

The Earned Income Tax Credit (EITC) has long been touted as one of the nation's most successful anti-poverty programs. It encourages work, since only the employed are eligible for the credit. It is also refundable, meaning it decreases tax liabilities for low-income working families and provides tax refunds when families' federal taxes reach below zero. In 2014 alone, 27.5 million families claimed the EITC, with 6.7 million people brought above the poverty line.¹ Legislative action at the end of 2015 made certain EITC provisions permanent, ensuring relief for millions of hardworking families.

However, the EITC does not benefit every low-income worker. Due to the EITC's income and age restrictions for workers not raising children, about 7.5 million workers, including 1.7 million Latinos, are completely excluded from claiming the credit.¹ For those who do qualify, the amount of credit they receive does not offset their high tax liabilities like it does for low-income households with children. Expanding the EITC is a commonsense policy that will ensure millions of taxpayers see better returns on their work.²

IF THE EITC IS EXPANDED, FULL-TIME, LOW-WAGE WORKERS WILL BENEFIT.

- Nearly six million workers in sales and service occupations would benefit from the expansion of the EITC.³
- Expansion would benefit workers of color who are predominantly employed within both occupations. Latinos in particular represent almost 40% of all current service and sales workers.⁴
- The service and sales occupations are two of the fastest-growing and are projected to add 657,700 jobs by 2024.⁵ However, the workers in either occupations earn an average wage of \$8–\$9 an hour, far too low to adequately subsist on.⁶
- These workers are currently ineligible for the EITC because they earn more than \$14,880 per year, the maximum salary for EITC recipients without children. Currently, an individual earning the 2016 federal minimum wage of \$7.25 (\$15,080 per year), would have an income considered too high to qualify for the EITC.

Who benefits from EITC expansion?



Full-time workers making up to
\$9.62 an hour



Young workers ages
21 to 24



Parents who don't live with their
children but still want to provide
for them

Icons created by Cherish Watson

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† Figures are rounded to the nearest thousand. CBPP analysis of the March 2015 Current Population Survey, using Census Bureau–estimated taxes. The estimate includes all workers who: 1) do not have a qualifying child for the EITC; 2) are not a tax dependent themselves; and 3) owe federal income tax plus the employee share of the payroll tax that push them below the poverty line or are already poor (based on their cash income before income and payroll taxes), but are pushed further into poverty by those taxes. It includes workers who are (or whose spouses are) ages 21–66. The calculation starts with the combined cash income of a worker and his or her spouse, which includes pre-tax market income as well as government cash benefits (including, for example, Social Security retirement and disability benefits and Supplemental Security Income), and then considers the effect of subtracting (or not subtracting) federal income taxes and the employee share of payroll taxes. (Note that these estimates do not include housing assistance and SNAP, but adding a per-capita share of housing assistance and SNAP benefits for workers or spouses who receive these benefits does not materially affect the estimate.)

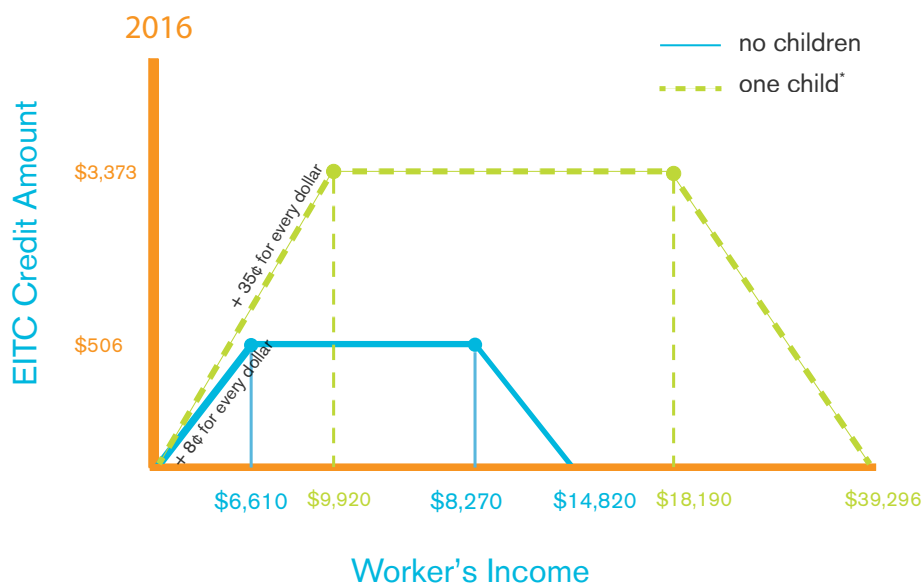
MILLIONS OF FINANCIALLY INDEPENDENT YOUNG WORKERS WILL BE EITC-ELIGIBLE FOR THE FIRST TIME.

