

NOVEMBER 2025

State Policy Lever Checklist

State Earned Income Tax Credit



State earned income tax credits (EITCs) are supplements to the federal EITC, which is a refundable tax credit designed to incentivize work and help employees with low to moderate incomes keep more of their wages.

A state EITC is an effective policy to increase parents' workforce participation, improve household economic security, and even promote healthier and more equitable births. State EITCs vary in terms of value, refundability, and eligibility for the credit. The most rigorous research to date finds that a refundable state EITC of at least 10% of the federal credit is necessary to promote positive outcomes for children and families.

Below is a list of policy considerations for state leaders to help maximize the effectiveness of a state EITC. **States should consider the implications of these policy choices and their collective impact on equitable access to the EITC among eligible families in their state.**



We use the following symbol to highlight where policy choices can promote greater equity.

Has your state fully implemented a *refundable* state EITC of at least 10% of the federal credit?

- ☐ Yes
- ☐ Not Yet

This checklist covers the following components of a state EITC:

A. Program Characteristics (Page 2)

- A1. Refundability
- A2. Value of the credit

B. Eligibility (Page 4)

- B1. Who is covered?

C. Administration and Funding (Page 5)

- C1. Funding mechanisms
- C2. Application


A. Program Characteristics

State EITCs are often modeled after the federal credit, which means states use federal EITC eligibility and benefit rules and set the state EITC as a percentage of the federal credit. As of tax year 2025, 32 states (including the District of Columbia) have either a refundable or nonrefundable state EITC. Of those states, 23 have fully implemented a refundable state EITC of at least 10% of the federal credit.

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A1. Is your state EITC refundable or nonrefundable?

States have the option to determine whether the state EITC is refundable or nonrefundable. A nonrefundable credit is capped at the taxpayer's state tax liability, whereas a taxpayer receives the full value of a refundable credit. If the value of a refundable credit exceeds a taxpayer's state tax liability, then the remainder is provided as a payment from the state. States typically offer either nonrefundable or refundable credits, but sometimes, offer both and allow families to choose the credit that provides them with the greatest benefit.



For families with little or no taxable income, a refundable EITC can promote equity by offsetting state income tax while also putting money back into families' pockets to help cover household expenses. Refundability ensures that the full value of the credit reaches those with the greatest need, helping to reduce child poverty and support healthy family outcomes.

- ☐ Refundable
- ☐ Nonrefundable
- ☐ Both
 - ☐ Refundable credit: _____
 - ☐ Nonrefundable credit: _____


B. Eligibility

B1. Who is eligible for your state EITC?

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The federal EITC is available to working families with children that have low to moderate incomes. Many states align their state EITC eligibility criteria with the federal EITC. To be eligible for the federal EITC, filers must have earned income, have a valid Social Security number, and be 25 to 65 years of age.

States also have the option to expand eligibility to ensure a greater number of families with low incomes are eligible for the state EITC. As of tax year 2025, 11 states have extended eligibility to tax filers with an Individual Taxpayer Identification Number (ITIN) and eight states have extended eligibility to tax filers between the ages of 18-24.



Broader eligibility helps reach more lower income workers, including young parents, immigrant families whose children are U.S. citizens, and survivors of domestic abuse who are married filing separately. This additional eligibility removes barriers to benefits, reduces disparities, and improves economic security for more children and families.

- ☐ The state EITC eligibility rules match the federal eligibility rules.
- ☐ Eligibility has been expanded to also include:
 - ☐ ITIN holders
 - ☐ Younger filers (ages 18-24)
 - ☐ Noncustodial parents
 - ☐ Workers without dependents
 - ☐ Individuals who are married filing separately
 - ☐ Other populations: _____

C. Administration and Funding

C1. How is the program funded?

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State EITCs are typically financed through the state general revenue, which is often comprised of income tax, sales tax, and other streams. States can also use alternative funding sources, such as the Temporary Assistance for Needy Families (TANF) block grant Maintenance of Effort (MOE) funds. If a state does not have an income tax, it may find alternative ways to fund or structure the state EITC. For example, Washington does not have an income tax but they offer a state EITC funded through general revenue, including sales and use taxes, business and occupation taxes, and other excise taxes.

- ☐ The program is funded through state general revenue, including income tax, sales tax, and other streams.
- ☐ The program is funded through the TANF block grant MOE funds.
- ☐ Other: _____

C2. How do eligible families apply for and receive the state EITC?

Most states with a state EITC administer the credit through the annual tax filing process. States without an income tax, however, may need to create an alternative process for families to apply for the credit.

- ☐ Annual tax filing
- ☐ Alternative method: _____



Complex administrative processes exclude families in need. Incorporating state EITCs into the annual state tax filing process can minimize the administrative burden on families and ensure equitable access to credits. States can also prioritize outreach efforts to engage all eligible families in receiving the credit.

To learn more about how states vary in their implementation of EITCs, visit the 2025 Prenatal-to-3 State Policy Roadmap at <https://pn3policy.org/pn-3-state-policy-roadmap-2025/>.

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