



**Earned Income Tax Credit as First TABOR Refund Mechanism
HB 10-1002
February 8, 2010**

There is a growing body of evidence that **State EITCs have a significant economic stimulus impact. Leading national economists agree that putting money into the hands of low and middle income families who will spend the money quickly is one of the best ways to ensure economic growth.**

- **Chad Stone, Chief Economist** at the Center on Budget & Policy Priorities states, “The quickest, most effective way to bolster demand is to put money in the hands of people who will spend it quickly – namely, people who need it to cover basic expenses such as housing, food and transportation.....each dollar in tax cuts for low and moderate-income families....-will generate more of an increase in demand (for business and products)... Helping struggling families thus isn’t an alternative to preserving and creating jobs; it’s one of the **most effective ways to preserve and create jobs...**”¹
- **Mark Zandi, Chief Economist for Moody’s Economy.com** and former advisor to Senator John McCain, concurs in testimony he provided to Congress recently that the leading stimulative measures are the ones that place funds into the hands of low and middle income families. He argues that every \$1 given through refundable tax rebates, unemployment insurance benefits or food assistance can generate between \$1.29 and \$1.73 in economic benefit.²
- Several recent studies of state and local earned income tax credits demonstrate the stimulative impact that EITCs have in the economy. One study, conducted for the city of San Antonio estimates that **for every \$1 of EITC, an additional \$1.58 in economic activity is generated.** A Baltimore study had similar results.³
- The federal and state EITC helps the economy because families who receive those dollars (whether \$450 or \$4,000) use the money to meet immediate needs, like buying groceries and school supplies or to pay for car repairs, rent and healthcare.⁴
- Studies have shown that during the last recession, the federal EITC outpaced unemployment insurance and cash assistance in helping working families make up for job and income losses.⁵

Restoring the state EITC is good for families, good for the economy and the right thing to do.

More than a quarter million of the most vulnerable working families were promised a tax break when the Legislature adopted the state EITC in 1999 and increased it in 2000. Income tax rate cuts from 5% to 4.75% and then to 4.63% were partnered with the state EITC to benefit high income earners.

These working families with children, struggling to get by on less than \$40,000 a year, lost their tax break with the recession of 2001, right when they needed it the most. But high income earners continued to receive the benefits of the two income tax cuts given when times were good.

EITC working families lost any hope of getting their tax break back in 2005 when the Legislature passed HB05-1194, which adopted a third income tax rate cut for high income earners as a new TABOR refund mechanism.

Now is the time to restore the promise made to these working families and restore the state EITC to its original priority as the first TABOR refund mechanism.

¹ Stone, Chad. “Assistance for Hard-Pressed Families is One of the Best Ways to Preserve and Create Jobs”, Center on Budget & Policy Priorities, January 9, 2009.

² Zandi, Mark. “Written Testimony of Mark Zandi, Chief Economist and Co-Founder of Moody’s Economy.com Before the US Senate Budget Committee,” November 19, 2008, <http://budget.senate.gov/democratic/testimony/2008/Zandi1119081.pdf>

³ “2004 Update: Increased Participation in the Earned Income Tax Credit in San Antonio”, Texas Perspectives Inc., November 2004, <http://www.sanantonio.gov/comminit/pdf/112604%20EITC.pdf>

⁴ Sherrie L.W. Rhine and others, “Householder Response to the Earned Income Tax Credit: Path of Sustenance or Road to Asset Building?” (New York: Federal Reserve Bank of New York, 2005).

⁵ Brookings Institution, Alan Berube, *The New Safety Net: How the Tax Code Helped Low-Income Working Families During the Early 2000s*, February 2006.



