THE CASE FOR CASH
A MESSAGING GUIDE TO ADVANCING
A RECOVERY REBATE & WORKING
FAMILIES TAX CREDIT

THE PROBLEM
Without sustained financial relief to communities, our state’s economic recovery will deepen existing inequities and harm the most vulnerable in our communities. Families across our state are already facing financial hardship and difficulty meeting basic needs.

- COVID-19 has put into sharp focus the deep racial inequities in our state and particularly how our state’s regressive tax code harms communities of color.
- Because of long standing and racist policies, Black and Indigenous communities and communities of color are more likely to experience poverty and as a result pay most in state and local taxes, as a share of income.
- For communities across the state to successfully weather this pandemic, Washington must make bold and direct investments in communities to support working people - the same people who are part of the essential workforce.
- Direct cash assistance through a cash stimulus approach is a targeted way to support communities and local economies across the state.

THE SOLUTION
Washington needs an immediate Recovery Rebate that lays the groundwork for a long-term Working Families Tax Credit to deliver targeted, flexible, and direct cash stimulus to communities:

- We can fast-track tax credits to support working families across Washington:

<table>
<thead>
<tr>
<th>RECOVERY REBATE: An Immediate On-Ramp to Economic Security</th>
<th>WORKING FAMILIES TAX CREDIT: Long-Term Economic Security</th>
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<tbody>
<tr>
<td>• A Recovery Rebate can be enacted quickly by leveraging federal dollars.</td>
<td>• The Working Families Tax Credit is a permanent tax credit that targets benefits to Washingtonians with low incomes.</td>
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| • A Recovery Rebate is an immediate, automatic payment, with an option to update outdated information, like mailing addresses. | • Key modernizations make the Working Families Tax Credit an equitable and stabilizing credit:
| • Credit minimum of $350 payment and importantly, this amount is a floor, not a ceiling, and can easily be increased. |   – Expanding eligibility to include ITIN tax filers |
| • This tax credit would reach those who are eligible for the Earned Income Tax Credit, including those who file taxes using an Individual Taxpayer Identification Number (ITIN). |   – Including unpaid caregivers performing critical, but unrecognized work |
|                                                              |   – Increasing the percent match of the federal Earned Income Tax Credit |
1. Re-energize Local Economies

- Study after study has shown that refundable tax credits, like the Recovery Rebate and the Working Families Tax Credit, have hugely positive effects on local economies.
- This spending goes right back into the community: For every dollar a recipient receives, cash stimulus like these tax credits generate $1.50 to $2.00 in local economic activity.
- Low-income communities spend money quickly: Federal stimulus payments for families with less than $500 in liquid savings spent nearly half of their payment in the first 10 days of receipt on essentials like groceries, housing, childcare, or transportation.
- As economies open up and small businesses will need customers - direct cash stimulus through the Recovery Rebate and Working Families Tax Credit would provide spending power for communities.
- Flexible tax credits allow families to pay down bills they would otherwise be unable to like back-rent or car payments.

“The EITC benefits not only low-income families, but also the wider communities in which they live. Although it is widely regarded today as one of the country’s most successful antipoverty programs, the EITC was originally designed to be a temporary economic stimulus measure, in the Tax Reduction Act of 1975 (Nichols and Rothstein, 2015). During the 2000s, more local and state governments made a concerted push to expand participation in the EITC among eligible filers, in part to inject more federal dollars into their local economies (Berube, 2006a).”

– Brookings Institution, 2015

2. Targeted, Equitable Benefits

- Washington’s tax code is an untapped resource for advancing racial justice and equity in our state.
- Our current tax code is upside down and racist, putting disproportionate tax burdens on low-income families who are disproportionately people of color. In fact, the lowest 20% of income earners in Washington State pay upwards of 18% of their annual income in state and local taxes - 6 times the amount the highest income earners pay.

