

Testimony in Support of HB7589
An Act Relating to Taxation – Personal Income Tax
Increasing the State Earned Income Tax Credit (EITC) to 30%
House Committee on Finance
May 2, 2024
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The Economic Progress Institute strongly supports Representative O’Brien’s HB7589, which would increase Rhode Island’s Earned Income Tax Credit (EITC) from 16% to 30% of the federal EITC for tax years 2025 and beyond.

Rhode Islanders value hard work and financial freedom. Unfortunately, too many hard-working Rhode Islanders are struggling to meet their basic needs. According to the Economic Progress Institute’s 2022 RI Standard of Need Report, 61% of single adults and 70% of single parents with two children struggle to meet their basic needs. The Earned Income Tax Credit (EITC) is a tax credit that helps Rhode Island families by putting money back into the pockets of low- and modest-income working people. The credit is also “refundable,” meaning that it also helps lowest wage workers get money back from the IRS as long as the EITC exceeds their tax liability.

The EITC is an effective anti-poverty measure. In 2018, the federal EITC lifted about 5.6 million people above the poverty line, including nearly 3 million children. The credit also made another 16.5 million people, including 6 million children, less poor.¹ By reducing poverty, the EITC also helps families and children thrive. Studies have shown that increasing the EITC is linked with improving infant and maternal health.² Moreover, when families receive larger state or federal EITCs, their children achieve better test scores than children from similar families who did not receive larger credit expansions. The children were also more likely to finish high school and go to college.³

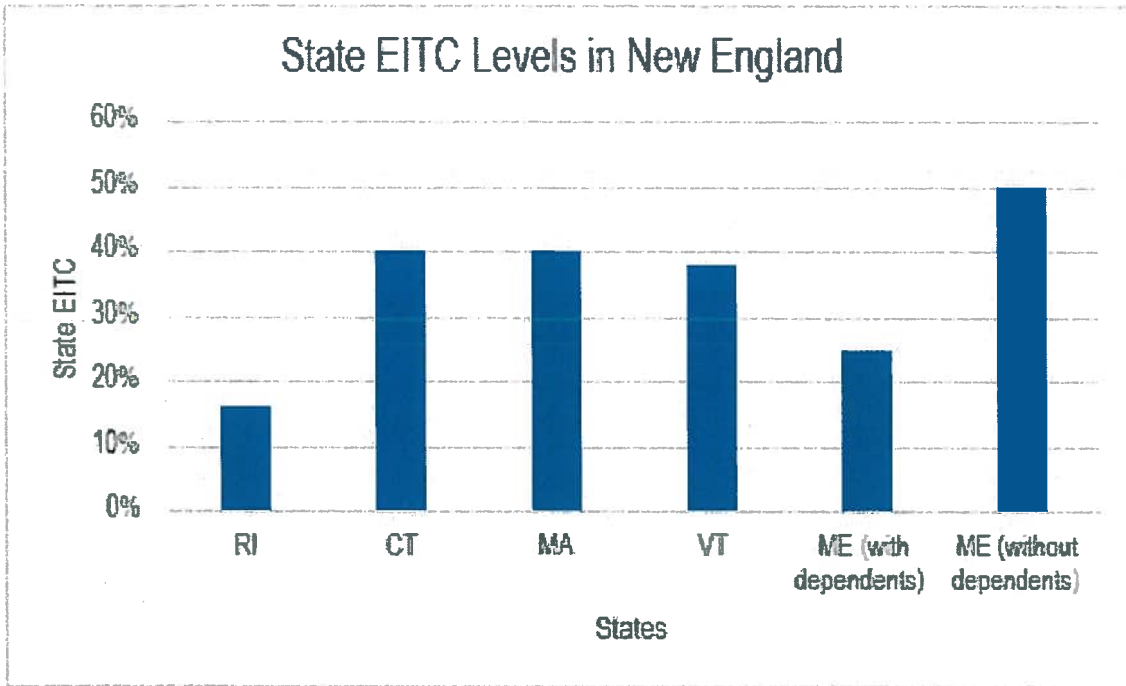
Although the EITC is a powerful tool to lift hard-working Rhode Islanders out of poverty, RI’s EITC is significantly lower than the rest of New England. As shown in *figure 1*, Connecticut and Massachusetts have state EITCs that are at 40% of the federal EITC. Vermont is at 38% and Maine is at 25% for workers with dependents, and at 50% for workers without dependents. Rhode Island is significantly behind at only 16%.

¹ [Policy Basics: The Earned Income Tax Credit – Center on Budget and Policy Priorities, April 2023](#)

² [Giving Mom a Break: The Impact of Higher EITC Payments on Maternal Health – National Bureau of Economic Research](#)

³ [Chart Book: The Earned Income Tax Credit and Child Tax Credit – Center on Budget and Policy Priorities](#)

Figure 1:



HB7589 would improve equity by helping low-income families in Rhode Island meet their basic needs. We strongly urge passage of HB7589.