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Colorado House District	Number EITC Returns	Percent EITC	Federal EITC Amount	10% State EITC Impact	Farm & Small Business
District 1 Rep. Labuda	4,578	16%	\$8,651,566	\$1,366,947	974
District 2 Rep. Ferrandino 2	4,987	20%	\$9,542,572	\$1,507,726	956
District 3 Rep. Kagan	2,993	9%	\$4,223,692	\$667,343	782
District 4 Rep. Frangas	4,969	20%	\$9,428,568	\$1,489,714	947
District 5 Rep. Judd	4,730	15%	\$7,776,402	\$1,228,672	885
District 6 Rep. Court	3,617	10%	\$5,106,902	\$806,891	928
District 7 Rep. T. Carroll	6,882	18%	\$13,695,151	\$2,163,834	1,417
District 8 Rep. McCann	4,777	15%	\$8,089,690	\$1,278,171	925
District 9 Rep. Miklosi	3,896	11%	\$6,459,235	\$1,020,559	1,000
District 10 Rep. Hulinghorst	2,287	7%	\$2,371,274	\$374,661	889
District 11 Rep. Pommer	3,717	10%	\$6,003,933	\$948,621	1,021
District 12 Rep. Weissman	3,427	10%	\$5,713,308	\$902,703	954
District 13 Rep. Levy	2,413	7%	\$2,745,608	\$433,806	965
District 14 Rep. Lambert	3,430	9%	\$5,915,838	\$934,702	934
District 15 Rep. Waller	5,388	15%	\$10,037,332	\$1,585,898	1,209
District 16 Rep. Liston	4,639	16%	\$8,083,508	\$1,277,194	970
District 17 Rep. Apuan	6,775	27%	\$13,817,394	\$2,183,148	843
District 18 Rep. Merrifield	5,191	17%	\$8,660,163	\$1,368,306	1,132
District 19 Rep. Looper	5,719	17%	\$10,848,711	\$1,714,096	1,154
District 20 Rep. Stephens	2,135	6%	\$3,462,060	\$547,005	804
District 21 Rep. Gardner B.	3,908	13%	\$6,733,086	\$1,063,828	916
District 22 Rep. Rep. Summers	2,524	8%	\$3,970,757	\$627,380	713
District 23 Rep. Tyler	3,086	10%	\$5,030,817	\$794,869	743
District 24 Rep. Schafer S.	4,419	14%	\$7,641,781	\$1,207,401	923
District 25 Rep. Gerou	1,722	5%	\$2,361,381	\$373,098	772
District 26 Rep. Kerr A.	3,543	11%	\$6,031,151	\$952,922	895
District 27 Rep. Gagliardi	2,914	9%	\$4,994,903	\$789,195	813
District 28 Rep. Kerr J.	1,888	6%	\$2,917,125	\$460,906	634
District 29 Rep. Benefield	2,875	9%	\$4,702,653	\$743,019	752
District 30 Rep. Priola	5,847	19%	\$11,867,577	\$1,875,077	1,143
District 31 Rep. Solano	4,066	10%	\$7,008,496	\$1,107,342	1,030
District 32 Rep. Casso	6,830	19%	\$13,352,197	\$2,109,647	1,238
District 33 Rep. Primavera	2,896	7%	\$4,571,801	\$722,345	761
District 34 Rep. Soper	4,906	17%	\$9,009,140	\$1,423,444	879
District 35 Rep. Peniston	4,515	16%	\$8,346,744	\$1,318,786	913
District 36 Rep. Ryden	5,295	16%	\$9,988,490	\$1,578,181	1,193
District 37 Rep. Swalm	1,959	5%	\$2,979,309	\$470,731	609
District 38 Rep. Rice	2,929	9%	\$4,655,576	\$735,581	745
District 39 Rep. Balmer	3,090	7%	\$5,299,359	\$837,299	1,092
District 40 Rep. Acree	3,672	10%	\$6,567,721	\$1,037,700	1,232
District 41 Rep. Todd	4,653	14%	\$8,222,262	\$1,299,117	1,094
District 42 Rep. Middleton	5,821	22%	\$11,668,852	\$1,843,679	1,085
District 43 Rep. McNulty	1,473	4%	\$2,267,070	\$358,197	601

Colorado House District	Number EITC Returns	Percent EITC	Federal EITC Amount	10% State EITC Impact	Farm & Small Business
District 44 Rep. May	2,049	5%	\$3,197,591	\$505,219	823
District 45 Rep. Murray	3,059	7%	\$5,062,775	\$799,918	1,157
District 46 Rep. Pace	6,873	25%	\$13,251,534	\$2,093,742	963
District 47 Rep. McFadyen	4,921	17%	\$9,294,135	\$1,468,473	1,052
District 48 Rep. Vaad	4,695	12%	\$8,631,048	\$1,363,706	1,174
District 49 Rep. Nikkel	3,485	10%	\$5,565,396	\$879,333	1,200
District 50 Rep. Riesberg	6,359	21%	\$12,350,669	\$1,951,406	1,071
District 51 Rep. DelGrosso	4,106	11%	\$6,858,159	\$1,083,589	1,169
District 52 Rep. Kefalas	3,482	9%	\$5,273,437	\$833,203	877
District 53 Rep. Fischer	2,863	10%	\$4,249,330	\$671,394	717
District 54 Rep. King S.	4,950	13%	\$8,491,394	\$1,341,640	1,292
District 55 Rep. Bradford	5,077	15%	\$8,846,469	\$1,397,742	1,095
District 56 Rep. Scanlan	2,993	8%	\$4,064,516	\$642,194	868
District 57 Rep. Baumgardner	3,510	10%	\$5,622,565	\$888,365	1,158
District 58 Rep. Tipton	5,120	15%	\$8,810,467	\$1,392,054	1,790
District 59 Rep. Roberts	4,635	13%	\$7,560,745	\$1,194,598	1,718
District 60 Rep. Massey	4,348	14%	\$7,279,885	\$1,150,222	1,576
District 61 Rep. Curry	2,973	8%	\$3,950,962	\$624,252	1,137
District 62 Rep. Vigil	6,742	26%	\$13,252,603	\$2,093,911	1,540
District 63 Rep. Gardner C.	4,610	17%	\$8,655,741	\$1,367,607	1,449
District 64 Rep. McKinley	5,612	23%	\$10,667,534	\$1,685,470	1,293
District 65 Rep. Sonnenberg	4,611	15%	\$8,541,119	\$1,349,497	1,301
Totals	268,454	12%	\$470,299,229	\$74,307,278	66,885

Source: Brookings Institution analysis of income tax data for Colorado, 2006. Economic impact uses \$1.58 as the multiplier.

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