

- SUBJECT:** HHSC distribution of federal earned income tax credit information
- COMMITTEE:** Government Reform — committee substitute recommended
- VOTE:** 6 ayes — Uresti, Y. Davis, Frost, Gonzales, Hunter, Veasey
0 nays
1 absent — Otto
- WITNESSES:** For — Celia Hagert, Center for Public Policy Priorities; Jason Sabo, United Ways of Texas; (*Registered, but did not testify:* Caroline O'Connor, Texas State Employees Union).

Against — None
- BACKGROUND:** The Earned Income Tax Credit (EITC) is a refundable tax benefit for eligible individuals and families who work and have earned low or moderate incomes. Workers who qualify for the EITC, including those receiving government assistance and benefits, and who file a federal tax return may get a refund of some or all federal income tax that was taken out of their pay during the year. They may also get extra cash back from the IRS. Even workers whose earnings are too small to have paid taxes can get the EITC.

Volunteer income tax assistance (VITA) programs are partnerships between the Internal Revenue Service (IRS) and local communities and organizations offering free tax help to low- to moderate-income people who cannot prepare their own tax returns. Trained VITA volunteers help prepare basic tax returns in communities across the state and country, including help with the EITC. VITA sites are located at community and neighborhood centers, libraries, schools, shopping malls, and other convenient locations.
- DIGEST:** CSHB 630 would require the Health and Human Services Commission (HHSC) to ensure that EITC educational materials were distributed to those receiving federal assistance or benefits from certain programs, including the Child Health Insurance Program (CHIP), Temporary

Assistance for Needy Families (TANF), Medicaid, the food stamp program, or any other appropriate health and human services program.

HHSC would have to provide eligible people with access to IRS publications on the EITC or information prepared by the comptroller about the credit. Federal income tax forms necessary to claim the EITC, along with the location of at least one local VITA program, also would be provided. HHSC could make the information available through mail, Internet, or telephone.

In January each year, HHSC would be responsible for mailing information providing referrals to the available EITC resources to each eligible person.

The bill would take effect on September 1, 2005

**SUPPORTERS
SAY:**

The EITC has several important purposes: to reduce the tax burden on low- to moderate-income workers, to supplement wages, and to make work more attractive than welfare. However, every year thousands of Texans do not receive the tax refunds they may be due because they do not take advantage of the EITC when filing their income tax. Because people either don't know they qualify for the credit, don't fill out their tax forms properly, or perceive the tax filing process as too cumbersome, every year millions of dollars of EITC revenue goes unclaimed in Texas.

CSHB 630 would increase working, eligible Texans' access to the EITC by raising awareness of the availability of the credit and of the free resources available to assist these individuals. Publicizing and encouraging the use of VITA programs would help people take full advantage of the EITC. The EITC can be claimed retroactively by workers for the previous three years, which would facilitate the flow of money to low and moderate income households as well as to the state economy.

In most cases, the EITC does not affect eligibility for benefits like cash assistance, TANF, CHIP, Medicaid, food stamps, SSI, or public or subsidized housing. Often, if the recipient has few or no other resources, the amount of the EITC is not enough to cause that recipient to exceed the resource limit for these benefit programs.

**OPPONENTS
SAY:**

When encouraging awareness of the EITC, HHSC should take necessary steps to ensure that eligible people are informed that an EITC refund must be spent by the end of the month after the month in which it is received or

it could count as a resource in determining eligibility for Medicaid, social security disability income, or federally assisted housing programs. The EITC also could count as a resource in determining eligibility for food stamps if it were not spent within 12 months of receiving it. Government assistance recipients not informed of these potential effects could possibly lose out on essential benefits.

NOTES:

The substitute modifies the original bill by removing provisions requiring HHSC and Texas Workforce Commission contractors to distribute EITC materials to clients.

A related bill, HB 401 by Villarreal, which would promote use of voluntary income tax assistance programs to help boost federal income tax refunds for those who owe child support, was on Tuesday's General State Calendar.