

For Immediate Release
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Tax Credit Proposal Would Lift Working Families out of Poverty

(Madison) – Legislation introduced in the Wisconsin Senate this week would adjust Wisconsin’s tax code to lift all families with a full-time worker out of poverty. The bill is expected to assist 8,900 families with 26,000 children who currently live below the federally defined poverty line.

The bill would create a “Living Wage Tax Credit,” as proposed earlier this year by Governor Doyle in his State of the State address. The legislation is co-authored by Senator Decker and Representative Grigsby and is now Senate Bill 645.

Charity Eleson, the Executive Director of the Wisconsin Council on Children and Families, noted that Wisconsin had the largest growth in child poverty of any state during the period 2003-2004. “The proposed tax credit would be a significant step in combating our state’s alarming increase in child poverty,” Eleson said.

The new bill would create a refundable tax credit for low-income families with a wage earner who works at least 1,750 hours per year. The tax credit would be equal to the difference between the federal poverty line and the sum of income available to the family, including public assistance.

The proposed tax credit would be phased in over three years, and the full cost is estimated to be \$22.4 million. The average credit would be about \$2,500.

Jon Peacock, the research director at the Wisconsin Council on Children and Families, said the new tax credit would complement other initiatives, such as the Earned Income Tax Credit, that are intended to make work pay for all parents in Wisconsin.

“The Earned Income Tax Credit lifts many families out of poverty, but for larger families it falls short of that bipartisan goal of the state’s welfare reform initiatives,” Peacock said. “The proposed Living Wage Tax Credit is designed to get all working families out of poverty, and to do so in a very targeted way that holds down the cost of the new tax credit.”

The federal poverty level is currently \$16,600 for a family of three and \$20,000 annually for a four-person family.

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