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Ohio House District 26
House Bill 59 Sponsor Testimony (as prepared)

Chairman Merrin, Vice-Chair Riedel, Ranking Member Sobecki, and members of the House Ways and Means Committee, thank you for the opportunity for Representative Skindell and I to provide sponsor testimony on House Bill 59, providing modifications to the Earned Income Tax Credit (EITC).

As my colleague briefly pointed out some of the benefits modifying Ohio's EITC will have for Ohioans, I will expand on those benefits a little more. On the federal level the EITC rewards and encourages work and offsets federal payroll income taxes for families with low to middle incomes, based on marital status and number of children. ^[1] Nearly 5.6 million people were lifted out of poverty in 2018 as a result of federal EITC and the severity of poverty was reduced for 16.5 million people. ^[1]

Five benefits of the EITC: ^[2]

1. Promotes work and fuels the economy
2. Expands economic security
3. Increases children's educational performance and attainment
4. Improves health outcomes
5. Provides a short-term safety net

In addition to providing a direct increase to eligible individual's income, EITC boosts income because it encourages work, especially among single mothers. ^[3] EITC also provides benefits for veterans and military households because around two million veterans and military households benefit from EITC, the Children's Tax Credit (CTC), or both. This supplemental income provides significant economic security for these households as families generally use the income on housing, transportation and food. ^[4] By increasing participation in the labor force, reducing poverty, and improving educational outcomes, EITC is also able to improve health and birth outcomes. ^[5]

It has been long established that there is a direct correlation between income and health- individuals of low socioeconomic status suffer from worse health outcomes than wealthier ones. ^[6] Further, individuals with lower incomes over time have shorter life expectancy. The financial stress and insecurity that often accompany poverty can negatively affect health, especially for expectant mothers. In addition to this, access to health insurance, medical services, healthy food, parks, other physical activity facilities, and public transportation are limited for low-income families. EITC is able to alleviate or reduce some of these stressors by providing additional financial resources so that families can pay their bills and have increased spending on healthy groceries such as fresh fruit and vegetables.

Studies have shown that EITC directly impacts infant health measures, specifically when we look at low birth weight.^[7] Results have shown improvements in birth weight grow as the generosity of state EITC increases. For example, when New York State’s EITC rate combined with New York City’s EITC rate increased from 20 to 35 percent there was a 0.45 percent decrease in the low birth weight rate in low-income New York City neighborhoods. ^[6] Other health impacts noted by the CDC include:

- 1.6 to 2.9 percent reduction in the low birth weight rate with an increase of \$1,000 in EITC income for single mothers with less than 12 years of education.
- A reduction of low birthweight rate by 4 to 11 percent being related to the presence of a state EITC across 23 states.

In November 2019, the March of Dimes released their 2019 Report Card, which looks at premature births across the country.^[8] It is important for us to look at preterm birth rates due to the fact that preterm births often times results in infants being born with a low birth weight. March of Dimes defines a preterm birth as any birth before 37 weeks gestation based on obstetric estimate of gestational age. In the Report Card, Ohio was rated a C- with a Preterm birth rate of 10.3%. When you look at some of the largest counties saw a change in birth rate that was worse than the previous year.

County	Grade	Preterm Birth Rate	Change in Rate from Last Year
Cuyahoga	F	12.2%	Worsened
Franklin	D+	10.5%	Improved
Hamilton	D	11.1%	Worsened
Lucas	F	11.6%	Worsened
Montgomery	F	11.7%	Worsened
Summit	B-	9.2%	Improved

For lower wage earners, having an increase in income and financial security can lead to timely receipt of prenatal care, changes in smoking and drinking, and a reduction in stress which all have an impact on a healthy pregnancy.

