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TAX & BUDGET

The President's Proposed EITC Expansion Would Benefit Working Women at All Stages of Their Lives

March 2014

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The federal Earned Income Tax Credit (EITC) encourages and rewards work by boosting the wages of low-wage workers, lifting the incomes of millions of families above the poverty line every year.[1] Considerable research demonstrates the EITC's effectiveness at encouraging work, especially among low-income single mothers, and reducing poverty among families with children.[2] Families with children receiving the EITC received $2,905 on average in 2011 (the last year for which data are available).[3] The EITC helps families with children living paycheck to paycheck to cover the cost of basic expenses and past debts, and provide a small reserve for things like housing, car repairs, and education.[4]

In contrast, the EITC for workers without qualifying children (including workers without children, non-custodial parents, and parents whose children are no longer dependent)—the "childless worker EITC"—does not provide a meaningful work incentive or poverty-reducing benefit. The average benefit for an individual or couple without children in 2011 was just $264.[5] For 2013, it is worth a maximum of less than $500 and begins to phase out when incomes are still below poverty. As a result, the federal tax system actually pushes this group of workers into, or deeper into, poverty.

President Obama's Proposed Expansion of the Childless Worker EITC

President Obama's proposed improvements in the EITC for childless workers would:

- double the current maximum credit (to over $1,000 in tax year 2015);
- increase the amount of income that tax filers can earn and remain eligible for the credit (from $14,790 to $18,070 for a single tax filer); and
- expand the age range of workers who are eligible for the credit, from 25-64 to 21-66.

The President's proposal would benefit 13.5 million low-income workers, including 7.7 million workers whose EITC would increase; 5.8 million newly eligible workers, including 3.3 million adults age 21-24, 300,000 workers age 65 or 66, and 2.2 million with incomes above the current cutoffs. It would lift 500,000 people above the poverty line and reduce the depth of poverty for 10 million people.

Source: Executive Office of the President and the U.S. Treasury Department, The President's Proposal to Expand the Earned Income Tax Credit, (Mar. 2013) *available at* http://www.whitehouse.gov/sites/default/files/docs/eitc_report.pdf

The President's proposal to expand the EITC for childless workers would increase economic security for 6.1 million working women at all stages of their lives.[6] It would benefit women in low-wage jobs, where women are a large majority of workers; young women who already experience a wage gap and are burdened by student debt; mothers whose children have left home who are economically disadvantaged by caregiving; and older women who need to increase income before retirement.

Women working in low-wage jobs would benefit from expanding the EITC for childless workers.

- Women make up the overwhelming majority of low-wage workers. Seventy-six percent of workers in the ten largest low-wage occupations that typically pay less than $10.10 an hour are women.[7]
- Women are disproportionately represented in those low-wage jobs at all life stages.[8]
- Women working full time in the ten largest low-wage occupations are typically paid only 90 cents for every dollar their male counterparts are paid.[9]
- Low-wage jobs are less likely to provide steady employment.[10] In 2012, workers in the ten largest low-wage occupations were more than twice as likely to be working part-time involuntarily as those in the overall workforce.[11]

Maria is a 28-year-old woman who works 35 hours a week at minimum wage cleaning office buildings.

She earns $12,700, close to the poverty line for a single adult in 2015. Under current law, she would receive an EITC of only $160; under the President's proposal, she would receive an EITC of $822.

Young women entering the labor force and students working to support themselves would benefit from expanding the EITC for childless workers.

- Young women already experience a wage gap in their early 20s – women age 21 through 24 working full time, year round are typically paid only 92 percent of what their male counterparts are paid.[12]
- Because of women's lower pay, although women and men typically borrow the same amount for college, the repayment of that loan represents a larger monthly expense for women than it does for men, according to a recent AAUW study.[13]
- Pell Grants provide federal financial assistance for lower-income students, 62 percent of whom are women and 59 percent of whom are financially independent.[14] However, because of the escalating cost of higher education, these grants now cover less than a third of the cost of four-year college per recipient.[15] While Pell Grant recipients are more likely than other lower-income students to stay enrolled and earn a degree,[16] many still drop out of school before obtaining a degree.[17]
- Extending the EITC to younger childless workers would help more low-income women, including both full- and part-time students who are supporting themselves while juggling the demands of work and school.

