HOUSE BILL 1290

EARNED INCOME TAX CREDIT

INDIANA ASSETS & OPPORTUNITY NETWORK

HB 1290 would recouple the state earned income tax credit (EITC) to the federal EITC, and increase the value of the state credit to 12% of the federal credit.

Under current law, the state EITC is 10% of the federal credit as calculated before 2009. Beyond providing a larger credit, recoupling to the federal credit solves a number of issues, including:

- Providing a larger credit for families with 3+ children (current law caps at 2+).
- Allowing foster parents to claim child if the child lived with them for at least half of the year (current law requires full-year residency).
- Helping offset a marriage penalty where a couple currently receives larger individual credits if they are not married than the single credit they receive as a married couple.
- Eliminating a rule that a qualifying child be claimed by the taxpayer with the higher income if the child qualifies for more than one taxpayer. This creates situations where no taxpayer can actually receive a credit even if they otherwise quality.

HB 1290 will provide an additional ~$40 - $46 million annually to over 500,000 low- and moderate-income Hoosier households.

SIZE OF CREDIT

These changes would be effective tax year 2023, meaning a max refundable state tax credit based on qualifying children:

- Zero: $72
- One child: $479
- Two children: $792
- Three or more children: $892

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