

FACT SHEET

December 2009

Making Work Pay and Investing in Local Communities

A strong state tax system should reward work and provide economic opportunity for all its residents. Refundable earned income tax credits can help raise working Utahns out of poverty, put money in the hands of families that will be spent in local communities and help strengthen Utah's economy. Ronald Reagan called the earned income tax credit "the best anti-poverty, the best job creation, the best pro-family measure to come out of Congress." Bringing this tool to Utah will stimulate local businesses, provide relief to working families and strengthen our labor force.

Background

Low- and moderate-income families spend a disproportionately higher share of their income on total taxes. The poorest Utahns pay 11.5% of their income to Utah state and local taxes, twice the rate paid by the richest Utah taxpayers. Even if they don't pay income tax because of their low wages, they do pay sales tax, social security and payroll tax, and property taxes.

In 2006 and 2007, Utah made substantial changes to its individual income tax system. Utahns filing their 2008 taxes will now pay under a "single rate" tax of 5.00%. The new tax system has a built in taxpayer credit that will reduce the single rate tax burden on low- and moderate-income families.

While this change has brought tax relief to working Utahns, this reduction is not near enough to help many of Utah's families make ends meet. In hard economic times, many working families barely have enough money to put food on their table, pay their utility bills or clothe their children.

Making the individual income tax system refundable will put dollars in the hands of working Utahns and can help lift many families out of poverty. Families will spend these dollars in their local communities, investing in Utah's economic growth and enhancing our economic security.

Key Facts:

1. A refundable earned income tax credit will help Utah's working families.
 - It targets working Utahns and provides incentives to work and stay off welfare.
 - It increases earnings to help stabilize low- and moderate-income Utahns.
2. Utah's new individual income tax system is already designed to support a refundable earned income tax credit.
 - Our new credit based tax system has a taxpayer credit that is phased out as income increases so the credit is already calculated under the new system.
 - All that would need to be done is to make the already existing credit refundable for working Utahns.
3. Refunding the tax credit will help grow Utah's economy and strengthen our communities.
 - Low- and moderate-income workers spend their income tax credits locally and support the businesses in their neighborhood and region.
 - The credit would pump millions of dollars into Utah's rural counties and low- and moderate-income communities.
 - The refundable credit will serve as a wage supplement to help businesses find labor at affordable rates and to help workers earn enough money to save, pay for housing, and plan for the future.

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