Nicole is a 21-year-old college senior who works 20 hours a week as a cashier at a local grocery store to support herself while she earns her degree.

She makes $9,130 a year. Under current law she would be too young to receive the EITC for childless workers. Under President Obama's proposal, she would receive an EITC of $1,005.

Women who are economically disadvantaged by caregiving would benefit from expanding the EITC for childless workers.

- The "motherhood penalty" is estimated to reduce earnings by up to 15 percent per child for low-wage working mothers,[18] and persists as children age.[19] An expanded EITC for workers without qualifying children would help mothers whose earning capacity has been reduced by years of childrearing, after their children have left home.
- Overall, two-thirds of those caring for sick, elderly or disabled family members are women.[20] Many working caregivers have lost income because of their caregiving responsibilities;[21] an expanded EITC could compensate for lower earnings.
- In large part due to the recent recession, many parents are still providing financial support for their adult children. Unemployment among 20-34-year-olds is currently 8.9 percent,[22] and almost half of unemployed

young adults have reported moving back home with their parents.[23] An expanded EITC could help adult children with low earnings and low-income parents who are contributing to their support, but are no longer able to claim them as dependents on their tax return.

Older women who need to prepare for retirement would benefit from expanding the EITC for childless workers.

- Women make up over half of poor adults ages 50 through 66, and over 21 percent of unmarried women ages 50 to 66 are poor.[24] Nearly half (47 percent) of poor women ages 50 to 66 are women of color, though they comprise less than one-third (29 percent) of the women in this age group overall.[25] An expanded EITC would boost their income.
- By encouraging employment among older women, the proposal could increase women's Social Security retirement benefits. First, it could enable them to wait until their Full Retirement Age to claim Social Security benefits, and avoid a benefit reduction.[26] Second, by staying in the workforce, they could increase their work history and wages on which Social Security benefits are based. Social Security benefits are critical to lowering women's poverty in old age.[27]
- The increased refund from an expanded EITC could enable older working women to add to their retirement savings, supplementing their Social Security benefits after they retire.

Wanda is a 65-year-old woman who returned to work in her 40s after raising two children. She now works 20 hours a week as a home-health aide and cares for her 87-year-old mother.

She earns $10,010 per year. Under current law, she would be too old to receive the EITC for childless workers. Under the President's proposal, her EITC would be $1,005.

Methodology note
Examples of EITC earned by individuals are NWLC calculations based on EITC parameters outlined in Executive Office of the President and the U.S. Treasury Department, The President's Proposal to Expand the Earned Income Tax Credit, (Mar. 2014) *available at* http://www.whitehouse.gov/sites/default/files/docs/eitc_report.pdf. Median earnings figures for cashiers and home health aides come from the Bureau of Labor Statistics, Occupational Employment and Wage Estimates (May 2012), *available at* http://www.bls.gov/oes/current/oes_nat.htm.