When the EITC is refundable it pumps new money into the economy by providing both immediate and long-term economic stimulus to state budgets; offers work incentive in industries like retail trade, healthcare, foodservice and accommodation, construction and manufacturing; frees up resources for child care expenses by decreasing the amount of taxes owed; and can boost financial assets and savings, which may help working families avoid future financial setbacks. [9] According to the CDC, a refundable EITC can offer larger, more generous benefits than a nonrefundable credit of the same percentage because it returns the full value of the credit to the worker. [6]

The refundable federal EITC helped more than 265,000 Ohioans work their way out of poverty in 2016. [9] Due to the nonrefundable nature of Ohio's state EITC, there are many Ohioans who cannot take advantage of the full benefits that EITC has to offer. Policy Matters Ohio states that although Ohio's EITC was recently increased to thirty percent (30%), because it remained nonrefundable it is projected to do very little for people working in the lowest-wage jobs. [10]

In addition to providing Ohioans with the general benefits of the EITC, providing a refund option will have a significant impact on children. An article published by Policy Matters Ohio stated, "[t]he earnings supplement created by the refundable EITC is the mechanism that reduces the consequences of poverty for children living in working poor households." Further, the article notes "Cleveland has the highest child poverty in the nation with nearly half of all kids living in poverty (48.7 percent). Cincinnati had the third-highest rate in the nation with 46.4 percent of kids in poverty. More than 513,000 Ohio kids lived below the poverty line last year." [11] When households are able to take advantage of federal refundable credits children tend to perform better in school, have higher rates of college enrollment which leads to better jobs, higher wages, and better financial security. [9]

Making Ohio's EITC refundable has the ability to boost the income for the lowest-income working people and provide long-term benefits such as reduced medical care costs, improved educational outcomes for children, and increased labor market productivity. Passage of HB 59 puts hardworking families first. Thank you again for the opportunity to testify, and at this time Representative Skindell and I are happy to answer any questions you may have.

[1] "Policy Basics: The Earned Income Tax Credit." Center on Budget and Policy Priorities, December 11, 2019. <https://www.cbpp.org/research/federal-tax/policy-basics-the-earned-income-tax-credit>.

[2] "5 Ways the EITC Benefits Families, Communities, and the Country." Center on Budget and Policy Priorities, October 11, 2017. <https://www.cbpp.org/blog/5-ways-the-eitc-benefits-families-communities-and-the-country>.

[3] "Working-Family Tax Credits Lifted 8.9 Million People out of Poverty in 2017." Center on Budget and Policy Priorities, August 1, 2019. <https://www.cbpp.org/blog/working-family-tax-credits-lifted-89-million-people-out-of-poverty-in-2017>.

[4] "Expanding the EITC Would Benefit Veterans and Service Members in Every State." Center on Budget and Policy Priorities, October 11, 2017. https://www.cbpp.org/research/federal-tax/expanding-the-eitc-would-benefit-veterans-and-service-members-in-every-state#_ftn1.

- [5] Komro, Kelli A., Sara Markowitz, Melvin D. Livingston, and Alexander C. Wagenaar. "Effects of State-Level Earned Income Tax Credit Laws on Birth Outcomes by Race and Ethnicity." *Health Equity* 3, no. 1 (2019): 61–67. <https://doi.org/10.1089/heq.2018.0061>.
- [6] "Earned Income Tax Credits." Centers for Disease Control and Prevention. Centers for Disease Control and Prevention, March 29, 2019. <https://www.cdc.gov/policy/hst/hi5/taxcredits/index.html>.
- [7] Markowitz, Sara, Kelli Komro, Melvin Livingston, Otto Lenhart, and Alexander Wagenaar. "Effects of State-Level Earned Income Tax Credit Laws in the U.S. on Maternal Health Behaviors and Infant Health Outcomes," 2017. <https://doi.org/10.3386/w23714>.
- [8] "March of Dimes Report Card." March of Dimes Report Card | March of Dimes. Accessed January 21, 2020. <https://www.marchofdimes.org/mission/reportcard.aspx>.
- [9] "Refundability Now." Policy Matters Ohio. <https://www.policymattersohio.org/research-policy/quality-ohio/revenue-budget/tax-policy/refundability-now>.
- [10] Stein, Ben. "Strengthen State EITC to Help Lowest-Paid Workers: Policy Matters Ohio: June 04, 2019." Policy Matters Ohio | June 04, 2019. <https://www.policymattersohio.org/press-room/2019/06/04/strengthen-state-eitc-to-help-lowest-paid-workers>.
- [11] "Refundable Tax Credits for Working Families Put Kids First." Policy Matters Ohio. <https://www.policymattersohio.org/research-policy/quality-ohio/revenue-budget/tax-policy/refundable-tax-credits-for-working-families-put-kids-first>.