

Roland V. Anglin

Director

The Joseph C. Cornwall Center for Metropolitan
Studies

47 Bleeker Street

Newark, NJ 07102

www.cornwall.rutgers.edu

<https://www.facebook.com/CornwallCenter>

Our Vision

The Joseph C. Cornwall Center strives to be:

-A key resource in the production of "usable" knowledge for the public, private, and nonprofit sector development in Newark, the northern region of New Jersey and beyond.

-A central force convening key civil society individuals and institutions as they engage in and pursue the economic, political, and cultural revitalization of Newark.

-A forceful agent for the economic and administrative coordination and cooperation of Newark and its surrounding communities.

-A national model for what a university-based center can accomplish working with regional, local, and community partners.

From the Director's Desk

This attached work paper examines the use of the Earned Income Tax Credit (EITC) in Newark, New Jersey. The EITC enjoys broad support across the political spectrum, by government at all levels, philanthropy, and those in the nonprofit world concerned about alleviating poverty. Cities such as San Antonio, Chicago, New York City, Baltimore, and San Francisco have created campaigns to aid families with the tools necessary to benefit from low-cost bank accounts, EITC, and financial counseling.ⁱ

Why such strong public sector support for the EITC, which has been called the most effective antipoverty tool ever tried by government? Undoubtedly, the EITC is a very strong program. Millions are lifted across the poverty line each year, and since the credit goes to individuals and families who are working, it supports labor force participation, especially among those transitioning out of welfare. But as Alan Berube of the Brookings Institution notes, the EITC is more than a people-focused policy: it is also a place-enhancing policy. The "EITC represents a particular boon to urban areas. An above-average share of central city taxpayers (20 percent) benefit from the credit. What's more, on average, their credits tend to be larger than credits received by taxpayers in most other locations. In 2002, when the EITC was worth \$32 billion nationwide, families in large cities (those with populations over 100,000) received \$8.1 billion; families in older suburbs, \$5.1 billion."ⁱⁱ

Berube goes on to note that for all jurisdictions in 2004, "the Community Development Block Grant and HOME programs (which provide cities and states with flexible funds for affordable housing and community economic development) awarded roughly \$3.1 billion to nearly 1,000 municipal governments nationwide. That same year, residents of those same cities and towns received over \$20 billion from the EITC."ⁱⁱⁱ

The point is not without irony. Many place analysts have long maintained that the poor are a drain on a local economy struggling to revitalize. They note that it is rational for elected officials to resist welfare or income transfer policies that attract the poor. Yet here is a policy (known but little heralded in relation to its impact and power) that bridges the divide between people and place policy.

The fact that local governments see a benefit for their taxable revenue and can use the EITC to help the working poor speaks volumes about our ability to unleash the power developed by thoughtful government policy and market forces. Perhaps we can find ways to increase the number of partnerships using the EITC in the City of Newark to fully unleash this potential.

The work paper, *Earned Income Tax Credit (EITC) in Newark, New Jersey: An Economic Development Strategy* can be found at cornwall.rutgers.edu/working-papers.

All the best



Endnotes:

ⁱ Alan Berube, "Using the Earned Income Tax Credit to Stimulate Local Economies," Living Cities Policy Series (Brookings Institution, Washington, DC, November 2006), 5, <http://www.brookings.edu/~media/research/files/reports/2006/11/childrenfamilies%20berube/berube20061101eitc.pdf> (accessed April 2, 2013).

ⁱⁱ Ibid., 2

ⁱⁱⁱ Ibid., 3.