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## Poor use tax credit more, bring \$590 million to Tampa

By Kevin Wiatrowski

The number of Florida households getting the federal earned-income tax credit rose between 2007 and 2008 – another indicator of how far down the economic ladder millions of Floridians have fallen since the housing bubble burst.

In a recent report, the Internal Revenue Service says the number of households qualifying for the poverty-preventing tax credit jumped by more than 53,000 in a single year, to just shy of 1.8 million.

In the Tampa Bay area, more than 284,000 households in Hillsborough, Pinellas, Pasco and Polk counties qualified for the tax credit in 2008, the most recent year numbers were available. Earned-income recipients amounted to one in five local households that year, a slight increase over 2007.

Those credits pumped nearly \$590 million – an average \$5,000 per qualifying household – into the Tampa Bay economy as the recession kicked in, an increase of \$40 million over the previous year, according to the IRS.

"This is good money for the state of Florida," said Douglas Arnold, vice president of marketing for the United Way of Tampa Bay, which encourages its clients to apply for the earned-income credit.

Since the economy turned, the demand has risen sharply among programs serving low-income people, said Terry Field, spokesman for the Tampa office of the state's Department of Children and Families:

- Medicaid enrollments in Tampa Bay area have grown 45 percent since 2007.
- The demand for food stamps has gone up 138 percent in the same period.
- The number of families receiving more traditional welfare benefits has grown 37 percent.

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**Even as Medicaid**, food stamps and welfare have expanded, the earned-income tax credit has emerged as a less contentious way to put more money into the hands of the working poor. It essentially lets them keep more of their own money.

As the recession took hold, former President George W. Bush urged the IRS to promote the tax credit. The agency has given grants to nonprofits across the country to do that, boosting participation.

"The major driving factor is the nature of the economy and more people falling into the EITC range," said John Karl Scholz, who studies poverty at the University of Wisconsin-Madison.

The 35-year-old tax credit began as a way to reduce the tax burden on single mothers. Over the years, its pool of beneficiaries has expanded. The last expansion came under President Bill Clinton in 1993.

A family of four – two parents with two children – making up to \$45,000 a year qualifies for the tax credit, which can refund them up to \$5,000 or more.

Other groups, from single people and single parents to families of five or more can qualify for the credit, depending on how close they come to the poverty line.

In the Tampa Bay area, the United Way and other nonprofits have stepped up their efforts get people to seek the earned-income credit by offering free help filing taxes, said Kara Moore, spokeswoman for Hillsborough County-based United Way of Tampa Bay.

Donald Mitchell of Clearwater got that help last year – and several thousand dollars through the earned income credit. He used the cash as the seed money to start his own moving company.

"It was a big help," said Mitchell, 35. "It gives a little jump, a little cushion."

In 2008, the United Way reported 1,858 of its Hillsborough County clients qualified for the credit, up 24 percent from the year before.

The agency's earned-income filings peaked at 1,966 in 2009. They've declined slightly since then – partly because of competition from private preparers, which can offer people same-day loans against their tax refund, Moore said.

In Pasco, the United Way helped 1,100 people qualify for earned-income credits worth a total of \$1.5 million – nearly triple the total from 2007, said interim president Alex Young.

In Pinellas, the United Way-sponsored earned-income filings nearly tripled between 2007 and this year, bringing in \$3.3 million in 2011, according to the county's Wealth Building Coalition.

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**The IRS says** 10 to 15 percent of those eligible for the tax credit never seek it.

Some of those are likely among the 650,000 taxpayers who vanished from the IRS rolls in 2008 in part because their income fell below the threshold for filing taxes, say tax credit supporters.

The earned-income credit has long had support on both sides of the political spectrum. That's because it benefits working people, said Moore.

"This is not a handout," she said.

Critics disagree. Because the credit is pegged to a family's income, low-wage earners get punished as their financial picture improves, said Chris Edwards, an economist with the libertarian Cato Institute.

"It's trying to proactively get people hooked on the government, which is absurd," Edwards said.

As a part of the tax code, the earned-income credit is a form of indirect government spending. It falls into the same category – tax expenditures – as home mortgage deductions, child tax credits and credits for corporate jets.

Democrats have suggested eliminating some tax expenditures to close the yawning budget gap. Republicans have equated that with raising taxes.

"This type of thing is a bit of a flash point these days," Scholz said.

The earned-income credit hasn't come up in recent national deficit-reduction debates.

Moore said she hoped the credit's success as an anti-poverty measure will shield it from Washington's budget-cutting fervor. But she's not taking the current situation for granted.

"We're keeping our eyes and ears open," she said.

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