



Welfare Peer Technical Assistance Network

# Earned Income Tax Credit (EITC) Strategies for Louisiana



Baton Rouge, Louisiana

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October 25–26, 2004

## SHORT REPORT

In recent years large numbers of TANF clients have entered the workforce. However, many have taken employment positions earning annualized wages that still fall below the poverty line. Many of these current and former TANF clients are eligible for the Earned Income Tax Credit (EITC).<sup>1</sup> Yet although they are eligible, several studies, however, have revealed that many former TANF clients are not claiming it for a variety of reasons.<sup>2</sup> To address this gap between EITC eligibility and EITC claims, the State of Louisiana is initiating an EITC outreach initiative to expand eligible citizen participation in Federal tax credit programs.

The Earned Income Tax Credit (EITC) has been instrumental in closing the poverty gap for many of the nation's working poor. Enacted by Congress in 1975, the Federal EITC is a refundable tax credit that increases the income of low-and moderate-income working families by providing tax reductions and cash supplements. As a Federally-funded anti-poverty initiative, the primary purpose of the EITC is to help employed low wage earners maintain their financial self-sufficiency by offsetting taxes, supplementing wages, and making work more attractive than welfare. Despite the success of the program, research reveals that perhaps "15% - 20% of tax filers eligible for the credit fail to claim it."<sup>3</sup>

Widely praised for its success in supporting work and reducing poverty, the EITC has grown to be one of the most successful and universally acclaimed provisions of U.S. domestic policy. In fact, several expansions in the late 1980's and early 1990's turned the EITC into the largest Federal aid program targeted to the working poor. The EITC provides some \$37 billion worth of assistance to almost 21 million low-income working families and is credited for lifting 5 million

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<sup>1</sup> Studies show that TANF recipients who find jobs typically earn \$8,000 - \$12,000 per year, well below the poverty line for a family of three. Johnson, N., Llobrera, J., and Zahradnik, B. (2003) "A hand up: How State earned income tax credits help working families escape poverty in 2003". <http://www.cbpp.org/3-3-03sfp.htm>

<sup>2</sup> Phillips, K.R. "Who Knows about the Earned Income Tax Credit." The Urban Institute, January 2001. P.2, <http://www.urban.org>

<sup>3</sup> Berube, A & Tiffany, T. The "State Of Low -Wage Workers: How the EITC Benefits Urban and Rural Communities in the 50 States." The Brookings Institute, February 2004. P.3. <http://www.brookings.edu/eitcseries>

people out of poverty,<sup>4</sup> including 2.7 million children of low-income workers living above the Federal poverty line.<sup>5</sup> Research also indicates that the EITC has had a powerful effect in increasing the proportion of single parents who are working.<sup>6</sup> These and other outcomes indicate that the EITC is one of the country's most powerful income supplements and effective work incentives for families with children.

To expand TANF client and community awareness and participation in the federal tax credit programs, the State of Louisiana turned to the Welfare Peer Technical Assistance Network. In the summer of 2004, Louisiana's Department of Social Services requested assistance from Welfare Peer TA in the design and delivery of a coordinated Statewide EITC initiative to bolster Louisiana's efforts at establishing community partnerships, enhancing outreach, and, ultimately, improving access to the EITC and free tax filing assistance for low-income residents.

In response to the TA request from the State of Louisiana, the Welfare Peer TA Network planned, designed, and implemented a Roundtable event that was held on October 25-26, 2004 in Baton Rouge, LA. The Roundtable was attended by approximately 80 individuals representing a wide variety of Federal, State, and local agencies and organizations. Federal staff in attendance included representatives from the Internal Revenue Service and the U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance. To demonstrate a cross-agency collaborative commitment to the Statewide EITC campaign, the Louisiana Governor's Office, Department of Social Services, Department of Revenue, and Department of Labor all sent high-level staff. In addition, local representatives from eight service regions across Louisiana also were present, including staff from Community Action Agencies, community-based organizations, faith-based organizations, foundations, and local businesses.

The Roundtable was designed to impart knowledge about the EITC, foster peer-to-peer learning, highlight best practices on EITC outreach and free tax preparation from around the country, provide helpful tools for launching an EITC campaign, and facilitate the development of local and regional action plans for immediate implementation.

At the Roundtable, presenters discussed a comprehensive range of topics related to the EITC such as, a vision for community economic empowerment, the amount of unclaimed EITC dollars

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<sup>4</sup> The National EITC Outreach Partnership, "The Earned Income Tax Credit –A Fact Sheet" July 2004 [www.centeronbudget.org/eitc-partnership/eitcfactsheet.htm](http://www.centeronbudget.org/eitc-partnership/eitcfactsheet.htm)

<sup>5</sup> Berube, A. (June 21, 2004) "Background on EITC Campaigns". Presentation: EITC Funder's Meeting. Brookings Institute. <http://www.brookings.edu/metropolitanpolicyprogram>.

<sup>6</sup> According to the National Bureau of Economic Research, the percentage of single mothers who work rose from 73% in 1984 to approximately 82% in 1996, and that EITC expansions had a stronger effect in increasing workforce participation than welfare policy changes.

each year, using TANF as an engine to target EITC initiatives, developing Volunteer Income Tax Assistance (VITA) sites, the unique challenges of rural communities, how to partner with the business community, and encouraging financial literacy. Participants of the Roundtable were given EITC outreach resources and toolkits, tailored statistics of EITC claims broken down by Louisiana parishes, and a wide variety of research reports and helpful online sources.

Building off the tools and knowledge given to participants, the Roundtable also served as a central catalyst for each service region in Louisiana to develop a specific local action plan for implementing an EITC outreach and tax preparation campaign in their community. During consecutive workshop sessions, Roundtable participants met and discussed organizational concerns based on population density in rural, mid-sized, and urban areas. Additionally, the participants met to brainstorm about potential community partners, outreach opportunities, and specific steps necessary to facilitate implementation of their localized EITC outreach campaign.

Overall, the Welfare Peer TA Roundtable event was a great success and generated extraordinary momentum about the EITC in Louisiana. The full report from this Welfare Peer TA Event will be available in late November 2004. Questions about the event should be directed to Bradley Myles of Caliber Associates at 703-219-4312 or [bmyles@caliber.com](mailto:bmyles@caliber.com).