

## Vermont's Earned Income Tax Credit is Not Too Generous

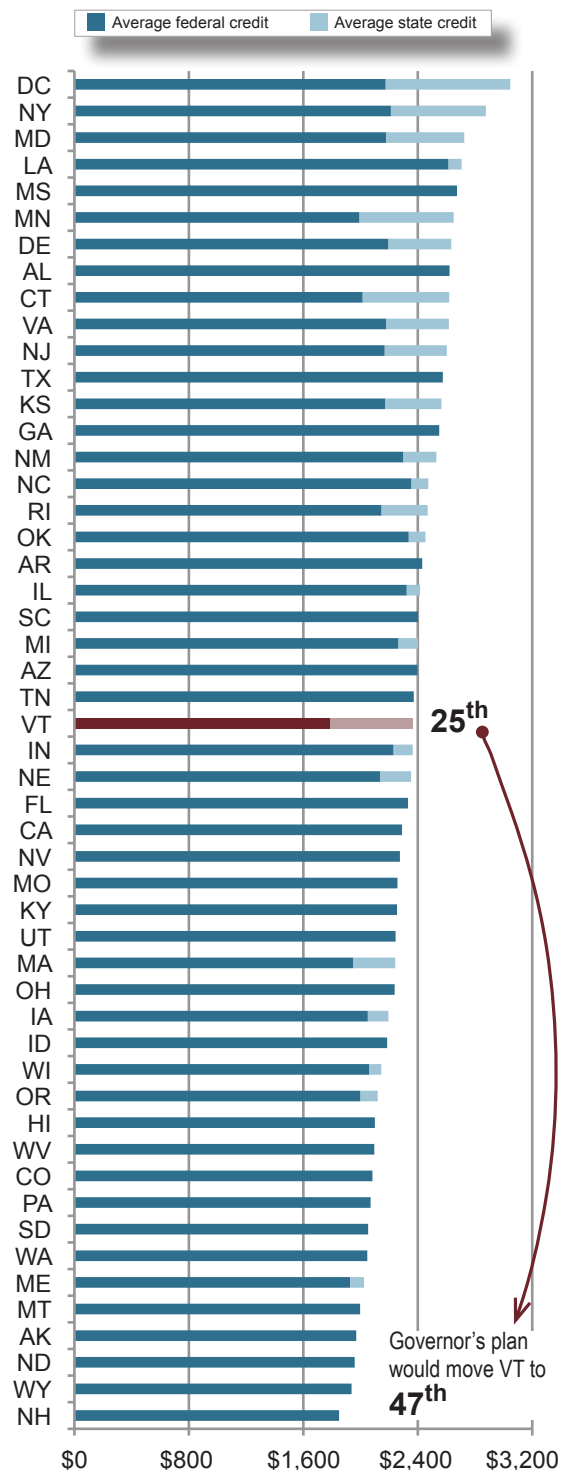
The Earned Income Tax Credit (EITC) is a proven and effective tool for helping low- and moderate-income families make ends meet and for reducing poverty, particularly among children. In 2011, the Vermont EITC let about 45,000 working households keep more of what they earned. These households included more than 100,000 individuals, about half of them children.

Claiming that Vermont's EITC is too generous, Gov. Peter Shumlin proposed cutting the \$26 million tax expenditure (see table below) by about two-thirds. But his claim is simply untrue. Combined with the federal credit, what working Vermonters receive in EITC is just average.

While the state credit is generous, Vermont's workers actually received the smallest average federal EITC among the states—\$1,793 in 2011. When states are ranked by their combined credits—the federal EITC plus any state EITC—Vermont is in the middle: 25th among the 50 states and the District of Columbia with a combined credit of \$2,367. If the governor's proposed cut had been in effect in 2011, the average combined credit in Vermont would have been about \$1,990, and Vermont 47th among the states.

### 2011 Average EITC

States ranked by total average EITC



Major Individual Income Tax Expenditures FY2011	
Standard Deduction	\$103,240,400
Personal Exemption	88,739,700
Earned Income Tax Credit	25,565,700
State & Local Income and Sales Taxes	20,307,000
Home Mortgage Interest Deduction	18,731,600
Real Estate Taxes	13,869,100
Charitable Contributions & Gifts	8,830,700
Capital Gains Exclusion	8,544,200
Job Expenses & Other Misc Deductions	4,023,100
Vermont Municipal Bond Income	3,700,700
Medical & Dental Expenses	2,908,900
Vermont Business Solar Energy Credit	2,387,600
Credit for Child and Dependent Care	1,656,100
Vermont Higher Education Investment Credit	1,396,300
Qualified Bond Interest Income Exemption	1,366,800
Military Pay Exemption	1,213,600

Data source: Vermont Tax Department

Data source: Internal Revenue Service (including latest state EITC rates)