



**breadfortheworld**  
HAVE FAITH. END HUNGER.

## 2010 Offering of Letters Pennsylvania

Progress against hunger requires broader efforts to reduce poverty. Food assistance to hungry people is vital, but it is not enough. This year, a series of tax cuts enacted in recent years will expire. Bread for the World asks Congress to protect and strengthen key tax credits that can make a big difference for low-income workers and their families. The Earned Income Tax Credit (EITC) is a refundable tax credit geared primarily toward families with children. The Child Tax Credit (CTC) is worth up to \$1,000 for each child under age 17 claimed on a worker's tax return. Bread for the World urges Congress to protect and strengthen the EITC and the CTC and seeks additional funding for Volunteer Income Tax Assistance (VITA) sites, which provide free tax preparation assistance and financial education to low-income people.

### Hunger and Poverty in Pennsylvania

- **Hunger:** *11.2% of households in Pennsylvania* struggle to put food on the table (compared to 14.6% nationally).<sup>i</sup>
  - *15.8% of children in Pennsylvania* live in families that struggle to put food on the table (compared to 22.5% nationally).<sup>ii</sup>
- **Poverty:** *12.1% of people in Pennsylvania* live below the poverty line, \$21,834 for a family of four in 2008 (compared to 13.2% nationally).<sup>iii</sup>
  - *16.8% of children in Pennsylvania* live below the poverty line (compared to 19% nationally).<sup>iv</sup>

### How Tax Credits Help Pennsylvania Families

#### The EITC Provides Significant Assistance to Working Families in Pennsylvania

- **795,985 Pennsylvania households** claimed the EITC in 2006, averaging **\$1,787** per household for a total of **\$1,422,120,983** in EITC benefits.<sup>v</sup>
- The EITC expansions made in ARRA assist **253,292 low-income households** in Pennsylvania, all of whom would lose benefits if Congress fails to extend these provisions.<sup>vi</sup>
- Many states have replicated the success of the federal EITC by establishing a state level EITC, but Pennsylvania has not.

#### The CTC Provides Significant Assistance to Working Families in Pennsylvania

- **459,114 Pennsylvania households** claimed the CTC in 2006,<sup>vii</sup> averaging **\$998.15** per household for a total of **\$458,263,163** in CTC benefits.<sup>viii</sup>

- ARRA lowered the CTC income threshold, assisting **540,000 children** in Pennsylvania.<sup>ix</sup>

## **Volunteer Income Tax Assistance (VITA) Sites Provide Free Tax Preparation Services, Saving Each Low-Income Working Family an Average of \$280 to Help in Preparation Fees.**

- Only 1.90%, or 15,350, of Pennsylvania EITC filers used a VITA site in 2006.<sup>x</sup>
- In 2006, tax filers in Pennsylvania spent \$98,789,010 for tax preparation services to claim the EITC.<sup>xi</sup>
- In 2006, VITA sites saved Pennsylvania taxpayers \$4,298,000 for EITC filers alone, assuming an average of \$280 saved in tax preparation fees and services per taxpayer.<sup>xii</sup>

## **Combined, the EITC and CTC Provide Vital Support to Low-Income Working Families During the Recession**

- Pennsylvania has lost 167,200 jobs between October 2008 and October 2009.<sup>xiii</sup> The EITC can assist those newly unemployed whose partial year earnings qualify them for the EITC.
- According to congressional testimony of Mark Zandi, Chief Economist of Moody's Economy.com, households spend their credit refunds immediately and locally, generating \$1.26 of economic growth in the communities where they are spent for every additional refundable credit dollar.<sup>xiv</sup>
- In 2006, Pennsylvania received \$1,880,384,146 in EITC and CTC benefits.<sup>xv</sup>

<sup>i</sup> Household Food Security in the United States, 2008, U.S. Department of Agriculture, Economic Research Service, 2009.

<sup>ii</sup> *Id.*

<sup>iii</sup> Income, Earnings, and Poverty data from the 2008 American Community Survey, U.S. Census Bureau, 2009.

<sup>iv</sup> *Id.*

<sup>v</sup> IRS data compiled by the Brookings Institution.

<sup>vi</sup> Brookings Institution Metro Tax model, 2007 ACS microdata:

[www.brookings.edu/~media/Files/rc/speeches/2009/1021\\_eitc\\_kneebone/1021\\_eitc\\_resource\\_2.pdf](http://www.brookings.edu/~media/Files/rc/speeches/2009/1021_eitc_kneebone/1021_eitc_resource_2.pdf)

<sup>vii</sup> Refers to the refundable portion of the CTC.

<sup>viii</sup> IRS data compiled by the Brookings Institution.

<sup>ix</sup> Center on Budget and Policy Priorities: [www.cbpp.org/cms/index.cfm?fa=view&id=2547](http://www.cbpp.org/cms/index.cfm?fa=view&id=2547).

<sup>x</sup> IRS data compiled by the Brookings Institution. Includes VITAs, Military VITAs, and Tax Consulting for the Elderly sites.

<sup>xi</sup> Internal Revenue Service SPEC Information Database, Tax Year 2006, calculated by Children's Defense Fund:

<http://www.childrensdefense.org/child-research-data-publications/data/ral-report-2009.pdf>. Assumes \$280 spent on tax prep fees and services.

<sup>xii</sup> IRS data compiled by the Brookings Institution. Includes VITAs, Military VITAs, and Tax Consulting for the Elderly sites.

<sup>xiii</sup> U.S. Department of Labor, Regional and State Employment and Unemployment Summary, Bureau of Labor Statistics:

<http://www.bls.gov/news.release/laus.nro.htm>.

<sup>xiv</sup> H. Comm. on Small Business, hearing on *Economic Stimulus for Small Business: A Look Back and Assessing Need for Additional Relief*, testimony of Mark Zandi, Chief Economist and Co-Founder, Moody's Economy.com (July 24, 2008):

<http://www.house.gov/smbiz/hearings/hearing-07-24-08-stimulus/Zandi.pdf>.

<sup>xv</sup> IRS data compiled by the Brookings Institution. Refers to the refundable portions of the CTC and EITC.