EXHIBIT 3
DATE 4-10-07
SB 400

Consumer Credit Counseling Service

NEEL
Working for Equality and Economic Liberation

Senate Bill 400 and the Montana Earned Income Tax Credit (EITC): Helping Working Families Become Self-Sufficient

A History of Bi-Partisan Support

- Twenty-one state EITCs have been enacted with both Democratic and Republican Governors
- The federal program was enacted under Ford and expanded by every president since
- SB400 received support from both parties in the Senate and passed the third reading 40-8

Making a Difference for Working Families

- Provides tax-relief for hard-working, low-income families helping them close the gap between what they earn and what they need to make ends meet
- 1 in 5 Montanan children lives in poverty; the National Center for Children in Poverty found that the federal EITC reduces child poverty for young children by nearly 25 percent - more than any other government program
- State EITCs build on the benefits of the federal EITC, relieving the regressive nature of payroll and property taxes and making Montana's state tax system more equitable

The EITC is Good for Business

- Working families use the EITC refund to pay off debt, finance transportation to work, invest in education, and to buy basic necessities
- Dollars spent in the local community provide an economic stimulus to every community in the state
- Business owners are not forced to shoulder the burden of rising wages by themselves

The Federal EITC in Montana

- In 2004, more than 72,300 Montana households claimed the federal EITC
- These claims returned more than $120 million to low-income households in every urban, suburban, rural, and frontier community

How Would a State EITC Work?

- A state EITC simply "piggybacks" on the federal EITC
- Low-income workers would receive a credit equal to 5 percent of their federal EITC
- An addition of one line to the MT income tax form is all that is needed to implement the EITC, allowing the IRS to use its resources to ensure proper compliance

Who Would Benefit?

- Working families with incomes of up to $32,001 with one child and up to $36,348 with two+ children, qualify for the federal EITC - the same threshold for a state EITC
- Most beneficiary families (74 percent) earn less than $20,000 per year; working families with incomes between $11,500 and $16,000 benefit the most
- About 17 percent of Montana tax filers claim the federal EITC. The average federal credit is $1,661; the average credit projected for a state EITC would be $83
- Working families in every community across Montana benefit from the EITC

How Much Would a Montana EITC Cost?

- A 5 percent, refundable credit would cost about $6 million annually

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