

June 2, 2015

House Roads and Economic Development Committee

Testimony: H.B. 4609

I am Susan Grettenberger, speaking in opposition to H.B. 4609, which would eliminate the Earned Income Tax Credit. I am a licensed social worker, a professor and director of the social work program at Central Michigan University, and the Vice President of Social Policy for the National Association of Social Workers, Michigan Chapter (NASW- Michigan). Today, I am speaking on behalf of NASW-Michigan.

While fixing the roads in Michigan should be one of Michigan's highest priorities, funding this on the backs of poor working families is not the answer. Indeed, many of them do not even have the means to own a vehicle. Proposition 1 had a provision to increase the EITC so I voted for it. However not everyone understood that provision. I have heard from many people that they voted no on Proposition 1 because they believed it would have hurt poor families. Most Michigan residents do not want to hurt the poorest among us in order to fix the roads. Making sure that working families are able to feed their children and pay bills is simply the right thing to do, and EITC is a resource to do that.

The EITC helps create a more fair tax structure, but it provides a boost to local economies, as EITC dollars are often spent and saved locally. This multiplier effect creates local and state tax revenue based on goods and services that are sold.

The federal EITC (on which the state credit is based) does more than any other program to keep working families out of poverty. Created under President Ford in 1975 and supported by every presidential administration since, the EITC is lauded for its direct impact in keeping families with children above the poverty line, making work pay, and sending federal dollars to local communities.

A state EITC makes sense for a variety of reasons. We already have this policy and should keep it. It:

- Makes the tax system fairer. Low-and moderate-income working families pay their share of income taxes, pay into Social Security and Medicare, and pay sales and excise taxes. As noted above, low-and moderate-income families pay a larger share of their income than upper-income Michiganders do when all state and local taxes are considered.
- Rewards work. The federal and state EITC can only be claimed by people who earn income. People who work full-time should be able to support their families, but often live in or near poverty.

- **Encourages healthy children and strong families.** A recent wave of research finds that families claiming the EITC see better social and economic results. The EITC and similar work-based support programs lead to better school performance for children and stronger earnings over a lifetime of work. Children who benefit from the EITC work more hours and earn more later in life.

Many families participate in the program only some years because other years they get more hours or higher pay –or they lose their job entirely –families are eligible only when working but earning a low income. In this way the EITC encourages self-sufficiency.

- **Generates economic activity.** Families that claim the EITC use the refunds to pay for basic needs like housing, food, transportation and child care. These purchases stimulate local economies, including those of communities where jobs are scarce and low paying.

This economic impact is particularly important in areas where wages overall are depressed, such as in northern Michigan's tourist areas where for many people work is only seasonal and where even full time work is still a poverty wage.

Members of the NASW, Michigan social workers who know the lives of our more marginal families, contacted us to tell us their concerns if the EITC is eliminated. A sample of those stories is attached, and I hope you will take the time to read the way EITC has helped families get a leg up. The theme of these stories is that EITC provided that extra cash needed for a service, for transportation, for education. It was the margin of economic stability which allowed a mom whose husband went to prison for harming their daughter to pay her bills, which assured that parents were able to get through college even though they had a family to support, which year after year, helps poor working families survive without public assistance when their full-time income is simply too low to feed a family and pay all the essential bills.

Here in Michigan, we want our families to be able to work and still take care of their families, to have enough money to pay their bills and still feed their children, to get ahead through their own hard work. The Earned Income Credit rewards families for doing just that. The stories we have heard from social workers make this personal for us. The irony is that taking away the earned income tax credit may simply force people to have to reach out for assistance in some form, putting independent, hard-working people in the position of not being self-sufficient. There are effective ways to generate income for rebuilding our roads while still building up Michigan's poor working families. Cutting programs such as the EITC is not one of them. Please oppose this bill.

These are stories of Michigan families for whom the Earned Income Tax Credit was the difference. These stories are a sample of the ways that the Michigan EITC has helped them survive and, sometimes finally get their feet on the ground for good. Other stories are from social workers, summarizing how the EITC has helped their clients manage. These are stories of hope, of survival, of persistence and finally of need.

"I am in private practice where I work with many individuals and families that already live below the poverty line. The once a year tax return received is their only moment of taking a full breath to get above water if only for a short time. One woman was able to get her car repaired which in turn allowed her to seek employment. A gentleman was able to reinstate his license after numerous penalties due to not being able to afford an initial speeding ticket. And how many times I have heard people report what a relief to pay off debt. I am 55 years old and when I was 23 I too needed government assistance as a single mother. As a working poor mom, I was able to move to a safer apartment because I had a downpayment with the use of the tax credit. Another time I was able to move to the capital of the state and start a new job that paid more. But I never would have been able to do so had I not had that leg up, that additional money to start new. It allows one to breath if only for a while and start fresh. I am certain that if we eliminate this we will pay dearly in the long run, and so will those who would benefit. Please do not eliminate this moment of hope." -From a social worker who sees many poor working families.

