

Improving the Working Families Tax Credit

- Working families with low-wages may earn too little money to owe income taxes, but they contribute significant portions of their income to state general revenue in sales and property taxes.
- In fact, in Missouri, the lower your earnings, the more you pay in state and local taxes as a share of what you make: according to the most recent analysis, Missouri families in the bottom quintile of income pay 9.9% of their income in state and local taxes, compared to just 6.2% for the wealthiest 1% of families.ⁱ

Strengthen the Working Families Tax Credit

Missouri lawmakers approved a Working Families Credit that is being implemented in 2023. The credit is based on income tax liability. **As a result, it will not offset the considerable increases in sales tax that families are facing due to inflation in costs for everyday items that are subject to that tax, like diapers, food, and other basics.**

Making the credit refundable will not only reach more working families, but also unleash its full impact.

- Eligibility for the credit is based on family size and income. Currently, a family with three children is eligible with an income up to \$59,000. As incomes increase, the credit phases out.
- Research has documented that while most families receive the similar federal Earned Income Tax Credit (EITC) only temporarily, it has profound long-term benefits for families and communities.
- Children whose families receive the federal EITC are healthier, do better and go farther in school, and enjoy greater earnings as adults, establishing a more productive and skilled workforce for Missouri's future.ⁱⁱ
- Refundable state credits build on that success and contribute to child welfare. In fact, states with refundable credits have seen marked reductions in the rates of child maltreatment and reduced foster care entries compared to states without an EITC.ⁱⁱⁱ

Because of its profound impact, President Ronald Reagan proposed expansion of the federal EITC in 1986, calling it, "the best anti-poverty, the best pro-family, the best job creation measure to come out of Congress."

While Missouri's current credit will reach an estimated 250,000 families, making the credit refundable as Reagan supported, **would reach 492,430 working families** – maximizing the impact for Missouri families and kids.

Impact of Making the Missouri Working Families Credit Refundable

Income Range	Less than \$22,000	\$22,000 – \$40,000	\$40,000 – \$66,000	\$66,000 – \$110,000	\$110,000 – \$229,000	\$229,000 – \$552,000	\$552,000 or More
Average Income in Group	\$13,000	\$30,000	\$52,000	\$86,000	\$152,000	\$332,000	\$1,581,000
Impact of Missouri’s Current Working Families Credit by Income <i>Non-Refundable at 20% of the federal credit</i>							
Average Credit	\$4	\$166	\$124	\$125			
Impact of Converting to a Refundable Credit <i>Refundable at 10% of the federal credit</i> <i>Net Cost \$79 million (it would replace existing credit)</i>							
Average Credit	\$186	\$342	\$325	\$188			

Source: Institute on Taxation and Economic Policy

Making the Missouri Working Families Credit fully refundable would have profound impacts for families in every community across Missouri. The following pages document the number of families eligible for the federal credit by state Senate district/County (details for every legislative district are available on the MBP website at www.mobudget.org/mo-working-tax-credit).

References

- i. Institute on Taxation and Economic Policy, “Who Pays? A Distributional Analysis of the Tax Systems in All 50 States, Sixth Edition,” downloaded on September 1, 2022 at <https://itep.org/whopays/>
- ii. Center on Budget & Policy Priorities, “EITC and Child Tax Credit Promote Work, Reduce Poverty, and Support Children’s Development, Research Finds,” October 1, 2015
- iii. Sources: Joanne Klevens, Brian Schmidt, Feijun Luo, Likang Xu, Katie Ports and Rosalyn Lee. (2017). Effect of the Earned Income Tax Credit on Hospital Admissions for Pediatric Abusive Head Trauma, 1995-2013. Public Health Reports, Vol. 132(4) 505-511. iii. Whitney L. Rostad, Katie A. Ports, Shichao Tang, Joanne Klevens. (2020). Reducing the Number of Children Entering Foster Care: Effects of State Earned Income Tax Credits. Child Maltreatment, 25(4): 393–397. doi:10.1177/1077559519900922.

