable Idaho earned income tax credit (EITC) would reward work and help Idaho avoid taxing people of modest means into poverty. Families typically qualify for an EITC for short periods of time (usually 1-2 years).<sup>1</sup> A state EITC, funded by the rapidly growing Idaho Tax Relief Fund, would be a targeted tool that returns the benefits of Idaho's economic recovery to everyday people.

**The phased in EITC encourages work and helps families make ends meet.** A state EITC set at 5 percent of the federal EITC offers a maximum average benefit of \$299 for a family with two children (Figure 1).<sup>2</sup> The benefits are scaffolded. As families earn more income, their benefit increases and then gradually declines as they reach middle class wages.



Because a state EITC is targeted to modest earning households, the cost of the credit for Idaho families would be fiscally prudent at \$15.6 million per year.

**The EITC is often a temporary boost for working families.** At the federal level, the majority of families receive the credit for 1-2 years and use the extra dollars to cover short-term costs such as car-repair bills, groceries, and school supplies.<sup>3</sup> The credit also helps keep families working because costs such as child care and transportation are more manageable.

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Idaho Legislative District	Number of Idaho Households Eligible for the EITC
District 1	3,872
District 2	3,519
District 3	4,162
District 4	3,910
District 5	2,826
District 6	3,202
District 7	2,964
District 8	3,675
District 9	4,286
District 10	4,819
District 11	4,402
District 12	5,075
District 13	4,277
District 14	2,494
District 15	3,387
District 16	3,695
District 17	3,815
District 18	2,640
District 19	2,532
District 20	2,842
District 21	3,166
District 22	3,359
District 23	4,127
District 24	4,839
District 25	4,199
District 26	2,970
District 27	3,820
District 28	3,857
District 29	3,638
District 30	4,067
District 31	3,805
District 32	3,046
District 33	4,196
District 34	3,440
District 35	3,297

Source: Center on Budget and Policy Priorities, 2017 Idaho Tax Payers Claiming EITC

**Idaho’s child tax credit helps many working families, but it has some limitations that a state EITC would address.** Idaho’s child tax credit, which was created in 2018, does not fully offset the tax increases on large families caused by conformity to the federal Tax Cuts and Jobs Act of 2017. Even when benefiting from the child tax credit, middle-income families with five or more children saw a permanent tax increase in 2018. A state EITC would help mitigate that tax increase because as families have more children, their credit increases.

**EITC benefits stimulate the economy.** A state EITC would put dollars in the pockets of working families, who would spend those dollars in their local communities. In focus groups conducted by the Idaho Center for Fiscal Policy with Idahoans who would qualify for a potential state EITC, people reported a desire to use the boost to cover everyday expenses such as prescription medication, and to make small investments in college savings for children.

1. Tim Dowd and John B. Horowitz, “Income Mobility and the Earned Income Tax Credit: Short-Term Safety Net or Long-Term Income Support,” Public Finance Review, April 11, 2011, Accessed at: <https://journals.sagepub.com/doi/10.1177/1091142111401008>
2. Internal Revenue Service, EITC Tables for Tax Year 2021, Accessed on February 12, 2021 at: <https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/earned-income-and-earned-income-tax-credit-eitc-tables> & Tax Foundation, 2021 Earned Income tax Credit Parameter, Accessed on February 12, 2021 at: <https://taxfoundation.org/2021-tax-brackets/>
3. Center on Budget and Policy Priorities, “States Can Adopt or Expand Earned Income Tax Credits to Build a Stronger Future Economy,” March 19, 2020, Accessed at: <https://www.cbpp.org/research/state-budget-and-tax/states-can-adopt-or-expand-earned-income-tax-credits-to-build-a>

