Improving the Refundable Earned Income Tax Credit Would Help Working Families in Virginia (SB 183, HB 621)

State Earned Income Tax Credit (EITC) supplements federal EITC

Virginia's state EITC provides qualifying working families with two options for their state tax credit - a nonrefundable credit up to 20% of their federal EITC, and a refundable credit up to 15% of their federal EITC. While the nonrefundable EITC provides a larger portion of the federal credit, many families are unable to access the full benefit, as the credit amount cannot exceed the amount of income tax they owe. Governor Youngkin included an expansion of the *nonrefundable EITC* in his proposed budget, increasing the amount from 20% to 25%. Less than 5% of this cut will go to families in the bottom 20% of incomes, people making below $30,000.

HB 621 (Del. Price) and **SB 183** (Sen. Rouse) increase the refundable EITC option to 20% of the federal, and expand EITC eligibility to working families who file without social security numbers, but who would otherwise be eligible to access the credit.

A targeted policy that boosts incomes for working families

The overall state and local tax code in Virginia is upside-down, meaning people with low incomes pay a larger share of their incomes in state and local taxes compared to the wealthiest in our state. Lawmakers made history in 2022 when they approved a budget to finally make Virginia's Earned Income Tax Credit refundable at 15% of the federal credit. Building on this progress is important to help families most in need. Improving the refundable state EITC to 20% of the federal credit would mean more cash back to help families afford basic necessities, like food, clothing, and transportation. **A 20% refundable EITC would mean a family of four with $30,000 in income would see an additional $310 to help meet their needs when filing their taxes this year.** This is significantly more targeted and less costly than Governor Youngkin's proposal to reduce income tax rates, which comes with a price tag of $3.46 billion over the biennium and would disproportionately help the ultra-wealthy while providing very little to families with low and moderate incomes.

What would these bills mean for a family of four with a $30,000 income? The additional $310 could pay for over 3 months of diapers for a newborn, over two months of electric bills, or nearly three months of gas bills.

Please support **HB621** and **SB183** .

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