



Financial Stability for Low-Income Families with Young Children

Executive summary of the Issue

[Research has shown](#) that family income is strongly correlated with healthy births, early development and long-term opportunity and success. Increased income reduces family dysfunction that impacts children's healthy development, risk of abuse and neglect, and educational achievement .

Financial supports such as job training, financial education and tax credits (such as EITC and Child Tax Credits) help families to earn and keep more income, promoting financial stability and self-sufficiency.

Nature of the Problem

There are more than 351,000 children under age 6 in Florida living in poverty, with an additional 324,000 young children in low-income working families at increased risk of falling into poverty. This represents 54% of all of Florida children, significantly higher than the national average (48%).

For low-income families:

- Access to quality child care is limited (and can cost more than half the family's income);
- Expensive or insufficient child care often interferes with work, which can further reduce family income and create increased turnover for businesses;
- Higher rates of un-insurance limit access to primary and preventive care including immunizations and well-baby care, mental health treatment (for both infant mental health and for parental depression), screening and early interventions for developmental delays.

Low income families may lack the financial literacy to manage their budget, reduce consumer debt or build savings, and are vulnerable to predatory lenders that further compromise their financial stability.

Background/History

Child Tax Credits (CTC), and Child and Dependent Care Credits (CDCC), both established in 1997, and Earned Income Tax Credits (EITC), established in 1975, are Federal tax credits to help low-income working families keep earned income they need to provide their children safe and healthy homes .

CTC reduces a family's taxes by \$1,000 per child for up to three children; with additional CTC refunded for some low-income families with little taxes due.

CDCC reduces taxes for families with young children or disabled family members, up to 35% of the cost of providing care. The credit is only available for families who are employed or in college.

EITC also incentivizes work since it is a refundable credit that increases as a family in poverty works more and then slowly reduces when their wages surpass a certain point. While a family's EITC is uniquely calculated, the average EITC for all families in the last tax year was \$2,440.

[Reports](#) by federal and state agencies, universities and policy institutes show EITC to be the single most successful means for helping families, especially those with young children, out of poverty.

However, the IRS has found that the perceived and actual complexity of preparing tax returns result in families failing to claim the EITC and other credits they have earned.

What change is being proposed, e.g. statutory change or appropriation request? Be specific, if possible regarding language or amount requested.

Next year Congress will consider tax reforms including whether to reauthorize the current EITC and CTC. United Ways support reauthorizing these important tax measures.

In 2014 Floridians claimed over \$5.1 billion in Earned Income Tax credits. However, approximately 17% of eligible households did not claim their refunds, leaving more than \$1 Billion of Florida taxpayers' money in Washington.

United Ways are requesting the Florida Legislature appropriate \$1.2 million in 2016-17 to increase access to free tax preparation and financial education services statewide. This will help up to 35,000 low-income families in Florida claim the EITC and Child Tax Credits they have earned.

What will the proposed legislative change or appropriation do? (e.g. number of additional children to be served, ways services will be enhanced). What is the ROI for the state?

The proposed appropriation will generate millions in tax refunds, including over \$10 million in EITC refunds, as well as savings in tax preparation fees. It will also generate millions of dollars in new sales tax revenue for the state.

How will children and families ultimately be better off? (e.g. improved outcomes such as healthier, reduced abuse and neglect, better attendance, grades, graduation rates and more successful in school and in life)

When families are less income-stressed they are less likely to experience the dysfunctions that can significantly impact their children's health, risk of abuse and neglect, and educational success.

List any known groups that are supporting the change.

Groups supporting the proposal include the United Way of Florida, Florida's 32 local United Ways, the Florida Prosperity Partnership.

List any legislators who are supportive of or sponsoring legislation on this issue.

Members of the House and Senate Transportation and Economic Development Committees have been informed of the request and have indicated various levels of support. House TED Committee Vice Chair Representative George Moraitis (R-Ft. Lauderdale) has agreed to sponsor the request in the House.

Is there any known opposition? If so, please specify.

There is no known opposition.