



TAX & BUDGET

THE EITC AND CHILD TAX CREDIT ARE CRITICAL TO THE ECONOMIC SECURITY OF WOMEN AND FAMILIES

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The Earned Income Tax Credit (EITC) and low-income component of the Child Tax Credit (CTC) encourage work and help millions of hard-working families make ends meet.

The EITC and CTC lift hard-working families out of poverty.

- In 2013, the EITC, which helps low- and moderate-income workers and their families, together with the CTC, which helps families meet some of the costs of raising children, lifted the incomes of 9.4 million people above the poverty line, including 5.0 million children.¹

The EITC and CTC provide highly effective work incentives.

- Refunds from the EITC and CTC are only available to people who earn income from work. They offset the other taxes that families pay and boost the wages of hard-working parents.
- Considerable research has demonstrated the EITC's effectiveness at encouraging work, especially among low-income single mothers.²
 - o Research highlighted by the Center on Budget and Policy Priorities shows that the EITC expansions enacted in the 1990s contributed more to the increases in work among single mothers than the welfare reforms enacted in that period.³ Women who were eligible to benefit the most from EITC expansions of the 1990s also experienced higher wage growth in later years.⁴

The EITC and the CTC put money in the pockets of women supporting their families on low wages.

Jessica, a single mom with three kids, makes \$14,500 per year working full time in a child care center.

- For tax year 2015, Jessica would be eligible for an EITC worth \$6,242 and a \$1,725 CTC.

Nicole and David, a married couple who both work full time at minimum wage jobs, support their two children with their combined annual income of \$29,000.

- For tax year 2015, Nicole and David would be eligible for an EITC worth \$4,417 and a \$2,000 CTC.

- o Moreover, by encouraging employment among working-age women, the EITC has the additional effect of increasing their Social Security retirement benefits, which are critical to lowering women's poverty in old age.⁵

The additional resources provided by the EITC and CTC improve health and education outcomes for children.

- Research reviewed by the Center on Budget and Policy Priorities also shows that that the financial boost provided by refundable tax credits such as the EITC and CTC improve outcomes for young children in low-income households.
 - o Income-boosting policies like the EITC and CTC are linked to improved school performance for low-income children on a variety of measures, including test scores.⁶



- o Low-income children whose families receive refundable tax credits are more likely to attend college.⁷
- o Larger EITC increases have been linked to improved infant well-being and health.⁸
- o Children in households that receive income supports like the EITC and CTC are likely to work more and have higher earnings as adults, compared to children whose families did not experience similar increases in income.⁹

- About 61 percent of families who received the EITC between 1989 and 2006 received the credit for only a year or two at a time.¹¹

The CTC and EITC have been repeatedly proven effective in lifting women and their families out of poverty, encouraging paid work, and improving low-income families' economic well-being.

- Particularly when combined with antipoverty policies like increases to the minimum wage, refundable tax credits play a crucial role in increasing the economic security of women and their families.¹²

The EITC provides targeted benefits to families who need help making ends meet.

- If workers' income declines because of periods of unemployment or unpaid leave in a particular year, the EITC can help soften the financial impact of these economic "shocks".¹⁰

What Are the Earned Income Tax Credit and Child Tax Credit?

The Earned Income Tax Credit (EITC) is a refundable federal tax credit for low- and moderate-income workers. It is designed to encourage and reward work and strengthen families by helping hard-working parents lift their families out of poverty.

The amount of the EITC depends on income, number of children, and marital status. For tax year 2015, the EITC is worth a maximum of \$6,242.

The Child Tax Credit (CTC) is a federal tax credit, worth up to \$1,000 per child, designed to help working parents meet the costs of raising children. It is partially refundable, so that parents with low or moderate earnings who pay other taxes but have little or no federal income tax liability also can benefit from the credit.

Parents must have earnings to receive the CTC as a refund. They can receive 15 percent of their earnings above \$3,000 as a refund, up to the \$1,000 per child limit. A single mother with three children earning \$14,500 in a full-time minimum wage job is eligible for a credit of \$1,725 (15% x \$11,500 [\$14,500 - \$3,000]) for tax year 2015.

1 Bryann DaSilva, Ctr. on Budget & Policy Priorities, New Poverty Figures Show Impact of Working-Family Tax Credits, (Oct. 2014), available at <http://www.offthechartsblog.org/new-poverty-figures-show-impact-of-working-family-tax-credits/>.

2 Chuck Marr, Chye-Ching Huang, Arloc Sherman & Brandon DeBot, Ctr. on Budget & Policy Priorities, EITC and Child Tax Credit Promote Work, Reduce Poverty, and Support Children's Development, Research Finds, at 5 (Oct. 2015), available at http://www.cbpp.org/research/federal-tax/eitc-and-child-tax-credit-promote-work-reduce-poverty-and-support-childrens#_ftnred19.

3 *Id.* at 5-6.

4 *Id.* at 6.

5 *Id.* at 7.

6 *Id.* at 8-9.

7 *Id.* at 10.

8 *Id.* at 8.

9 *Id.* at 11.

10 *Id.* at 16.

11 *Id.*

12 See, e.g., NWLC, The Minimum Wage and the EITC: Complementary Strategies Helping Working Women Lift Their Families Out of Poverty (July 2015), available at <http://www.nwlc.org/resource/minimum-wage-and-eitc-complementary-strategies-helping-working-women-lift-their-families-ou>.