"The earned income tax credit has helped my family tremendously. As a full time student with a full time job and a family to support the earned income tax credit was essential to the success of my family. My husband and I would use this tax credit to pay our car insurance for the entire year. The biggest help our tax return gave us, because of the earned income tax credit, was the ability to put some money into a savings account. This account would always be empty by the end of the year and it helped us out month by month with the struggles of supporting two children and paying for full time daycare, all while working and gaining a college education. Please do not eliminate this most essential tax credit to Michigan's middle class, working families. My husband and I would not be where we are today, self sufficient with a masters degree and looking to purchase a home if it were not for Michigan's Earned Income Tax Credit." – From a recent college graduate

"Working poor families are already overburdened. Many families in Northern Michigan work 2 or more jobs just to scrape by...they are not eligible for welfare assistance. They count on the Earned Income Credit each year. Please find another funding source for roads!" - From a social worker who sees many poor working families.

"I spent many years as a single mother after my husband committed a felony crime against my child and was sentenced to many years in prison. We struggled financially, as in Michigan, felons serving time are not responsible to financially support their children when they are in prison or when they are released if their children are of adult age at the time of release. I worked full time in low paying restaurant employment for many years and the earned income tax credit allowed me to purchase second hand cars that allowed me to continue to work and to provide all the transportation that raising children requires. During other years, it allowed me to pay for housing, food, clothing-the basic necessities to keep our family of three afloat. When my children were old enough; I returned to college, earned three degrees, and I now work in a better paying profession.

I will tell you that though I am comfortable now-when you survive struggling with poverty it changes you in ways that you do not forget. I don't know if I would have been able to go back to college without this tax credit-it enabled me to work hard, study hard, and provide for my children. Our state legislators need to find another way to fund the roads-this tax credit enables poor, working, single mothers a chance to change their lives for the better. I know this, because I lived it. I am sure there are many other stories out there just like mine. I will not forget the current poor, working, single parents of today who will need this tax credit just as much as I once did. Our state legislators shouldn't forget them either. Please, be the leaders that you were elected to be, and find another way to fund the road repairs." - Single Mother, Social Worker

"Each year, that extra money helps me pay off past due bills and get caught up again. Without it I might get the power shut off or even worse." - Recent college graduate

"My clients' parents often say that their tax return helps them get caught on their bills. Eliminating this crucial funding stream for the more vulnerable of our population is despicable. Why aren't you seeking out a windfall from the more wealthy of our population? Why is it always the least capable that get targeted to support society? This tax credit was enacted to assist low income families with children helping to offset payroll taxes please keep it that way!" From a social worker, speaking on behalf of several client families

"A great many of my clients and their families are working hard to care for their children and make ends meet. Often, even getting to their appointments with me is difficult. My clients have told me that their tax returns help them get caught up on their bills so they don't have to choose between keeping the electricity on and coming to their visits. The elimination of the EITC would be an additional burden on the backs of hard-working Michigan families who are already struggling to get by.

Over the past 7-8 years, I have worked primarily with low income clients. My clients often say that their tax return helps them get caught up on their bills!

I have had a client who have been able to avoid eviction by using her tax return that included the EITC. Another woman who was struggling emotionally and financially following the end of an abusive relationship was able to purchase a reliable used car - which opened up wider employment options, and improved her and her children's quality of life.

Please, look elsewhere for money to fund road repairs." Yet another social worker.

"The ETIC helped me to pay rent, buy food, and not fall as far behind on bills. Please consider finding other sources of funding for road repair." – Recent college graduate

"Since Governor Snyder has been in office, I have had my taxes raised several ways, First, he taxed my pension for the first time since my retirement in 2002. He has called for regressive taxes on gas and vehicle registration fee. He has proposed another regressive sale tax increase. He wants to raise liquor taxes by 50% which could have a direct effect on those working in the hospitality industry. According to M-Live none of these tax proposals or in effect taxes are being used to towards the general fund to address deficits. We as, working people or retirees, cannot afford any more of the Snyder tax and spend agenda. The recent defeat of Proposal I was a bipartisan renouncement of the Snyder economic policy, yet the governor obviously didn't get the message." Retired social worker