Number and Share of Tax Filers Eligible for Federal EITC by County

Tax Year 2020

County	Number of EITC Households	Percent of Filers Claiming EITC
Adair County	1,820	17.93%
Andrew County	1,070	12.15%
Atchison County	350	13.67%
Audrain County	2,110	18.66%
Barry County	3,560	22.15%
Barton County	1,100	20.72%
Bates County	1,320	17.14%
Benton County	1,790	18.96%
Bollinger County	1,090	21.21%
Boone County	11,840	13.97%
Buchanan County	7,920	19.19%
Butler County	4,790	25.03%
Caldwell County	710	17.03%
Callaway County	3,420	16.05%
Camden County	3,570	16.08%
Cape Girardeau County	6,140	16.30%
Carroll County	680	16.31%
Carter County	750	28.09%
Cass County	6,510	12.11%
Cedar County	1,310	21.06%
Chariton County	520	14.65%
Christian County	6,320	14.98%
Clark County	590	18.97%
Clay County	15,960	12.47%
Clinton County	1,450	13.90%
Cole County	5,580	13.77%
Cooper County	1,310	15.63%
Crawford County	2,370	21.58%
Dade County	640	18.99%
Dallas County	1,550	20.39%
Daviess County	620	16.15%
DeKalb County	670	13.59%

Dent County	1,470	22.86%
Douglas County	1,380	24.25%
Dunklin County	3,260	27.49%
Franklin County	7,560	14.08%
Gasconade County	1,180	15.88%
Gentry County	530	18.34%
Greene County	24,040	16.57%
Grundy County	780	18.80%
Harrison County	740	19.79%
Henry County	2,020	19.13%
Hickory County	810	19.66%
Holt County	350	16.28%
Howard County	830	18.28%
Howell County	4,220	24.00%
Iron County	1,010	23.71%
Jackson County	63,490	17.64%
Jasper County	11,610	20.51%
Jefferson County	15,520	13.60%
Johnson County	3,650	15.14%
Knox County	320	17.88%
Laclede County	3,740	22.52%
Lafayette County	2,440	15.31%
Lawrence County	3,590	20.51%
Lewis County	700	16.43%
Lincoln County	4,420	14.83%
Linn County	1,060	18.50%
Livingston County	1,230	17.13%
McDonald County	2,730	26.92%
Macon County	1,230	16.69%
Madison County	1,200	21.90%
Maries County	680	17.00%
Marion County	2,510	18.58%
Mercer County	230	14.20%
Miller County	2,460	21.04%
Mississippi County	1,420	24.40%
Moniteau County	1,210	16.53%
Monroe County	680	16.59%
Montgomery County	920	16.61%

Morgan County	1,870	19.22%
New Madrid County	1,840	25.10%
Newton County	5,420	20.17%
Nodaway County	1,190	13.12%
Oregon County	1,120	26.42%
Osage County	780	12.09%
Ozark County	910	21.98%
Pemiscot County	2,030	30.66%
Perry County	1,460	15.52%
Pettis County	4,190	21.03%
Phelps County	3,600	18.40%
Pike County	1,370	16.85%
Platte County	5,600	10.40%
Polk County	2,810	20.14%
Pulaski County	4,100	20.74%
Putnam County	390	17.73%
Ralls County	690	14.00%
Randolph County	2,230	18.65%
Ray County	1,660	14.77%
Reynolds County	670	25.38%
Ripley County	1,520	28.84%
St. Charles County	18,050	8.69%
St. Clair County	850	20.43%
Ste. Genevieve County	1,160	13.03%
St. Francois County	6,050	19.50%
St. Louis City	33,820	22.71%
St. Louis County	75,080	14.47%
Saline County	2,020	19.59%
Schuyler County	350	19.02%
Scotland County	350	16.75%
Scott County	3,960	21.91%
Shannon County	930	27.19%
Shelby County	500	17.18%
Stoddard County	2,740	21.13%
Stone County	2,610	16.69%
Sullivan County	540	19.35%
Taney County	5,900	21.32%
Texas County	2,370	21.24%

Vernon County	1,870	20.62%
Warren County	2,450	13.48%
Washington County	2,460	23.91%
Wayne County	1,320	25.93%
Webster County	3,130	18.29%
Worth County	160	17.39%
Wright County	1,980	25.29%