



## **The Timing is Bad for Most Tax Cut Plans in Lansing— Except for the EITC.**

Calls to reform taxes and cut public spending are common in election-year politics, but this year's budget cycle and election season share a big difference - the unprecedented and one-time \$7 billion state surplus. At the end of the day, though, it's our hope Lansing leaders have a change of heart and resist tax measures except one, expanding the Earned Income Tax Credit (EITC).

Should Michigan reduce its individual and corporate income taxes as state Legislators have proposed, and its retirement tax as Governor Whitmer seeks without a sufficient revenue replacement, it is certain our state would be forced to curtail investments in programs and services for the most vulnerable children, youth and families. This would put many in jeopardy after decades of under investment and after more than two years of a dual economic and health crisis caused by the COVID epidemic. Moreover, the revenue cuts would likely kick in just as federal pandemic relief dollars gradually end. Cutting taxes when the graduation rate for foster youth in Michigan is only 39 percent? Or, when we still have no meaningful state support for child care that helps parents go to work? Or when there is still no meaningful state funding for afterschool programs that help families and put kids on a good path academically, socially and toward exploring future careers?

**Without well-funded** public services, the burden falls heavy on those least likely to weather storms from pandemic-related ills, including mental and physical health challenges, family instability, job insecurity and learning losses. Doing less today would be an erosion of society's responsibilities as we enter the third year of the COVID gut-punch. To ensure we aren't creating even greater inequities between citizens, leaving more working class and vulnerable children and families behind, we must not stop lifting people up for meager tax benefits.

We need publicly elected officials to show some restraint. Lowering the income tax from 4.25 percent to 3.9 percent turns out to be a good deal only for the wealthy. The Michigan League for Public Policy reports that middle income earners (\$41,000-\$70,000) would save about \$92 a year; lower income earners (earning less than \$23,000 a year) would gain just \$12 a year. That's not nearly enough for families by themselves to afford essential child care, mental health services, or afterschool programs that would go unfunded to "pay for" tax cuts. But those earning \$539,000 or more would reap \$5,000 in tax savings. If Michigan repeals its pension tax as the Governor has proposed, (creating a \$1,000 bonus for a half million households, by the Governor's estimates) Michigan would become an outlier among states without replacing the lost revenue. Forty-one states tax pensions today.

**In contrast**, expanding the EITC, as initiated Sen. Wayne Schmidt in Senate Bill 417, would boost incomes for hard-working families, and bring more children out of poverty. For reference, nearly 18 percent of Michigan children live in poverty, but for Black children, the rate is nearly 47 percent. Estimated to cost a half million dollars, the EITC increase would gradually phase in over four years to a 30 percent match of the federal credit. That is partly why the plan is heralded by divergent groups, including children's advocates and business leaders with the Michigan Chamber of Commerce. The

Chamber argues that improving the EITC encourages work and purchasing power that's good for families and community prosperity. We agree, although we also think that lower-income childless workers outside the ages of 25-65 (the current EITC limits for earners without children) also deserve a tax credit for working.

A public opinion poll we commissioned with The Skillman Foundation last summer gave us valuable information about the voting public's appetite to support programs that improve equity, help students overcome pandemic-related learning losses in school, and expand jobs and skills training for young people, among other supports. Nearly two-thirds said they favored increasing those investments and 58 percent said they'd support more investments even if it meant raising taxes.

Michigan's Children has been in favor of expanding the EITC at the federal and state level, because we believe that tax reform makes good sense when it delivers sizable benefits to families and workers who are struggling the most. We can't say the same for the other plans right now. Please urge your elected leaders to say no to adjusting the income tax and removing the pension tax. By all means, urge them to adopt a more robust EITC.

***Learn more about the tax proposals at the state Capitol at our new Lunch & Learn program on March 16<sup>th</sup> from noon to 1 pm. [Register here.](#)***