

# EXPAND THE STATE EARNED INCOME TAX CREDIT

MAKING THE FUTURE BRIGHTER FOR WORKING FAMILIES



**BIG SKY**  
Brighter Future

Charting the course for a better Montana.

No one should have to choose between heating their home and feeding their family. To help boost working families' incomes and lift children out of poverty, Montana should:

- Increase the state Earned Income Tax Credit to 20 percent of the federal credit;
- Provide a more meaningful Earned Income Tax Credit for full-time working people without children; and
- Expand eligibility of the Earned Income Tax Credit to workers ages 18-24 and older than 65.



## HOW WE GOT HERE

Montana families work hard but earn some of the lowest wages in the nation. For a person with two children, working full-time at minimum wage would not provide a family with an income above the poverty line. Montana's tax system pushes families deeper into poverty. The lowest income families pay a higher percentage of their income in state and local taxes compared to the wealthiest households.

Montana implemented a state Earned Income Tax Credit (EITC) which went into effect in 2019, providing over 70,000 working families with additional support to help make ends meet. However, the value of Montana's EITC is set at only 3 percent of the federal credit, making it the smallest in the nation.



"The EITC kept us going when we hit a bump in the road. It gave me the peace of mind that comes with being able to provide what my son needed."

Jackie, Helena

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## MAKING THE FUTURE BRIGHTER FOR WORKING FAMILIES



### ON THE HORIZON

1

**Increase the state Earned Income Tax Credit to 20 percent of the federal credit.** Increasing the state EITC would provide a greater income boost to individuals and families earning low wages. For tax year 2019, a family with children would receive an average of \$159 from the state credit. Montana should expand the value of its EITC to 20 percent of the federal credit, providing households with an additional \$1,060 on average. Coupled with the federal EITC, this would be equivalent to a wage increase of \$3.78 an hour for a single mother raising three children. Supplementing the wages of hard-working families would allow parents to provide for their children and purchase needed goods in their local communities.

2

**Provide a more meaningful Earned Income Tax Credit for full-time working people without children.** Individuals not raising children receive the lowest benefit provided by the EITC. A state EITC of 20 percent would raise the maximum benefit from \$15 a year to \$105 for this group. Additionally, a worker without children, working 40 hours a week at state minimum wage, earns too much to qualify for the credit based on current income limits. Raising the threshold to \$17,680, which is the current annual income earned through full-time, year-round minimum wage employment, would provide hardworking Montanans with additional support. The income limit should be adjusted so that individuals can continue to receive the credit as the state minimum wage rises over time.

3

**Expand eligibility of the Earned Income Tax Credit to workers ages 18-24 and older than 65.** Working Montanans who are younger than 25 or older than 65 are excluded from the state EITC. This results in young adults facing limited job opportunities and senior citizens who cannot afford to leave the workforce being forced deeper into poverty. Montana should expand its EITC to all workers 18 and older so that the credit reaches all workers struggling to get by on low wages.



## ABOUT BIG SKY BRIGHTER FUTURE

Big Sky Brighter Future is charting a clear course to rebuild our state. This concrete plan for lawmakers has specific proposals to help families, workers, children, and communities, and creates a tax code that works for everyone. Montana cannot go back to the time when families faced barriers to build their best future. We can move our state forward and make it one where we can all live, work, and enjoy all Big Sky Country has to offer. There's a better Montana on the horizon, and this is how we get there.