The Illinois Cost-of-Living Refund

OVERVIEW FOR DECISION-MAKERS

The Cost-of-Living Refund puts cash into working Illinoisans' pockets by modernizing the EITC. It will:

1. Help working people face the rising cost of living and housing, with a leg up out of poverty or a cushion of financial stability.
2. Fight rising inequality that threatens our democracy.
3. Make taxes fairer, so the wealthiest pay their fair share.
4. Build on a high minimum wage, so workers earn enough to live.

THE COST OF LIVING AND INEQUALITY ON THE RISE

The steep and rising cost of living, coupled with stagnating incomes, means too many families cannot take part in the American promise: If you work hard, you can get ahead in our country. Many people live on the financial brink, as the cost of middle-class life has dramatically increased—from housing to childcare to medical costs—while wages lag behind. Too many families don't have $500 saved for an emergency expense.

At the same time, income inequality is at a peak. While 64 million low-wage workers—predominantly people of color—struggle to make ends meet, in the words of a working-class voter, “The rich are getting richer while everyone else is stuck.” The tax code exacerbates this: In Illinois, low-income people pay twice as much of their income in state and local taxes as the top 1%.

As a simple and effective approach to fight rising economic inequality and financial instability, we need to put more money back in the pockets of the working and middle class people who need it most.

THE COST-OF-LIVING REFUND

The Cost-of-Living Refund, established by modernizing and expanding the state Earned Income Tax Credit (EITC), is a powerful and practical plan to provide relief to low-income and middle-class people.

On the merits, there is no simpler or better-tested policy to provide economic stability to working and middle-class people. The existing EITC already lifts more families out of poverty than food stamps, housing subsidies, and unemployment insurance combined, because cash gives people the tools to solve their own problems.

Today, 57% of Americans don't have enough cash on hand to cover a $500 unforeseen expense, with significantly worse rates among people of color. Four in ten people report difficulty meeting their basic needs. As a working-class woman said in a focus group, “I'm one emergency away from financial ruin.”

Another working-class woman added that anyone asking whether $100 a month is enough to matter to a recipient “has never had to choose between groceries and rent.”

The Economic Security Project is a network of policymakers, academics, organizers and technologists working to end poverty and rebuild a strong middle class through a guaranteed income. The initiatives we organize and support focus on immediate opportunities to help families make ends meet and long-term strategies that promote a vision of economic dignity and freedom for all Americans.

ECONOMIC SECURITY PROJECT.ORG

Providing cash to people who need it is an effective way to close the income and wealth gap, provide economic security for millions of Illinois families, and grow and expand the middle class.

ECONOMIC SECURITY IL.ORG

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In its current form, the Illinois State EITC does not fully address the needs of hard-working families in an economy shaped by rapid changes in work, the rise of automation, low-wage employment and deepening income and wealth inequality.

The Cost-of-Living Refund builds on the state EITC to reduce the poverty rate substantially and create a foundation for economic mobility:

- **Benefits nearly 4 in 10 residents.** This policy would benefit 38% of households in Illinois, including more than half of children. More than 4.75 million state residents would benefit, including 1.8 million children.

- **Boosts the local economy.** Economists estimate that every EITC dollar has a multiplier effect of $1.50-$2.00 in benefits to the local community.

- **Reaches low-income and middle-class families.** The poorest people and families with children benefit the most under this plan, significantly reducing child poverty, while also supporting people in the middle class who desperately need financial stability. Because people of color and rural residents have higher levels of poverty, it provides a significant boost to these communities.

- **Responds to constituents seeking new economic solutions.** A framework that resonates with the public, this policy polls well, and remains popular with citizens even after negative arguments.

- **Complements a $15 minimum wage.** The minimum wage sets a solid floor for low-wage workers, pushing back against potential wage decline, and thus couples well with the EITC.

- **Provides a pro-worker and pro-family policy that directs tax cuts to those who need it most.** Addresses the tax cuts that dramatically benefit the wealthy, cutting taxes instead for working people who are hit harder by sales and gas taxes.

- **Offers an answer to future of work questions.** With 40% of workers now in the gig economy, part-time jobs, or other contingent work, it’s important that those with precarious work lives have financial stability. A Cost-of-Living Refund can also soften the blow of the transition caused by the impact of automation.

A guaranteed income that puts cash in the pocket of hard-working Americans every month and stabilizes families’ economic lives is a critical part of helping people make their way in this economy and beginning to address the racial wealth gap.

**COST-OF-LIVING REFUND POLICY DETAILS**

Modernizes and expands the Illinois State EITC by:

- Increasing the Illinois EITC from 18% of the federal credit to 36% of the federal credit;
- Making all childless adults eligible to receive the credit;
- Expanding the definition of work by extending eligibility to low-income family caregivers and students;
- Creating an option to receive the benefit monthly to reduce payday lending;
- Turning the EITC from an opt-in to an opt-out, using an automatic filing system, to ensure all who are eligible for the credit receive it.

For more information:

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