

Keep Working Families Out of Poverty

While the economy is improving, too many working families are not earning enough to cover their basic expenses. More than 40% of Latinos earn poverty-level wages.ⁱ Among the most effective federal policies to fight poverty among working families are the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC). The EITC amounts to as much as \$6,143 and the CTC can be up to \$1,000 per child, depending on family income. These tax credits are refundable, meaning that very low-income families can still earn a partial credit. Unless Congress acts, key improvements to the EITC and the CTC enacted in 2009 will expire at the end of 2017. If these enhancements expire, about four million Latino working families with nine million children stand to lose an average of more than \$900 each.

The Earned Income Tax Credit and the Child Tax Credit promote work and produce lifelong benefits for low-income families.

- Only people who are working can be eligible for the EITC and the CTC. Evidence shows that the EITC was a major factor in boosting single mothers' employment in the 1990s.
- The EITC and the CTC are refundable, meaning that some low-income families who earn too little to incur much, if any, tax liability can qualify for a partial tax credit.
- Studies have linked tax credits like the CTC higher test scores, particularly in math; higher high-school graduation rates; and higher college attendance rates.ⁱⁱ

The expanded EITC and the CTC keep millions of families out of poverty.

- The CTC was expanded in 2009 to reach families earning as little as \$3,000. This expansion alone lifted 1.1 million people above the poverty line in 2013.ⁱⁱⁱ
- Changes enacted in 2009 enable married couples and families with more than two children to earn a slightly larger EITC, lifting 600,000 people out of poverty in 2013.^{iv}

Latinos would be disproportionately harmed if the EITC and CTC expansions expire.

- Allowing the EITC improvements to expire would affect about 2 million Latino working families.
- Allowing the Child Tax Credit improvements to expire would affect 3 million Latino working families with 6 million children.
- Altogether, if Congress fails to make these expiring tax provisions permanent, more than 16 million people, including 8 million children, would fall into or deeper into poverty.^v

ⁱ Economic Policy Institute, *The State of Working America*, "Share of workers earning poverty-level wages, by race and ethnicity, 1973–2013," <http://www.stateofworkingamerica.org/chart/swa-wages-figure-4f-share-workers-earning/> (accessed February 2015).

ⁱⁱ Chuck Marr, Chye-Ching Huang, and Arloc Sherman, *Earned Income Tax Credit Promotes Work, Encourages Children's Success at School, Research Finds* (Washington, DC: Center on Budget and Policy Priorities, 2014), <http://www.cbpp.org/cms/index.cfm?fa=view&id=3793> (accessed February 2015).

ⁱⁱⁱ Center on Budget and Policy Priorities, "Policy Basics: The Child Tax Credit," (Washington DC: Center on Budget and Policy Priorities, 2014), <http://www.cbpp.org/cms/index.cfm?fa=view&id=2989> (accessed February 2015).

^{iv} Center on Budget and Policy Priorities, "Policy Basics: The Earned Income Tax Credit," (Washington DC: Center on Budget and Policy Priorities, 2014), <http://www.cbpp.org/cms/index.cfm?fa=view&id=2505> (accessed February 2015).

^v Chuck Marr, Bryann DaSilva, and Arloc Sherman, *Letting Key Provisions of Working-Family Tax Credits Expire Would Push 16 Million People Into or Deeper Poverty* (Washington, DC: Center on Budget and Policy Priorities, 2014), <http://www.cbpp.org/cms/?fa=view&id=4228> (accessed February 2015).