
FISCAL TOPICS

Fiscal Services Division

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Tax Credit: Earned Income Tax Credit

The Earned Income Tax Credit (EITC) is available to individual income taxpayers who qualify for the federal Earned Income Tax Credit. The EITC equals 15.0% of the [federal Earned Income Tax Credit](#).

Tax Credit Background

- Enabling Legislation: 1989 Iowa Acts, chapter [268](#) (State Individual Income Tax Act)
- Iowa Code Citation: Section [422.12B](#) — Individual Income Tax
- Administrative State Agencies: Iowa Department of Revenue
- Sunset Date: None
- Transferable: No
- Refundable: Yes
- Carryforward: No
- Tax Review Committee Review Year: 2021

Legislative History

The EITC became effective January 1, 1990, in the amount of 5.0% of the federal Earned Income Tax Credit and was initially nonrefundable. Effective January 1, 1991, the nonrefundable EITC was increased to 6.5% of the federal Earned Income Tax Credit. Effective January 1, 2007, the amount of the credit was increased to 7.0% and the credit was made refundable.

The EITC was coupled with the federal Earned Income Tax Credit for tax years 2010 through 2012 during the 2011 Legislative Session. For tax years beginning on or after January 1, 2014, the credit was coupled with the increases in the federal Earned Income Tax Credit through tax year 2017. Effective January 1, 2013, the EITC rate was increased to 14.0% of the federal Earned Income Tax Credit and was increased to 15.0% for tax years beginning January 1, 2014. Increases in the federal Earned Income Tax Credit for married households and households with three or more children were made permanent in 2015 for tax years 2018 and later. During the 2018 Legislative Session, the Iowa EITC was coupled with those federal changes.

More Information

Department of Revenue Contingent Liabilities Report: tax.iowa.gov/reports?term_node_tid_depth=79

Department of Revenue Tax Credit Review:

tax.iowa.gov/sites/default/files/idr/EITC%20Evaluation%20Study%202016.pdf

Department of Revenue Tax Credit Users' Manual: tax.iowa.gov/sites/default/files/2020-11/TaxCreditsUsersManual2020.pdf

Legislative Services Agency Individual Income Tax Guide:

www.legis.iowa.gov/docs/publications/LG/711304.pdf

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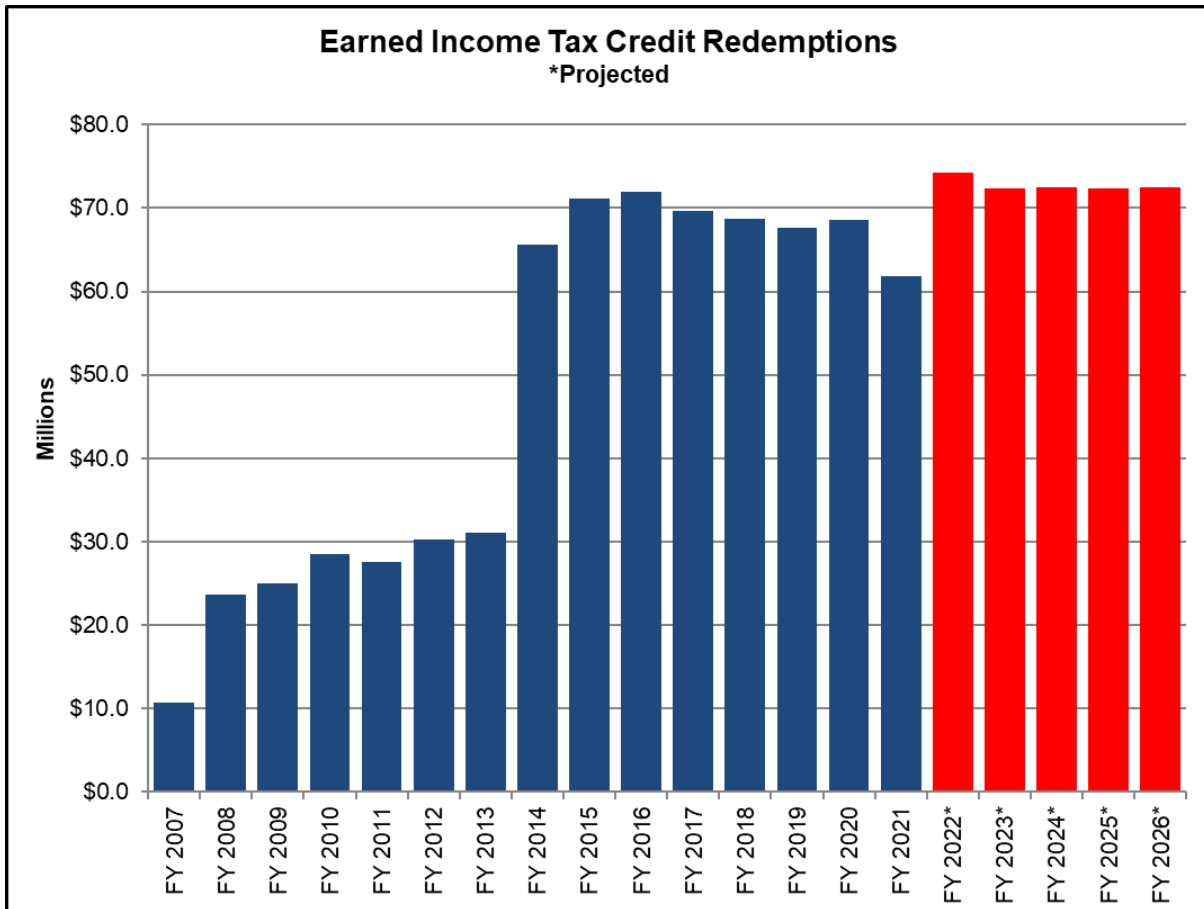
Tax Credit Review, Usage, and Future Liability

The following is based on a Department of Revenue (IDR) review of the EITC released December 2016:

- In tax year 2014, 220,518 households claimed the EITC.
- In tax year 2014, single filers accounted for 27.2% of households claiming the EITC and made 10.0% of total claims. Head of household filers accounted for 45.9% of households claiming the EITC and made 60.1% of total claims. Married filers accounted for 26.7% of households claiming the EITC and made 29.7% of total claims.
- In tax year 2014, 67.4% of households claiming the EITC had Iowa adjusted gross income of less than \$25,000.

The IDR reports on the annual credit usage for the EITC in its periodic [Contingent Liabilities Report](#). Based on Table 9 of the report, the following table and graph provide credit redemption history and projections for the EITC on a fiscal year basis. The blue bars of the graph indicate the actual credit redemptions, while the red bars are the IDR projections of future redemptions.

Earned Income Tax Credit History			
* Projected			
<u>Fiscal Year</u>	<u>Tax Credit Redemptions</u>	<u>Fiscal Year</u>	<u>Tax Credit Redemptions</u>
FY 2007	\$ 10,736,848	FY 2017	\$ 69,582,239
FY 2008	23,594,812	FY 2018	68,651,800
FY 2009	24,994,270	FY 2019	67,644,269
FY 2010	28,496,272	FY 2020	68,638,020
FY 2011	27,536,092	FY 2021	61,861,490
FY 2012	30,258,024	FY 2022*	74,221,693
FY 2013	31,031,962	FY 2023*	72,326,724
FY 2014	65,570,550	FY 2024*	72,499,115
FY 2015	71,094,646	FY 2025*	72,308,672
FY 2016	71,931,413	FY 2026*	72,534,699



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