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Tax credit benefiting Colorado military families targeted for cut in House of Representatives

*New study finds that about 3,640 Colorado families,
and more than 100,000 nationwide,
are eligible for the Earned Income Tax Credit*

DENVER – A new study by The Bell Policy Center has found that more than 150,000 active duty members of the armed forces, including an estimated 3,640 in Colorado, are eligible for tax relief through the Earned Income Tax Credit program.

The study's findings come as the U.S. House of Representatives is considering cuts in the EITC as part of its federal budget proposal for the next fiscal year. Such cuts, if enacted by the full Congress, could lead to higher taxes for many of these military families.

Bell Policy Center, a statewide research and advocacy group based in Denver, analyzed data from the Department of Defense and the General Accountability Office. It found that more than 150,000 active duty military personnel earned incomes small enough to qualify for the earned income tax credit.

First enacted in the mid-1970s to aid the working poor, the federal EITC provided income tax relief totaling \$37.5 billion in 2004 to 21 million low-income families nationwide, almost all of them families with children.

“The EITC is a crucial workplace benefit for millions of America’s low-income families,” said Rich Jones, director of research and policy at The Bell Policy Center. “Among those families are more than 150,000 who have a parent on active duty in the military. Cutting back on EITC benefits would take money out of these families’ budgets and only add to their financial concerns.”

The budget resolution passed by the House would require the House Ways and Means Committee to cut \$18.7 billion from programs under its jurisdiction over the next five years. Among the large programs that are likely to be considered for cuts is the EITC.

Such cuts would hurt what is considered the most effective anti-poverty tool, as the EITC annually lifts the income of families of at least 2.7 million children above the poverty level. The program has long enjoyed bipartisan support because the credit is extended only to families that have work income.

The EITC provides tax relief and income supplements to taxpayers who earn less than amounts set in an eligibility formula. For example, a married couple with one child earning up to \$31,338 could qualify for an EITC tax credit. Credits vary based on family income and size of the family, and range from less than \$100 to as much as \$4,300.

The study offers examples of a variety of military pay grades and family situations that would qualify a family for the EITC. It also explains how combat pay, which is tax-exempt, plays a role in calculating EITC eligibility.

For example, a marine corporal who has a rank of E4 and four years experience, is married to non-working spouse, has two children, and receives \$21,769 in basic pay and another \$3,000 in special pay and incentives would qualify for an EITC of \$2,250.

Colorado and 17 other states have adopted their own version of the EITC to provide additional tax relief to qualifying families.

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