- The EITC’s current eligibility age of 25 leaves out many young Latino workers. With EITC expansion, however, more than 4.4 million young workers age 21–24, including many Latinos, would benefit.⁷
- Young Latino workers between the ages of 20 and 24 were the second-largest group after young White workers to be employed in 2015.⁸
- The service and sales occupations, the biggest employers of young Latino workers, employed nearly two million young Latino workers between August 2015 and 2016.⁹ Yet young Latino workers are barely covering the costs of food and rent on the low industry wages of \$8–\$9 an hour.

EITC EXPANSION WOULD ALSO GIVE A BOOST TO CURRENT EITC-ELIGIBLE WORKERS.

- EITC-eligible workers not raising children need to make an annual income between \$6,610 and \$8,270 to receive the maximum amount of credit (\$506). Both the income range and maximum credit amount are too small to help low-income workers offset their disproportionately high federal tax liabilities that are often in the thousands. By contrast, families with one child can earn between \$9,920 and \$18,190 to qualify for their maximum credit amount of \$3,373.
- For workers not raising children and making less than \$6,610, the credit they receive is even less than \$506. Instead, they are subject to the phase-in rate, which results in a credit that is equal to roughly eight cents for every dollar they earn. Once a person’s earnings reach \$6,610, the phase-in rate no longer applies and they are able to qualify for the maximum credit amount until their earnings exceed \$8,270.

Allotted EITC credit amount based on worker’s income



*Families with two and three or more children are also eligible for the EITC, but have not been included in the chart due to space restrictions.

POLICY CONSIDERATIONS

EITC expansion will ensure workers not raising children will have money after taxes to pay for expenses like rent, car repairs, and other necessities. For this reason, expanding the EITC for workers not raising children has bipartisan support, with President Obama and House Speaker Paul Ryan both offering proposals for expansion. A joint proposal by Representative Richard Neal and Senator Sherrod Brown, however, will benefit more workers not raising children (up to 16.2 million, including nearly four million Latinos).^{*} To ensure the maximum number of workers see better returns on their hard work, legislators should examine the following policy considerations:

- Raise the income eligibility threshold to include more low-paid adults who are not raising children.
- Lower the EITC eligibility age from 25.
- Raise the maximum EITC credit for workers not raising children.
- Increase the phase-in rate.

ENDNOTES

- 1 Results, "Earned Income Tax Credit (EITC)" (Washington, DC: Results 2016), http://www.results.org/issues/us_poverty_campaigns/economic_opportunity_for_all/earned_income_tax_credit (accessed July 20, 2016).
- 2 Center on Budget and Policy Priorities, *Chart Book: The Earned Income Tax Credit and Child Tax Credit* (Washington, DC: CBPP 2016), <http://www.cbpp.org/research/federal-tax/chart-book-the-earned-income-tax-credit-and-child-tax-credit> (accessed June 8, 2016).
- 3 Chuck Marr, Chye-Ching Huang, *Strengthening the EITC for Childless Workers Would Promote Work and Reduce Poverty* (Washington DC: CBPP 2016), <http://www.cbpp.org/research/strengthening-the-eitc-for-childless-workers-would-promote-work-and-reduce-poverty> (accessed July 18, 2016).
- 4 Bureau of Labor Statistics, "Labor Force Statistics from the Current Population Survey," <http://www.bls.gov/cps/cpsaat11.htm> (accessed July 20, 2016).
- 5 Bureau of Labor Statistics, "Fastest Growing Occupations," http://www.bls.gov/emp/images/top_occupations.jpg, (accessed July 20, 2016).
- 6 Bureau of Labor Statistics, "Employment and wages for the highest and lowest paying occupations, May 2014," http://www.bls.gov/oes/2014/may/high_low_paying.htm (accessed July 20, 2016).
- 7 Chuck Marr, Chye-Ching Huang, *Strengthening the EITC*.
- 8 Bureau of Labor Statistics, "Labor Force Statistics from the Current Population Survey," <http://www.bls.gov/cps/cpsaat08.htm> (accessed July 20, 2016).
- 9 Bureau of Labor Statistics, "Economic News Release," <http://www.bls.gov/news.release/youth.t03.htm> (accessed August 1, 2016).

^{*} Figures are rounded to the nearest thousand. CBPP estimates are based on the Census Bureau's March 2015 Current Population Survey (CPS) and the U.S. Department of Treasury, Office of Tax Analysis, "Estimated Benefit from Administration Proposal to Expand the Earned Income Tax Credit for Workers Without Qualifying Children for Returns, Earners, and Filers by Marital Status", www.treasury.gov/resource-center/tax-policy/Documents/OTAR-State-Childless-EITC-Expansion-Proposal-2017.pdf. For estimates for the Brown/Neal proposal, the March 2015 CPS is used to estimate the ratio of workers benefiting from Brown/Neal to those benefiting from Obama and Ryan's proposals nationally and in each state, and those ratios are applied to the Treasury estimates for the Obama and Ryan proposals. These figures count two married workers twice. A married couple with one worker is counted once.