

The Impact of EITC & VITA in Colorado¹

Each year, the Earned Income Tax Credit (EITC) supports the financial stability of over 23 million low- and moderate-income workers by reducing their federal tax burden. In 2023, the national average EITC refund was \$2,541.² Beyond encouraging work, the EITC refund gives millions of households an opportunity to catch up on bills, provide for their families and save for emergencies, or their future. Studies on the impact of the EITC have found that children living in households who receive the credit have improved health and educational outcomes.³ For such a modest program, it goes a long way to help lift people out of poverty and provides a safety net for millions of households for this uncertain time.

The federal EITC has been so effective that 31 states and D.C. have enacted a state EITC to further boost economic mobility for workers.

How does Colorado benefit from the EITC?

Colorado directly benefits from the estimated 287,000 residents that receive the credit each year. In 2023, these residents received more than **\$635M** in EITC refunds, an average of \$2,213 for each household in Colorado that claimed the EITC. Research suggests that the credit may create local economic impacts equivalent to at least twice the amount of EITC dollars received.⁴

Who's Missing from the EITC?

As one of the most effective anti-poverty tools available to American households, it is incredibly important to maximize the usage of the credit. Unfortunately, not everyone who is eligible to the credit is claiming it! In Colorado, an estimated 27.9% of EITC-eligible households do not claim the credit.⁵ That leaves an estimated \$159M in new federal dollars on the table that could be injected back into Colorado's local economy!

In addition, workers without children cannot benefit from the full effect of this powerful credit. Expanding the EITC will open pathways out of poverty for nearly 202,000 workers across the state.⁶ Now more than ever, expansion of the EITC will provide essential resources for local communities by those hardest hit by the COVID-19 pandemic. Expansion will help address some of the challenges faced by many low-to-moderate income workers without children and help them get back more of what they earned!

Support EITC-eligible Taxpayers in Colorado!

Federal, state, and local policymakers can help low-income, EITC-eligible taxpayers by supporting **Volunteer Income Tax Assistance (VITA)** sites that provide high-quality tax preparation, financial stability services and connections to other community services at no cost. Throughout the COVID-19 pandemic, VITA sites continue to serve clients through in-person, virtual, drop-off, and a myriad of hybrid models.

VITA programs will need additional volunteer and financial resources to meet the increasing demand for services both virtually and in-person. Your support for making the VITA program permanent and increasing its funding levels will directly benefit low- and moderate-income, EITC-eligible residents in Colorado!

Total EITC Returns in CO

287,000

EITC Refund Dollars in CO

\$635,000,000

Average EITC Refund in CO

\$2,213

Unclaimed EITC
Percentage in CO

27.9%

Workers Benefiting from
EITC Expansion in CO

202,000

¹ All data sourced from IRS data

² Internal Revenue Service, [EITC and Other Refundable Credits](#), Accessed Jan 16, 2024.

³ Chuck Marr, Chye-Ching Huang, Arloc Sherman, and Brandon Debot, [EITC and Child Tax Credit Promote Work, Reduce Poverty, and Support Children's Development Research Finds](#), Center on Budget and Policy Priorities, 2015.

⁴ Alan Berube and Natalie Holmes, "The Earned Income Tax Credit and Community Economic Stability." (Washington, DC: Brookings Institution, 2015).

⁵ Internal Revenue Service, [EITC Participation Rate by States](#), Accessed Jan 16, 2024

⁶ "Expand the EITC for Workers without Qualifying Children", U.S. Department of the Treasury, Office of Tax Analysis, March 24, 2016