



Legislation Text

File #: Res 0017-2006, **Version:** *

Res. No. 17

Resolution calling upon the New York State Legislature to adopt and the Governor to sign legislation to enable the City of New York to increase the City's Earned Income Tax Credit from 5% to 10% of the federal credit.

By Council Members Lappin, Comrie, Fidler, Gennaro, James, Koppell, Rivera, Sanders Jr., Weprin and Mendez

Whereas, The Earned Income Tax Credit ("EITC"), first enacted by the Federal Government in 1975, reduces tax burdens and provides the working poor with a tax credit on federal personal income taxes which can exceed the taxes paid, as an incentive for low income workers to work; and

Whereas, The EITC is a refundable tax credit so that if a worker's income tax liability is less than the amount of the credit for which he or she qualifies, the worker receives the remaining amount as a refund; and

Whereas, Studies have shown that families use the EITC to pay for necessities, pay tuition, make home and car repairs, and in some cases, obtain additional education or training which in return can increase earning power; and

Whereas, The State of New York, since enacting a New York EITC in 1994 (equal to 7.5% of the federal EITC), has expanded its benefit and currently offers an EITC equal to 30% of the federal EITC that provides approximately \$700 million annually in tax credits to eligible taxpayers; and

Whereas, At the Council's urging, the State in 2004 authorized the City to adopt an EITC and the Council by local law adopted a City EITC equal to 5% of the federal credit; and

Whereas, As a result of this program, it is estimated that over 700,000 New York City individuals and families have benefited; and

Whereas, According to the Administration, the total EITC (Federal, State and City) in the last tax year is to have returned an estimated \$1.5 billion dollars back to working families, not only benefiting individuals and their children, but putting these dollars into New York City businesses and services; and

Whereas, Research indicates that the EITC is an essential partner to welfare reform because it provides targeted tax benefits to moderate and low-income taxpayers, encourages work, assists families and communities, reduces welfare receipts among single parents, and according to the *Center on Budget on Policy Priorities* “lifts more children out of poverty than any other single program or category of programs”; and

Whereas, Increasing the current 5% City credit to 10% would further reduce poverty and further increase incomes for low-wage earners in New York City by providing low-income taxpayers with an additional benefit- ranging from \$40 to \$440 per family- for a total tax benefit ranging from \$559 to \$6160; and

Whereas, In 2005 Assemblyman Cymbrowitz and Senator Maltese introduced legislation to enable the City to adopt legislation that would raise the City’s EITC to a maximum of 10% of the federal credit; now, therefore, be it

Resolved, That the Council of the City of New York calls upon the New York State Legislature and Governor to adopt legislation to enable the City of New York to increase the City’s Earned Income Tax Credit from 5% to 10% of the federal credit.

H:Finbrown/Resos/ EITC increase
LS Request # 44
January 17, 2006