

Anti-poverty groups slam killing tax credit

Gary Heinlein, The Detroit News 2:01 p.m. EDT June 2, 2015



(Photo: File photo / The Detroit News)

Lansing — Anti-poverty groups said Tuesday it would be a mistake for lawmakers to end a tax credit for the working poor as part of a proposed state budget shuffle to fund more road repair work.

The \$113 million spent annually on the state's Earned Income Tax Credit is a tiny part of the \$1.2 billion annual boost needed to fix more roads and bridges, but would be a huge loss to people on poverty-level wages, they told the House Infrastructure and Transportation Committee.

"It's a tax hike on 820,000 working families who are raising one million children here in Michigan," said Michigan League for Public Policy President and CEO Gilda Jacobs.

Legislation to take away the \$113 million and spend it on road repairs is among 11 bills in the House no-tax-increase plan for raising more bridge and highway money.

The committee, which also took testimony Tuesday on legislation to redirect General Fund revenue to roads, is poised for a Wednesday afternoon vote on the bills.

The state's earned income tax credit is set at 6 percent of the rate for a federal earned income tax credit the bill sponsor said provides the biggest share of the income tax credit provided to low-income workers.

Rep. Jeff Farrington, the sponsor, agreed child poverty is a problem but said Michigan's Earned Income Tax Credit averages \$143 per family, or \$2.70 a week. He said the tax credit was shown by a federal audit to be fraught with fraud.

"Why would Michigan taxpayers want to be connected with that program to pay out \$2.70 a week?" asked Farrington, R-Utica.

Michigan's Earned Income Tax Credit was at 20 percent of the federal rate for a year before Gov. Rick Snyder's 2011 budget-balancing strategy cut it to the current level. The reduction cost poor families an average of \$300 each per year, according to testimony.

Jacobs said the higher tax credit helped raise 20,000 families out of poverty; even at the reduced rate of 6 percent, she said, it's boosting 7,000 of them.

Lansing resident Tiffany Bucceri, a mother of two young sons, testified the tax credit helped her get through a period of financial distress while she moved and hunted for a job following a divorce.

Bucceri, now employed in the benefits department of the Michigan Catholic Conference, said Michigan's EITC provided 10 percent of the state and federal income tax breaks that helped her pay off credit card debt she had run up to meet expenses while jobless for six months.

The Catholic Conference joined Jacobs' organization and United Way-supported agencies in opposing the elimination of the state tax credit.

Tom Hickson, its vice president for public policy, said poverty remains a persistent problem for the state. Hickson said one-quarter of all Michigan children live in poverty and the rate is 64 percent in Flint.

"Eliminating the EITC certainly does nothing to help (fight) poverty in Michigan," he said.

Michigan's Earned Income Tax Credit would have gone back up to 20 percent of the federal rate under a complex road funding plan called Proposal 1 that voters resoundingly rejected May 5. The measure also would have raised the state sales tax to 7 percent, up from 6 percent.

The sales tax hike also would have added more than \$300 million to the school aid budget and nearly \$100 million to the state's annual allotment for local governments. Approval would have triggered fuel tax increases leading to a \$1.2-billion boost in road funding.

In the wake of Proposal 1's rejection, lawmakers are scrambling for a new formula to get the \$1.2 billion. The 11 bills up for a Wednesday committee vote constitute House Speaker Kevin Cotter's proposed solution.

The Mount Pleasant Republican leader's plan, which he said would add a little over \$1 billion to the road fix-it pot by 2019, also would shift \$700 million in General Fund revenue and \$185 million from the Michigan Economic Development Corporation's annual budget to roads.

At last week's Detroit Regional Chamber conference on Mackinac Island, Snyder said the House plan is costing the state potential jobs, with its proposed diversion of economic development funds.

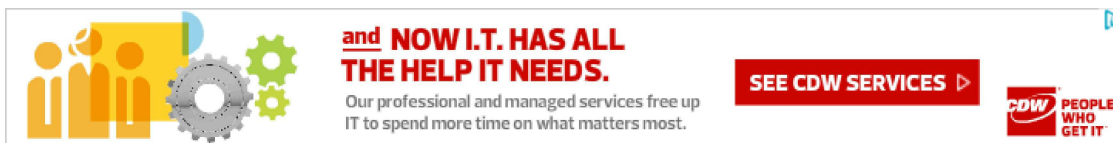
"Every time you look like you're bouncing around or not have a clear direction that you stay true to, you're creating a disincentive for investment," he said.

The Senate is working on its own proposal for more road funding. Majority Floor Leader Mike Kowall, R-White Lake, said members will skip their traditional two-month break to work all summer if necessary.

Snyder and Senate leaders say it's unrealistic to think the state can solve its road repair shortfall by diverting all of the money from other state services and programs. They argue a tax increase for road improvements not only is necessary but would be a worthwhile investment.

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