ANALYSIS: Increasing the uptake of the earned income tax credit (EITC) would bring significant monetary, workforce, and economic development benefits to Virginia.

New report documents how increasing EITC uptake in Virginia could bring hundreds of millions to communities throughout the state, along with improvements to household well-being, employment, and the workforce. The report outlines effective strategies for increasing uptake, including making the Virginia’s credit refundable.

RICHMOND, VA – The EITC is one of the most effective anti-poverty tools in the United States and Virginia could be doing more to encourage state residents to take advantage of it. An estimated 150,000 eligible households throughout Virginia do not take advantage of the credit -- leaving $266 million in federal dollars on the table each year.

"Virginia lawmakers have many tools at hand to influence uptake rates in the state. Chief among them is their ability to make the state’s corresponding earned income credit refundable," says Institute Research and Planning Analyst Chad Stewart. "Evidence shows that making a state credit refundable is a highly effective way to increase the number of households who claim the federal EITC."

The report finds that more targeted outreach to EITC eligible households, along with making the state credit refundable, are two of the most effective methods for increasing uptake. Benefits from increasing uptake include boosting long-term employment and earnings for households receiving the credit, and bringing much-needed dollars into struggling communities across the state. Children in households that receive the EITC also see improved education outcomes and lifetime earnings.

“Virginia has a stake in ensuring that all eligible households claim this credit -- not just for the economic boost that it would give to our communities, but for the effects that it could have on our children’s future,” says Stewart.

The full report, The Upshot of Increasing EITC Uptake in Virginia, can be found online at www.thecommonwealthinstitute.org.

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The Commonwealth Institute for Fiscal Analysis provides credible, independent, and accessible information and analyses of fiscal and economic issues with particular attention to the impacts on low- and moderate income persons. Our products inform fiscal and budget policy debates and contribute to sound decisions that improve the well-being of individuals, communities and Virginia as a whole. Visit www.thecommonwealthinstitute.org for more information.