



Groups rally to keep earned income tax credit in place

1/23/2008, 5:07 p.m. ET

By **TIM MARTIN**
The Associated Press

LANSING, Mich. (AP) — Supporters of a new state tax credit for low-income working people say it must take effect this year as scheduled, despite what it might cost a tight state budget.

The state's earned income tax credit, or EITC, complements a federal tax credit and is designed to put more money back in the pockets of low-income workers. It allows them to claim an amount equal to 10 percent of the federal credit in the 2008 tax year and 20 percent in 2009 and after.

For a single adult with two children working full-time at minimum wage and making \$14,872 a year, the credit brings a savings of \$478 in the first year. More than 600,000 working families are eligible for the credit.

Republican Sen. Nancy Cassis, R-Novi, last year introduced legislation that would keep the credit from going into effect until the state's nearly depleted rainy day fund is healthier. The bill has not advanced in the Senate.

Estimates show the state would lose up to \$130 million in revenue from the credit for the fiscal year that begins Oct. 1.

But supporters of the credit issued a study Wednesday that says the net loss to the state likely is closer to \$41 million because of the credit's other benefits.

The credit would allow more people to get and keep jobs and allow low-income taxpayers to keep more of their own cash, East Lansing economist Patrick Anderson said. That would bring in more payroll and sales taxes for the state, and reduce the state's benefits costs to the unemployed or underemployed.

The Michigan Catholic Conference and the Michigan League for Human Services are among the groups saying the tax credit must be protected. State budget director Robert Emerson, who was a chief architect of the plan while in the state Senate, also wants it to be kept in place.

"Our message today is that the state cannot chip away at the budget deficit on the backs of Michigan's working poor," said Paul Long of the Michigan Catholic Conference. "Such action would amount to nothing more than a tax increase on those working families who are struggling to climb above the poverty line in Michigan."

The earned income tax credit bill is Senate Bill 662.

On the Net:

Michigan Legislature: <http://www.legislature.mi.gov>

Copyright 2008 Associated Press. All rights reserved.