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STATE EARNED INCOME TAX CREDIT: A WISE SOCIAL INVESTMENT

In its latest issue brief, *How a State Earned Income Tax Credit Would Benefit Hawai'i's Low-Income Families and Children*, Hawai'i KIDS COUNT highlights how a state Earned Income Tax Credit (EITC) is a wise investment for the well-being of our low-income children.

The federal Earned Income Tax Credit (EITC) is one of the nation's most effective anti-poverty measures, lifting millions of Americans out of poverty each year by allowing them keep more of what they earn. Despite its effectiveness, earnings plus the federal tax credit do not guarantee an escape from poverty for all families struggling to make ends meet. In many cases, state-level EITCs have helped to fill that gap across the country. Unfortunately, Hawai'i remains one of 24 states without a state EITC. In a state where low-income residents pay more state and local taxes as a share of their income than higher-income residents, a refundable credit against state income taxes would contribute toward keeping the tax system fair.

Growing up in poverty and economic hardship can have long-lasting consequences for children. Decades of research have documented the association between poverty and negative health, developmental, and education outcomes for children. A growing body of research also documents important links between the tax credit (both at the federal and state-levels) and family and child well-being, such as improved maternal and infant health, greater educational achievement and attainment, and better employment and economic outcomes when children reach adulthood.

A state EITC can leverage the associated benefits of the federal credit and further combat poverty and economic hardship among working poor and low-income families. The estimated number of children in Hawai'i that would benefit from a state EITC in the first few years could range from 41,622 to 97,118, depending on

HOW A STATE EARNED INCOME TAX CREDIT WOULD BENEFIT HAWAII'S LOW-INCOME FAMILIES AND CHILDREN

For too many of our families, having a job does not necessarily translate into financial stability. Many of Hawai'i's parents work but earn too little to provide adequately for their families given the high cost of living in the state, and too many working families live on the edge of poverty.

The federal Earned Income Tax Credit (EITC) has long been recognized as one of the nation's most effective anti-poverty measures, lifting millions of Americans out of poverty each year by allowing them keep more of what they earn.¹ The tax credit targets low-income and moderate-income families and is credited with encouraging work and supporting children's development through various stages of life.² Despite the effectiveness of the federal EITC in reducing poverty among working families, earnings plus the federal tax credit do not guarantee an escape from poverty for all families struggling to make ends meet. In many cases, state-level EITCs have helped to fill that gap across the country. Unfortunately, Hawai'i remains one of 24 states without a state EITC.³ In a state where low-income residents pay more state and local taxes as a share of their income than higher-income residents,⁴ a refundable credit against state income taxes would contribute toward keeping the tax system fair. A state EITC equal to at least 10% of a filer's federal EITC would also be a highly cost-effective way to help many of Hawai'i's low-income families meet their basic needs with their own income.

Figure 1. Hawai'i Families with Related Children That Are Below Poverty by Family Type, 2014⁵

Family Type	Number	Percent
All families	13,000	12%
Married couple families	7,000	7%
Single parent families	6,000	23%

The EITC and Family and Child Well-being

Growing up in poverty and economic hardship can have long-lasting consequences for children. Decades of research have documented the association between poverty and negative health, developmental, and education outcomes for children.⁶ For example, children raised in families at or near the poverty level are more likely to be born with low birth weight, experience poor health, have limited access to high-quality child care and education, have lower academic achievement scores, and experience behavioral problems, grade failure, and dropout.⁷ The effects of poverty build over time, with consequences at one stage impeding progress at a later

The Federal EITC

The credit varies by a taxpayer's filing status and number of children and is fully refundable, meaning that any excess beyond the taxpayer's liability becomes a payment. The amount of the credit increases with earned income, and it reaches a maximum level when it plateaus as earnings continue to grow eventually phasing out at higher income levels. In 2015, working families with children that have annual incomes below roughly \$30,000 to \$35,000 (depending on marital status and the number of dependent children) may be eligible for the credit.⁸

In the 2013 tax year, the most recent year for which data are available, over 27 million working families and individuals received the federal EITC. In Hawai'i, 100,010 tax filers claimed the federal credit.⁹ Across the nation, the average EITC was \$1,074 in 2013 for a family with children. Increasing wages by about \$200 a month¹⁰ in Hawai'i, the average EITC was \$1,122 for a family with one child, \$1,174 for a family with two children, and \$3,210 for a family with three children.¹¹

the participation rate of eligible families with children.

House Bill 1548, *Relating to Taxation*, was introduced on opening day of the 2016 Legislative Session and calls for the establishment of a state EITC.

We invite you to learn more about how a state EITC will benefit Hawai'i's children and to use data and research in your legislative testimony. You may download the Hawai'i KIDS COUNT brief from http://uhfamily.hawaii.edu/publications/brochures/56ec9_EITC.pdf.

The Hawai'i Appleseed Center for Law and Economic Justice has also outlined how a state EITC will benefit the State of Hawai'i in its policy brief, [*Cutting Taxes to Strengthen the Economy and Boost Hawai'i's Families: A Refundable State Earned Income Tax Credit*](#). For more on Hawai'i Appleseed's legislative advocacy for economic justice and the passage of this legislation, please visit <http://hiappleseed.org>.

