



ISSUE BRIEF
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NO SUBSTITUTE: Assemblyman Kolb's Proposed EITC Expansion Is No Substitute for Governor Cuomo's Proposed \$15 Minimum Wage

As an alternative to the Governor's proposed phased increase in the state's minimum wage to \$15 by 2019 in New York City and by mid-2021 outside of New York City, Assemblyman Brian Kolb recently proposed to increase the state's Earned Income Tax Credit (EITC) from 30% to 45% of the Federal EITC. The bill memorandum in support of his proposed legislation states: "Expanding the EITC is a much better alternative because it would put more money in the taxpayers' pockets, boost the economy and create employment opportunities for the unemployed."

While the state's EITC is a beneficial program for working people receiving low- and moderate-wages and should be enhanced, for several reasons, it is not a substitute for increasing the state's minimum wage. In fact, it does not even come close.

- **A TINY RAISE** – Assemblyman Kolb's EITC expansion would provide only a very small raise – just \$329 to \$863 per year – to affected working parents. For the average recipient household with children, that ranges from 7% to 12% of the size of the \$4,900 raise that Gov. Cuomo's \$15 minimum wage would provide the average affected worker. Kolb's EITC enhanced amounts to between 16 and 41 cents per hour for a full-time low-wage worker. See chart on the next page.
- **THAT LEAVES ADULTS WITHOUT CHILDREN BEHIND** – Working adults in low-wage jobs trying to save and start a family receive a tiny EITC and would be benefit little. The average benefit for a working adult without children would be \$47 a year, the equivalent of just 2.3 cents per hour. As a result, roughly 2 million adults without children who stand to benefit from an increase in the minimum wage floor to \$15 would get next to nothing under the Kolb EITC proposal.
- **FOR ABOUT ONE-THIRD THE NUMBER OF HOUSEHOLDS** – Kolb's proposed EITC expansion would provide a raise to roughly 1 million low-income working New York households with children. That's a far cry from the 3.2 million that would receive a long-overdue raise under the Governor's proposed \$15 minimum wage.

- **AT A COST OF BILLIONS TO TAXPAYERS** – Kolb’s proposed EITC expansion would cost taxpayers \$500 million for just that modest impact. If it were scaled up to provide a raise similar in size to the Governor’s proposal for as large a group of workers, the price tag would rise at least 10-fold, costing New York taxpayers \$5 billion dollars more each year than the state is spending now. And that is without providing any significant benefit to childless adults—to provide them with an average of \$4,900 more would cost an additional \$9 billion.
- **THAT DOES NOTHING TO REVERSE FALLING WAGES IN THE STATE** – Many economists point to the long-term decline in wages and the failure of wages to keep pace with the growth in productivity in the economy as one of the main causes of heightened income inequality, slower productivity and economic growth. The Kolb proposal to slightly enhance the EITC does nothing about those fundamental economic problems.

Conclusion: The state’s EITC is an extremely important benefit to low- and moderate-income working families. There is considerable merit to Assemblyman Kolb’s proposed 50% enhancement to the state’s EITC, raising it from 30% to 45% of the federal EITC. However, the proposal is certainly not a substitute for raising the minimum wage. It is more appropriate to view the EITC and raising the minimum wage as complementary policies.

Average and peak household benefit range for New York State EITC benefits, 2013 and under the Kolb proposal to raise the NYS credit from 30% to 45% of the Federal EITC

	household with no children	household with 1 child	household with 2 children	household with 2+ children
Peak benefit range *				
2013 existing NYS EITC	\$102	\$856	\$1,502	\$1,725
increase under the Kolb proposal	\$51	\$428	\$751	\$863
Average household benefit				
2013 existing NYS EITC	\$94	\$657	\$1,052	\$1,214
increase under the Kolb proposal	\$47	\$329	\$526	\$607
average per worker increase under the proposed \$15 minimum wage	\$4,900	\$4,900	\$4,900	\$4,900
<i>Amount of benefit for the average household under the Kolb proposal as a fraction of the average benefit under the \$15 minimum wage proposal</i>	1%	7%	11%	12%

* For families with children, EITC benefits reach a peak generally in the \$10,000-\$24,000 income range and then begin to gradually phase out above that level. For childless adults, the peak income range is roughly between \$6,500 and \$13,700.

Source: NYS Tax and Finance Department; Kolb projections by Fiscal Policy Institute.