1 NWLC calculations based on U.S. Census Bureau, Current Population Survey Table Creator *available at* http://www.census.gov/cps/data/cpstablecreator.html. In 2012 income from the EITC lifted almost 5.5 million people above the poverty line.
2 Arloc Sherman et al., Ctr. on Budget & Policy Priorities, Various Supports for Low-Income Families Reduce Poverty and Have Long-Term Positive Effects On Families and Children (July 2013), *available at* http://www.cbpp.org/cms/?fa=view&id=3997.
3 Ctr. on Budget & Policy Priorities, Policy Basics: The Earned Income Tax Credit (Jan. 2014), *available at* http://www.cbpp.org/cms/?fa=view&id=2505.
4 Ruby Mendenhall et al., Nat'l Poverty Ctr., The Role of Earned Income Tax Credit in the Budget of Low-Income Families (June 2010), *available at* http://npc.umich.edu/publications/u/working_paper10-05.pdf.
5 Ctr. on Budget & Policy Priorities, *supra* note 3.
6 Exec. Office of the President and U.S. Treasury Department, The President's Proposal to Expand the Earned Income Tax Credit (Mar. 2014), *available at* http://www.whitehouse.gov/sites/default/files/docs/eitc_report.pdf.
7 NWLC, Women Are 76 Percent of Workers in the 10 Largest Low-wage Jobs and Suffer a 10 Percent Wage Gap (Mar. 2014), *available at* http://www.nwlc.org/sites/default/files/pdfs/women_are_76_percent_of_workers_in_the_10_largest_low-wage_jobs_and_suffer_a_10_percent_wage_gap.pdf.
8 *Id.*
9 *Id.*
10 Liz Watson & Jennifer E. Swanberg, Flexible Workplace Solutions for Low-Wage Hourly Workers: A Framework for a National Conversation 6 (Workplace Flexibility 2010, May 2011), *available at* http://workplaceflexibility2010.org/images/uploads/whatsnew/Flexible%20Workplace%20Solutions%20for%20Low-Wage%20Hourly%20Workers.pdf.
11 NWLC calculations based on Miriam King, et. al. *Integrated Public Use Microdata Series, Current Population Survey: Version 3.0.* [Machine-readable database] (Minneapolis: University of Minnesota, 2010). Data are from the Current Population Survey, ASEC 2013, which refers to the reason for working part-time during the previous week. 14.1 percent of workers in the ten largest low-wage occupations worked part-time involuntarily compared to 5.7 percent of all workers.
12 NWLC calculations based on CPS Table Creator, *supra* note 1. The median personal earnings of women 21 through 24 working full time, year round are $23,000. For their male counterparts this figure is $25,000. Figures are for 2012.
13 Am. Ass'n of Univ. Women, Graduating to a Pay Gap 3 (Oct. 2013), *available at* http://www.aauw.org/research/graduating-to-a-pay-gap/.
14 U.S. Dep't of Educ., Nat'l Ctr. for Educ. Statistics (NCES), 2011-12 National Postsecondary Student Aid Study (NPSAS:12). Computation by NCES QuickStats on Mar. 5, 2014, *available at* http://nces.ed.gov/datalab/quickstats/default.aspx.
15 The Inst. for Coll. Access & Success, Pell Grants Help Keep College Affordable for Millions of Americans (Mar. 2014), *available at* http://www.ticas.org/files/pub/Overall_Pell_one-pager.pdf.

16 The Inst. for Coll. Access & Success, Aligning the Means and the Ends: How to Improve Federal Student Aid and Increase College Access and Success 5 (Feb. 2013), *available at* http://projectonstudentdebt.org/files/pub/TICAS_RADD_White_Paper.pdf.
17 Educ. Trust calculations based on data from the Dep't of Educ., Nat'l Ctr. for Educ. Statistics 2003-04 Beginning Post-Secondary Students Longitudinal Study, Second Follow Up (BPS 04/09), on file with NWLC.
18 Michelle J. Butig & Melissa J. Hodges, *Differences in Disadvantage: Variation in the Motherhood Penalty across White Women's Earnings Distribution*, 75 Am. Sociological Rev. 705 (Oct. 2010).
19 Joan R. Kahn, et al., *The Motherhood Penalty at Midlife: Long-term Effects of Children on Women's Careers*, 76 J. of Marriage & Family 56, 69 (2014), *available at http://onlinelibrary.wiley.com/doi/10.1111/jomf.12086/pdf*.
20 Nat'l Alliance for Caregiving & AARP, Caregiving in the U.S.: Executive Summary (Nov. 2009), *available at* http://www.caregiving.org/pdf/research/CaregivingUSAllAgesExecSum.pdf.
21 *Id.*
22 NWLC calculations based on Bureau of Labor Statistics, Current Population Survey Database, Series Codes LNS13000036, LNS1100036, LNS13000089, LNS11000089. Unemployment rate is for February 2014, seasonally adjusted.
23 Kim Parker, Pew Research Ctr., The Boomerang Generation Feeling Okay about Living With Mom and Dad 4 (2012), *available at* http://www.pewsocialtrends.org/files/2012/03/PewSocialTrends-2012-BoomerangGeneration.pdf. Young adults are defined here as 18-34-year-olds.
24 NWLC calculations based on CPS Table Creator, *supra* note 1. The poverty rate for unmarried women 50-66 is 21.4 percent; this category includes women who are married but whose spouse is absent.
25 *Id.*
26 Virginia Reno et Al., Nat'l Acad. of Social Ins., Social Security: It Pays to Wait (Feb. 2014), *available at* http://www.nasi.org/research/2014/brief-social-security-it-pays-wait.
27 NWLC, Women and Social Security (Feb. 2014), *available at* http://www.nwlc.org/resource/women-and-social-security.