



The time has come to consider new, bold ways to make our economy work again for all Americans.

The Economic Security Project is a network of policymakers, academics, organizers and technologists working to end poverty and rebuild a strong middle class through a guaranteed income. The initiatives we organize and support focus on immediate opportunities to help families make ends meet and long-term strategies that promote a vision of economic dignity and freedom for all Americans.

Join us.

If you're excited by bold initiatives and share our belief that we're at a moment in history that requires urgent and audacious responses to entrenched poverty and a rapidly-changing economy, then we want to hear from you. To learn more about how you can become part of our network, please reach out to us at hello@economicsecurityproject.org.

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The Cost-of-Living Refund

STATE POLICY DETAILS FOR DECISION-MAKERS

The Cost-of-Living Refund is a bold modernization of a state Earned Income Tax Credit. It pushes the credit further up into the middle class, gives recipients a more generous benefit, expands the definition of work to include caregivers and students, and creates an option for a monthly credit.

A state Cost-of-Living Refund provides a credit that is generally between \$1,200 and \$2,500 to people who earn less than \$75,000 and are working, or are family caregivers or students.

Anyone who qualifies for the current federal EITC is eligible as well as middle-class people, younger people, caregivers, and students. The credit amount is larger for most recipients than a simple federal EITC match, including to workers without dependent children, while preserving the principle that low-income people and people with children still receive larger credits. There is also a basic credit that sets a substantial minimum amount for people not on the phase-in/phase-out.

ELIGIBILITY

- Raise the income ceiling to \$75,000 for all families. (Currently ranges from \$15,270 to \$54,884 depending on family type.)
- Add eligibility for family caregivers with qualifying dependents under age 6, over age 70, or who are disabled.
 - * *This includes dependents who are age 70+ or disabled but who are not EITC-qualifying dependents. Dependents must have a Social Security number.*
- Add eligibility for students attending in-state higher education institutions at least half-time.
 - * *Institution may be public or private, but must be non-profit.*
 - * *Half-time status indicated on 1098-T form.*
 - * *Limit to low-income students, eligible for Pell grants or simplified financial aid form.*
- Lower eligibility to age 19. (Currently limited to ages 25-64 for filers with no dependents, except in CA which is currently 18+.)
- Maintain other existing rules for federal EITC eligibility, including:
 - * *Retain federal limits on investment income.*
 - * *Retain federal requirement that filers have a Social Security number.*
 - * *Filers may not be claimed as a dependent by another filer.*

CREDIT AMOUNT

- **Begin with 40% of federal EITC credit** amount, and a fully refundable state credit.
- **Set the phase-in at 40% of the federal rate** for recipients with qualifying dependents.
 - * *Set the phase-in rate for recipients without qualifying dependents equal to the phase-in rate for recipients with one child.*
- **Set the basic credit to \$1200**, topping up those who get less except on phase-in/out.
 - * *This is a much more generous credit than the few hundred dollars many recipients get under a typical state EITC.*
- **Set caregiver/student credit at \$1200** for those with zero or low income:
 - * *It's not a flat \$1200 on top of their earnings-based credit—rather, we bring them up to \$1200 if they are below that, and if they should receive more than \$1200 based on their earnings, they get the larger earnings-based credit.*
- **Phase-out is the same for all recipients**, at a rate of 4.8%.
 - * *Phase-out is the same for all recipients, beginning at \$50,000 of income and phasing out at \$75,000 of income. This is more generous than the federal phase-out rate which ranges from about 16-21%.*

ADDITIONAL POLICY DETAILS

- **Monthly payments:** Create an option to receive the credit monthly. This is the default for credits of \$240 or more (\$20/month), but recipients may opt into a lump sum payment.
 - * *Each payment is 1/12 of the EITC for the previous year, not an advance on next year.*
- **Electronic:** Monthly payments use direct deposit/debit card to avoid check fees.
 - * *EBT cards could be used, but only with sufficient protections against fees.*
- **Notification:** A state notifies potential filers in January and recipients before their first payment of the year.
- **Expenses:** No more than 2% of increased revenue can go to administrative expenses.
- **Funding:** The program is financed by taxes on top earners. Depending on state law, the tax could include an income tax surcharge, a mansion tax (a property tax and a transfer tax), an estate tax, or a capital gains tax, all targeting the wealthiest 1-2% of residents.
- **Free tax prep:** Require tax preparers to notify clients eligible for free tax prep
- **Outreach:** Provide funding for groups that increase uptake of the tax credit.
- **Rainy day fund:** Create a reserve account to help fund the credit during recessions.