Direct, cash assistance is a powerful and precise tool to balance our tax code by putting tax dollars back into the hands of low- and moderate-income workers.

- Powerfully, the credit would overwhelmingly support people of color (especially people in Black, American Indian and Alaska Native, Latinx, and Pacific Islander communities).
- Without intentional policies like these tax credits, we risk repeating the unintended consequences of the past.
- During the years following the Great Recession, while poverty rates decreased overall, deep poverty actually increased in Black communities.
Because of the historical and contemporary racial discrimination already laid out, many families of color are more likely than white people to have low incomes today... Households in most race and ethnicity categories are substantially more likely to be in the lowest-income, highest-taxed portions of the population than white households. Indeed, Native American, Black, and Latinx households are nearly three times as likely to be in the lowest-income group compared to the highest-income group.

– Budget and Policy Center, Washington’s Tax Code is an Untapped Resource to Advance Racial Justice, 2019

3. Demonstrated Positive Health Impacts

- People have better physical and mental health outcomes when they are not worrying about putting food on the table or having a safe place to live.

- Increases in state EITCs are associated with reduced mental distress and increases in physical health, particularly in the months that the credit is received.

- Refundable tax credits like these proposals can help mitigate economic hardships and toxic stress in children, like not having stable housing or regular meals, by putting cash back in the pockets of working families. According to the National Academies of Sciences, reducing childhood poverty improves outcomes for children across health, mental health, educational attainment, and earnings into adulthood.

- Refundable tax credits have also been found to improve maternal and infant health.

- Education is one of the most important determinants of long-term health. Studies that have measured the impact of the federal EITC have found that a $1,000 increase in family income from the credit has been associated with higher math and reading scores, high school graduation rates, and college success for children of beneficiaries.

- Because education is foundational to long-term success in life, children in families who receive the EITC also earn more and have better employment outcomes long term.

- Families who receive the federal EITC and state-level EITCs are more likely to move out of poverty, and their children will be less likely to experience poverty as adults.

– Washington Budget and Policy Center, The Working Families Tax Credit is a proven tool for better health, 2019
WHAT CAN LEGISLATORS DO?

1 Advocate for immediate Recovery Rebate with the Governor and his office by the end of the year:

- Federal dollars through the CARES Act and the Coronavirus Relief Funds must be used by the end of the year and cash stimulus can be paid for through a portion of these funds.
- Share with leadership and within caucus structures (e.g. Recovery Subcommittees) that cash stimulus/assistance needs to be a part of an economic recovery.

2 Create a permanent structure for an annual Working Families Tax Credit for Washingtonians with low incomes:

- Leverage the opportunity available with federal dollars to build an infrastructure that can be expanded upon for a long-term tax credit program.
- Enact progressive revenue sources would sustain this structure over time such as a capital gains tax or tax on excessive compensation.

3 Directly address the regressivity of our tax code and regressive sales taxes by putting cash back in the pockets of working families.

- Reject new regressive sources of revenue and austerity.
- Mitigate and offset the harm that quick, yet regressive and inequitable sources of taxes, will cause to people who are already suffering by ensuring they have cash in their pockets through these policies.
- The best and most equitable vehicle to provide this relief is through a Recovery Rebate and Working Families Tax Credit, which can put cash back in the pockets of those most harmed.

ADDITIONAL RESEARCH AND MATERIALS

Recovery Rebate and Working Families Tax Credit:
Cash Stimulus & Recovery Rebate One-Pager (2020)
Working Families Tax Credit One-Pager (2020)

Tax Code & Equity:
Policy Brief: Washington’s tax code is an untapped resource to advance racial justice
Fact sheet: Our tax code can be a tool for gender equity

Early Learning & Health Impacts:
The Working Families Tax Credit would support kids in early childhood
The Working Families Tax Credit is a proven tool for better health
Center on Budget and Policy Priorities: EITC and Child Tax Credit Promote Work, Reduce Poverty, and Support Children’s Development, Research Finds