



**STATEMENT FOR THE RECORD
BEFORE THE GEORGIA SENATE COMMITTEE ON FINANCE**

SB 58: State refundable earned income tax credit

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Dear Chairman Hufstetler, Vice Chair Albers and members of the Committee:

Thank you for allowing me to share comments with you today on SB 58 (Senator Parent) and how a state earned income tax credit (EITC) would provide a much-needed boost to our state's small business community.

As you know, the federal EITC provides a refundable tax credit to taxpayers based on their income and their number of children and marital status. Twenty-eight states and the District of Columbia have also implemented their own EITC, typically calculated as a percentage of the federal tax credit.

Implementing a state EITC would support hardworking Georgians with low to moderate income who work for or own a small business, essentially boosting their pay. This will in turn send money right back to other local small businesses when that money is spent on essential goods and services. In fact, research shows that people tend to spend the EITC on urgent necessities like food, meaning the money quickly flows back into local economies and has an immediate financial impact.

Additionally, a state EITC would effectively increase take-home income for employees at small businesses that can't afford to offer higher wages, helping level the playing field for small employers with limited resources. Equally important, a state EITC would support low to moderate income small business owners. This is vital to our economic success because the majority of small businesses are solo enterprises. And in Georgia, the median income for self-employed individuals at their own unincorporated firms was just \$25,064 in 2018, according to the U.S. Small Business Administration.¹

We know from our research that small businesses are still facing significant financial impacts nearly a year into the COVID-19 economic crisis, and a state EITC could give them a much-needed boost to keep their doors open and their employees on payroll. Indeed, 60% of small businesses report they experienced revenue declines of at least 25% during the height of the pandemic last year, and more than half say that revenues are still down today compared to the same time last year.²

What's more, a state EITC would strengthen the foundation for young people who comprise Georgia's future workforce, since research finds that children whose families receive more income from the EITC are likelier to excel in school, graduate high school, attend college and earn more as adults.

We believe a state EITC is an affordable, targeted reform that would encourage work and strengthen our small business and local economies during this critical time.

Thank you.

¹ <https://cdn.advocacy.sba.gov/wp-content/uploads/2020/06/04143015/2020-Small-Business-Economic-Profile-GA.pdf>

² <https://smallbusinessmajority.org/sites/default/files/research-reports/COVID-19-national-small-business-poll.pdf>