

BILL ANALYSIS

C.S.H.B. 630
By: Villarreal
Government Reform
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The federal Earned Income Tax Credit (EITC) is a refundable income tax credit for low income individuals and families. The goal of the tax credit is to partially offset the burden of social security taxes and to provide an incentive to work.

The EITC is available to working individuals and families have income under:

- \$11,490 (\$12,490 if married filing jointly) if there is no qualifying child
- \$30,338 (\$31,338 if married filing jointly) if there is one qualifying child
- \$34,458 (\$35,458 if married filing jointly) if there is more than one qualifying child.

Each year, thousands of working Texans miss the opportunity to claim this credit, leaving millions of federal dollars unclaimed. The U.S. Department of Health and Human Services reports that in the 2003 tax year, approximately \$1.2 billion in EITC dollars went unclaimed in Texas.

The goal of this bill is to increase working Texans' access to the Earned Income Tax Credit by raising awareness of the availability of the credit and of free resources to assist individuals who are eligible to claim the credit. It requires the Health and Human Services Commission to provide information related to the federal Earned Income Tax Credit to potentially eligible clients.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

The bill would require HHSC to distribute educational materials relating to the federal earned income tax credit to clients receiving other public benefits including CHIP, TANF, Food Stamps, and Medicaid. It directs the agency to provide clients with the following information via mail, phone, 211 referrals, and the internet:

- Educational materials regarding the EITC including guidance regarding eligibility.
- Federal income tax forms necessary to claim the credit.
- Referrals to any Volunteer Income Tax Assistance (VITA) sites near the client if such sites are available.

This bill would codify HHSC's current practice of conducting EITC outreach with Medicaid and other clients, and ensures that this practice continue as the agency moves forward with Integrated Eligibility contracts. This bill also expands the agency's EITC outreach to include other client populations that currently do not receive these materials from HHSC.

EFFECTIVE DATE

September 1, 2005.

COMPARISON OF ORIGINAL TO SUBSTITUTE

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The introduced version of this bill imposed requirements on HHSC and TWC contractors to perform this outreach. By imposing the requirements on HHSC, rather than the contractor, the Committee Substitute ensure that this outreach will be performed, even though key HHSC contracts will be negotiated prior to the effective date of this bill. The Committee Substitute reflects the input of HHSC staff and who have indicated that the bill would significantly expand the EITC outreach that the agency currently conducts without creating additional costs for the agency.