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EDITORIAL | ISLAND VOICES

# Column: EITC aid boosts isle families, economy

By Shelee Kimura, Peter Ho and Ray Vara • Today • *Updated 12:39 am*

Everyone deserves the opportunity to live in a place where they can thrive. But our current economic state, exacerbated by the pandemic, left half of Hawaii's families financially unstable, and has led to our fourth-in-the-nation outmigration rate. That's bad news. Not just for the people struggling to get by, or for those forced to leave, but for all of us.

Losing workers and consumers creates a risk of prolonged recession and a reduced tax base that makes it impossible to improve or even maintain basic services and infrastructure.

We need to reverse this trend by tackling the growing issue of income inequality in Hawaii together. While we will undoubtedly disagree on some of the proposed solutions, there are a few that nearly everyone can agree on that can be done right now. One opportunity is expanding the state Earned Income Tax Credit (EITC) to make it both permanent and refundable.

The EITC is a special tax credit that helps low-income, working families keep more of the money they earn through their work. The federal EITC brings more children out of poverty each year than any other national program. In Hawaii, the EITC lifts 18,000 Hawaii children out of poverty annually.

A report by the Hawaii Budget and Policy Center on the EITC shows that the positive impacts of the credit start before birth and extend through life. Pregnant women who benefit from EITC are more likely to receive early, regular prenatal care. These mothers have fewer low-birthweight babies, which in turn reduces the number of children with disabilities and their associated health care costs. A $1,000 increase in the EITC reduced the rate of low-birthweight babies by 2% to 3%.

Children in EITC households are more likely to graduate from high school and college. For children between the ages of 13 and 18, a $1,000 increase in the EITC received by their household raises their likelihood of completing high school by 1.3% and college by 4.2%. It also boosts their career earnings by 2.2%.

It's a policy that works for the families that receive it, and it's a policy that works for our economy. The state EITC benefits employers because workers who can pay for necessities are more dependable employees than those who struggle financially. Workers can spend the credit on child care for their kids and reliable transportation and gas to get to work. Additionally, as families spend the money they receive from the EITC to pay bills, feed their children, and purchase gas to get to work, that money circulates through our economy to the benefit of local businesses. In fact, every dollar of EITC generates $1.24 of economic activity.

Hawaii's EITC will expire at the end of the year if our state Legislature does not urgently act by April 28. But the Legislature has an opportunity to not just extend the program for a few years, it can commit to fund it in perpetuity and expand it to reach more of the families that need it most. Under a refundable EITC, when an individual's tax liability is smaller than the amount of the credit, they are given a refund check for the difference. Doing this would boost the incomes of close to 100,000 households by an average of $424 annually.

As a state, we cannot afford to let a policy like EITC expire. It continues to serve as a vital tool for investing in Hawaii's working families and a link to strengthening our economy and communities.

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