

Earned Income Tax Credit

Securing adequate income, accumulating savings, and living in stable, economically viable neighborhoods through a combination of workforce development, family economic supports and community investment are the keystones of Family Economic Success.

Through the Earned Income Tax Credit (EITC), millions of low-income working families benefit from the nation's largest cash assistance program. Working families with incomes ranging from under \$15,000 up to \$35,000 can benefit from the up to \$4,500 tax credit provided by the federal government. Unfortunately, many Latino families are unaware of the Credit.

Across the nation, 20% of working families who are eligible for EITC do not claim it on their federal income tax returns. Although 35% of Latino families have median incomes below \$25,000, Latino families have the lowest participation rates in EITC. If Latinos participated at the same rates as low income whites, Latino working poor families would have received \$2.6 billion in EITC in 2000.

EITC has the potential to lift millions of low-income working families above the poverty line each year. EITC can provide crucial assets to working families, enabling them to keep more of the money they have earned and save it for the future, use it to reduce debt, or to make a down payment on a home.



According to research from The Brookings Institute, the main barriers to EITC for working poor families are that: many eligible filers do not know about the credit; some low-income families may fear that they will owe taxes, and so do not file; and others may know about the credit, but fear that they will lose eligibility for other benefits.

What Policymakers Can Do:

Become champions for the local EITC campaign

Use your role as an elected or appointed official to inform the community and attract attention to the issue. Remember that though the federal and state governments provide the credit, local jurisdictions benefit from the increased cash flow to the community.

Promote free tax filing assistance

Volunteer Income Tax Assistance (VITA) sites, which place trained volunteers in the community, can raise the amount of EITC received by preventing cash advances or refund anticipation loans.

Form cross-jurisdiction partnerships between city and school sites

Policymakers joining together across county, city, and school boundaries can draw larger attention and resources to the issue. Ads on local transit, inserts in municipal utility bills

or school newsletters, and dissemination of information through vocational job training programs, are all opportunities to partner and get the message out.

Engage community organizations, businesses, and employers

Community partners can build into an organized outreach effort. Many community-based organizations provide services to low-income working families and can reach a broad audience. Businesses will be interested in creating a stronger economic base.

Connect EITC to other wealth building strategies

By linking EITC to other asset building strategies, including financial literacy materials and individual development accounts, more wealth is created in the community at large.

Mayor Eddie Perez

City of Hartford, Connecticut

Champion of the Earned Income Tax Credit

The Honorable Eddie Alberto Perez lives the American Dream everyday. As Mayor of Hartford, he wants to make that dream a reality for all residents of the Capital city. Mr. Perez not only made history by being the City's first Latino Mayor, he became its first strong mayor in more than 50 years as well. By changing the City Charter in 2002, he is now the CEO of Hartford. By reducing crime, raising the expectations of public school education, increasing homeownership, and creating more neighborhood economic development, Mayor Perez wants to improve the quality of life for the citizens of the city that was called the "House of Hope" by its Dutch founders. Mayor Perez was first elected in 2001. The residents of Hartford look to Eddie Perez as the person they trust to lead the city on the path to economic recovery and financial stability.

Born in Corozal, Puerto Rico, Mayor Perez arrived in Hartford in 1969 with his mother and eight siblings, graduated from Hartford Public High School in 1976 and later earned an associates degree from Capital Community Technical College. In 1978, Mr. Perez took a job as a VISTA volunteer to address tenant issues in the North End. That position led to his role as the founding member of the grassroots organization O.N.E./C.H.A.N.E. In 1986, he became the Director of MASH (Make Something Happen), an early welfare-to-work effort for families in public housing. Three years later, the President of Trinity College was looking for its first Director of Community Relations--- and Eddie Perez fit the bill. By 1994, Mr. Perez had earned a degree in economics from Trinity (while working there full time), and was named Associate Vice President of Community and Government Relations for the college. In June 1999, he was selected as president and executive director of the Southside Institutions Neighborhood Alliance (SINA), an organization founded by Trinity College and Hartford Hospital. In that capacity, he spearheaded the completion of the \$112 million Learning Corridor and launched SINA's \$220 million Neighborhood Initiative. Both are now recognized as national models for comprehensive community revitalization.

Hartford Mayor Eddie Perez became the visible champion for the 2005 EITC campaign after being invited by the Hartford Asset Building Collaborative (HABC), a partnership of Making Connections Hartford, United Way and the Hartford Foundation. Community leaders engaged the Mayor because they knew his background, his compassion for the community, and his track record for achieving results and the Mayor answered the call. With Mayor Perez as a Champion, he assisted the organization of EITC efforts in Connecticut. The growth in participation is best measured in dollars. Before Mayor Perez became a Champion for EITC, the campaign raised \$3.3 million and reached 957 families in 2004. In 2005, 2,431 families received \$5.6 million dollars in refunds or credits thanks to people using VITA sites; in 2006 that number increased to 7.8 million and 3,241 families.

Mayor Perez truly believes in the power of EITC to bring low-income working families out of poverty and help them build assets. He says "I tell residents, 'this is your money.' When they receive a refund, that money is then invested back into the community. It could go towards education, a down-payment on a car, or perhaps purchase something from a local merchant. EITC helps to make Hartford families and businesses stronger."

Additional Resources

The Annie E. Casey Foundation

www.aecf.org/MajorInitiatives/FamilyEconomicSuccess.aspx

National League of Cities

NLC's Institute for Youth, Education, and Families created an Action Kit on Helping Working Families for Muncipal Leaders
www.nlc.org/iyef/index.aspx

Center on Budget and Policy Priorities

The Center produces a yearly EITC Outreach Kit in English and Spanish
www.cbpp.org

The Brookings Institute

Its Metropolitan Policy Program provides much research, data and publications on EITC
www.brookings.edu/metro/eitc.htm

National Council of La Raza

NCLR's Community and Family Wealth-Building program recently published a white paper entitled [Making Your Taxes Work for You](#)
www.nclr.org

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