

Why does full refundability of EIC matter?

[SB 3774 \(Aquino\)](#)
[HB 4920 \(Ammons\)](#)

A tax credit can be either non-refundable or refundable. If the credit is non-refundable, it means that no matter how big a credit a taxpayer is entitled to, all it can do is get them to the point where they will be paying \$0 in taxes. This would save a family money (whatever amount in taxes they would have owed without the credit), but it does not allow the family to get any refund - money back in their pocket that they can spend in the economy. *If non-refundable, the taxpayer does not really get the full value of the credit.*

To get the full value of a tax credit you need it to be refundable. With a refundable credit, if the credit that a taxpayer is entitled to is larger than the amount of tax due, the government sends that money straight to the taxpayer, which that family can use to help meet their basic needs.

The federal Earned Income Tax Credit (EITC) and the Illinois equivalent, the Earned Income Credit (EIC) have always been refundable. This is because they are tax credits meant for low and moderate income families, and policymakers have realized that to truly help those families make ends meet, it is important to put as much money in their pockets as possible. Only a refundable credit can do that.

Expanding the EIC to make ITIN filers eligible is critical. But singling out ITIN filers as the only taxpayers who cannot get a refundable credit is blatantly unfair. **The people filing with ITINs work and pay their taxes in the same way that every other taxpayer does; there is no policy reason why they should be treated any differently than other taxpayers.**

An example of how refundability works:

With the current, refundable Earned Income Credit: A low income family may owe the State of Illinois \$500, and be eligible for a tax credit of \$1,000. That family will get a \$500 check from the state - they owed the state \$500 but the state owed them \$1,000 - and the difference goes to them.

If EIC was made non-refundable: That same family would not get a check for any amount from the state - they just would not owe any tax to the state. **That extra \$500 can make a huge difference in the lives of a family.**

In addition, ITIN filers in Illinois are primarily Latinx families. If we deny them the same tax credit we are perpetuating racial inequity, which cuts against one of the primary purposes of the EIC and other tax credits designed specifically to alleviate poverty - **to reduce racial inequity in our tax code and in society.** We must do better than that.

Finally, during the pandemic, **the federal government made the mistake of discriminating against ITIN filers by excluding them from federal support.** Illinois helped last year to provide a one time cash payment for immigrant families, but we can do more. We can make sure that any ITIN filer who is otherwise EIC eligible can receive the same benefits as residents with full citizenship.

The Earned Income Credit (EIC) should be fully refundable for all income-qualifying ITIN filers.