HAWAI'I CHILDREN'S POLICY AGENDA

A collaboration of over 40 organizations and individuals committed to improving the lives of Hawai'i's children has developed a children's policy agenda for 2016. Spearheaded by the Hawai'i Children's Action Network (HCAN), the group has identified over 70 policy issues to focus on during the 2016 Legislative Session, including education, health and wellness, child safety and welfare, economic security and equity for children, and family strengthening. Collaboration on a children policy agenda serves as a starting point to ignite awareness of, bring together support and amplify the advocacy for pro-child policy changes in Hawai'i.

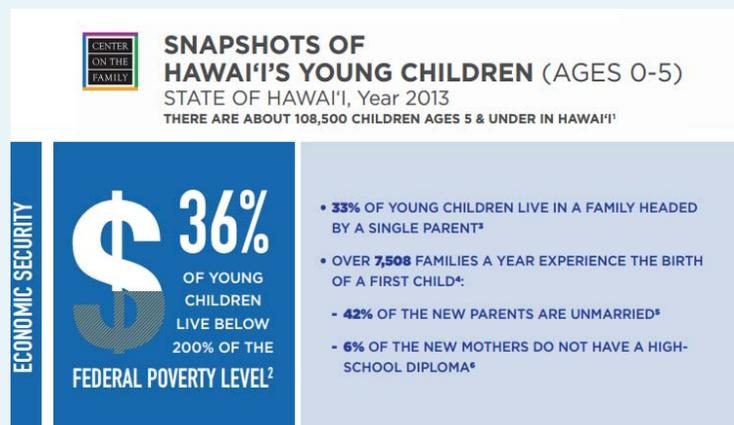
The *Hawai'i Children's Policy Agenda*, as well as information on how you can advocate on behalf of Hawai'i's keiki, can be found at: <http://www.hawaii-can.org/2016policyagenda>.



DATA, DATA, DATA: KIDS COUNT DATA CENTER AND SNAPSHOTS OF HAWAI'I'S CHILDREN AND YOUTH

The 28th State of Hawai'i Legislature began on January 20th. Hawai'i KIDS COUNT knows that many of our partners will be providing testimony during the 2016 Legislative Session.

Good data is the foundation for sound decision making, especially when it comes to laws that will have an impact on children and their families. This is why we believe it is imperative to include data in legislative testimony.



KIDS COUNT is the premier source for data on child and family well-being in the U.S. The KIDS COUNT Data Center allows you to access hundreds of indicators, download data, and create reports and graphics to

support decision-making that impacts children and families. Please visit the Hawai'i pages of the KIDS COUNT Data Center at <http://datacenter.kidscount.org/> for your legislative data needs.

In addition, the Center on the Family (COF) recently released the county-level *Snapshots of Hawai'i's Young Children, Children and Teens*, as a supplement to the state-level Snapshots that were released in 2015. The county Snapshots can be found in the Publications section of the COF website:

<http://uhfamily.hawaii.edu/publications/list.aspx>.

LONG-TERM BENEFITS OF THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM

Originally known as the Food Stamp Program, the Supplemental Nutrition Assistance Program (SNAP) currently provides benefits to over 45 million Americans each month, including 20 million children.

According to a report published in December 2015 by the Executive Office of the President of the United States, Long-Term Benefits of the Supplemental Nutrition Assistance Program, SNAP plays an important role in reducing both poverty and food insecurity in the U.S.



According to the report, SNAP benefits have contributed more to poverty reduction among children than any program, except refundable tax credits. In 2014, more than 4.5 million people, including 2.1 million children, were lifted out of poverty as a result of receiving SNAP benefits. A recent study, however, suggests that the impact of the benefit may be significantly underestimated and finds that in 2012 as many as 10 million people were lifted out of poverty by SNAP, with about half being children.

In addition to reducing poverty, SNAP has been shown to be highly effective in reducing food insecurity. Research shows that food insecurity rates are up to 30% lower than they otherwise would be in households that receive SNAP. The program was temporarily expanded under the American Recovery and Reinvestment Act of 2009 (ARRA). This temporary expansion led to a median increase in benefits of approximately 12% between December of 2008 and 2009, and about an 8% reduction in food insecurity for SNAP-eligible low-income households (the equivalent of pulling approximately 530,000 households out of food insecurity).

Early childhood hunger and insufficient nutrition are linked to poor health and development outcomes in children. The report also summarizes SNAP's positive impact on child well-being by reducing food insecurity.

In Hawai'i, there were an estimated 74,312 households that received SNAP benefits in 2015, or approximately 16.5% of households. While 13.1% of households in the City & County of Honolulu received SNAP benefits, the shares were higher in other counties:

- 30.4% in Hawai'i County;
- 18.6% in Maui County; and
- 17.3% in Kauai County.ⁱ

SNAP lifts millions of families out of poverty and hunger each year. To learn more read the report, in full, at https://www.whitehouse.gov/sites/whitehouse.gov/files/documents/SNAP_report_final_nonembargo.pdf.

ⁱHawai'i Department of Human Services, Monthly Participation (July 2014-June 2015). Available from: <http://humanservices.hawaii.gov/bessd/snap/>.

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