



Legislation Text

File #: Res 0278-2014, **Version:** *

Res. No. 278

Resolution calling upon the United State Congress to introduce and pass, and President Barack Obama to sign, legislation to expand the Earned Income Tax Credit, and further, calling upon the New York State Legislature to introduce and pass, and the Governor to sign, legislation which would enable the City of New York to increase the City's Earned Income Tax Credit from 5% to 10% of the federal Earned Income Tax Credit.

By Council Members Garodnick, Chin, Cumbo, Ferreras-Copeland, Johnson, Levine, Mendez, Richards, Rodriguez, Rose and Rosenthal.

Whereas, The Earned Income Tax Credit ("EITC"), first enacted by the Federal Government in 1975, reduces tax burdens and provides the working poor with a tax credit on federal personal income taxes which can exceed the taxes paid, as an incentive for low income workers to work; and

Whereas, The EITC is a refundable tax credit so that if a worker's income tax liability is less than the amount of the credit for which he or she qualifies, the worker receives the remaining amount as a refund; and

Whereas, Studies have shown that families use the EITC to pay for necessities, tuition, make home and car repairs, and in some cases, obtain additional education or training which in return can increase earning power; and

Whereas, To be eligible for the EITC, one must have a qualifying child, or be 25 years of age or older, but no older than age 65; and

Whereas, Earned income and adjusted gross income (AGI) must each be less than \$46,997 (\$52,427 married filing jointly) with three or more qualifying children; \$43,756 (\$49,186 married filing jointly) with two qualifying children; \$38,511 (\$43,941 married filing jointly) with one qualifying child; \$14,590 (\$20,020 married filing jointly) with no qualifying children; and

Whereas, Investment income must be \$3,350 or less for the year; and

Whereas, In Tax Year 2014, the maximum credit is \$6,143 with three or more qualifying children; \$5,460 with two qualifying children; \$3,305 with one qualifying child; and \$496 with no qualifying children; and

Whereas, In 1994, New York State adopted the New York EITC equal to 7.5% of the federal EITC; and

Whereas, After several increases throughout the years, the State's credit is now equal to 30% of the federal EITC; and

Whereas, In 2014, according to the New York State Division of the Budget, the State EITC provides approximately \$1.096 billion annually in tax credits to eligible taxpayers; and

Whereas, In 2004, at the Council's urging, the State authorized the City to adopt an EITC and the Council by local law adopted a refundable City EITC equal to 5% of the federal credit; and

Whereas, According to the New York City Department of Finance, as a result of this program, as of 2013, the City EITC provides approximately \$95.0 million annually in tax credits to 896,892 eligible taxpayers; and

Whereas, In New York City, the average credit per filer is \$106; and

Whereas, Research indicates that the EITC is an essential tool in reducing poverty because it provides targeted tax benefits to moderate and low- income taxpayers, encourages work, assists families and communities and reduces welfare receipts among single parents; and

Whereas, While the EITC is available to workers without qualifying children, the credit is small and phases out to at very low incomes, and as such, it provides little assistance to childless individuals at or near the poverty line, and little incentive to enter the workforce; and

Whereas, Moreover, the current age restriction prevent workers younger than age 25 from claiming the EITC; and

Whereas, Citing the EITC as one of the most significant tools for reducing poverty and encouraging people to enter the workforce, in March 2014, President Barack Obama announced a proposal to expand the

federal EITC; and

Whereas, In his proposal, the federal EITC would double the maximum credit for individuals without children to approximately \$1,000, decrease the age of eligibility for such individuals from 25 to 21, and increase the upper age limit of such individuals from 65 to 67; and

Whereas, Since the City EITC is a function of the Federal EITC, the eligibility criteria of the City EITC must mirror the Federal EITC; and

Whereas, Amending the Federal EITC would encourage employment among young workers living independently without children, and incentivize those who are currently in the working to remain in the workforce longer; now, therefore, be it

Resolved, That the Council of the City of New York calls upon the United State Congress to introduce and pass, and President Barack Obama to sign, legislation to expand the Earned Income Tax Credit, and further, calling upon the New York State Legislature to introduce and pass, and the Governor to sign, legislation which would enable the City of New York to increase the City's Earned Income Tax Credit from 5% to 10% of the federal Earned Income Tax Credit.

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