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GLOBE EDITORIAL

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Good news from the tax man

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OF ALL THE government plans aimed at protecting lower-income citizens from the worst recession in decades, perhaps the simplest and most direct was created during the Ford administration: the Earned Income Tax Credit. In Massachusetts, as many as 378,000 residents are eligible for the credit, even if they don't earn enough to owe income taxes. But not enough eligible workers know about it: last year \$75 million was left unclaimed in Massachusetts alone.

The credit is designed to make work pay. It lifts people out of poverty who may be working full time but still earn too little to sustain a family. And the credit isn't just pocket change: a family of four earning less than \$41,600 in 2008 can claim up to \$5,548 between the federal and state credits. That's more than lower-income Americans can get from any other tax cut or stimulus check.

This year, a slew of public and nonprofit partners have gotten together to reach more Massachusetts taxpayers with free tax-preparation services, as well as financial-education programs that can help people claim their credit and avoid common scams and pitfalls. Too many taxpayers fall for so-called refund anticipation loans, where tax preparation services charge hefty fees for quicker refunds. No one should have to pay interest to get access to his or her own money.

A recent study by Brandeis University found that financial education, combined with the tax credit, helps many families jump-start a savings program or take other steps toward building assets. The ability to build assets, as opposed to just earning income, is the key to financial stability and, eventually, moving out of poverty. Putting money aside for education, to buy a home or small business, or to give a boost to the next generation is the first step toward upward mobility. Taxpayers can find free tax-preparation sites near their homes by visiting the website masscashback.ehs.state.ma.us and entering their ZIP code.

The survey, funded by a grant from the Boston Foundation, found that people who took financial education classes of the sort offered by the state's 24 community-action agencies were more confident about their ability to manage money, set financial goals, use banks and other services wisely, and avoid unaffordable loans. Nearly all reported cutting their personal debt and starting a savings plan.

The EITC program is sometimes considered a form of cash assistance to the poor, but it is far from welfare. In fact, it embodies conservative values because it rewards work, and no additional administrative bureaucracy is required. Massachusetts has the fourth-largest income disparity in the nation. The worker's tax credit, and better information on how to make the credit work, can help close that gap. ■

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