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Detroit Senators Oppose EITC Delay

Senators highlight local impact of tax credit for working poor

DETROIT—The Detroit State Senate Delegation came together today to express their opposition to the proposed delay of Michigan’s Earned Income Tax Credit (EITC). The credit is designed to provide financial assistance to the working poor, but as the state’s budget crisis drags on, Senate Republicans have introduced a bill, SB 662, that would delay the implementation of the credit.

“We wage a constant battle in the legislature to consider the needs of the working poor. Passage of the Earned Income Tax Credit was a victory in that effort,” said Sen. Martha G. Scott (D-Highland Park). “Now Republicans want to hold those same low-wage earners hostage and delay the credit that we all agreed upon. This is unconscionable.”

Within the five Detroit Senate districts, approximately 129,000 citizens—an average of 32% of filers—submitted claims for the federal version of the earned income tax credit in 2004. Michigan’s EITC passed the Michigan Legislature with bipartisan support and was signed into law by Governor Jennifer Granholm last September.

“Many Michigan working families are struggling to make ends meet,” said Sen. Buzz Thomas (D-Detroit). “This is an important measure that should not be delayed.”

The tax credit is scheduled to start during the 2008 tax year. However the proposed freeze would prevent the EITC from going into effect until the state’s rainy day fund reaches \$250 million. It has been more than six years since the fund last reached a level that high and with Michigan’s economy continuing to struggle it is uncertain when, or if, it would reach it again anytime soon.

“To attempt to de-rail the Earned Income Tax Credit after its passage while approving a billion dollar tax credit for business is a blatant betrayal of Michigan's working poor,” Sen. Irma Clark-Coleman (D-Detroit) said. “It is yet another slap in the face to the many Michigan workers who work full-time to barely get by. And to make it contingent on an unrealistic and nearly unattainable goal is simply appalling.”

The state tax refund for low-wage earners will pump \$214 million into local communities throughout Michigan. A single mother raising two children, working full-time at minimum wage, is expected to save \$478 each year under the EITC. The Michigan League for Human Services studied the 2004 tax returns and found, based on those conservative numbers, that the average Michigan refund with the EITC in 2008 was likely to be \$175, but up to \$350 in years following

2008.

“The Republicans cannot continue to turn their backs on the people of Michigan who are working hard every day to feed and clothe their families with little left to spare,” said Sen. Tupac Hunter (D-Detroit). “This legislation was originally passed to help those people. To renege on our promise while continuing tax breaks for big business is unacceptable.”

“People are struggling more than ever right now with a stale state economy, high gas prices and insurance rates, and growing home foreclosures,” Sen. Hansen Clarke (D-Detroit) said. “The earned income tax credit returns some of their hard-earned money back into their pockets at a time when they need it the most, and we shouldn’t be trying to fix our budget problems by taking money away from hardworking Michigan residents.”

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