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A Boost for Families Who Need it the Most:

Increasing NC's State Earned Income Tax Credit Would Be an Effective and Targeted Economic Stimulus for Working Families and the Economy

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issues*

Weakening economic conditions are having a magnified impact on North Carolina's low-and moderate-income families, who were already working hard to make ends meet. Stagnant wages, rapid growth in the low-wage labor market, and rising costs of necessities like gas, food, health care and housing, are squeezing low-income households and threatening the economic well-being of hundreds of thousands of North Carolina families.

Increasing the state Earned Income Tax Credit (EITC) would provide a much-needed economic stimulus for North Carolina's low-income working families and economy. In 2007, state lawmakers adopted a refundable version of the federal EITC worth 3.5% of the federal credit. This year, an estimated **845,000** working households (1 in 5 North Carolina households) will be eligible to benefit from the new credit. As it currently stands, around **\$48 million** will circulate to households in all 100 counties, and the average household benefit will be **\$56**.

Almost all of the money the state invests in working families through an increased state EITC will flow directly to North Carolina's cities and towns as these families spend the additional income on basic necessities in their local economies. Increasing North Carolina's state EITC is a smart, targeted investment that will put more money into the hands of North Carolina's low-income working families who need the most help.

Economic Impact of Increasing North Carolina's State Earned Income Tax Credit

	5% State EITC	7% State EITC	10% State EITC
Average Household Benefit	\$80	\$112	\$160
Cost to State/Additional Money to Families and Local Economies	\$20.6m	\$48.2m	\$89.5m

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