The Federal Earned Income Tax Credit
Providing a Foundation of Support for Workers with Children

December 2018
Elaine Maag / EMaag@urban.org / @ElaineMaag
Understanding the EITC

2018

Credit amount


Note: Assumes all income comes from earnings. Amounts are for taxpayers filing a single or head-of-household tax return. For married couples filing a joint tax return, the credit begins to phase out at income $5,690 higher than shown.
Majority of EITC benefits go to lowest income families

Benefits of the EITC and CTC
By income quintile, 2018

Share of benefits (%)

Source: Tax Policy Center Tables T13-0203 and T18-0195
Note: In 2018, Tax Policy Center projects the EITC will deliver about $70 billion in benefits; the CTC will deliver about $130 billion in benefits.
Distribution of Earned Income Tax Credit (EITC) benefits (federal)

Distribution of EITC benefits 2018

Benefits of the EITC

- Administratively efficient
  - High take-up rates
  - Low consumer burden
  - Typically temporary assistance
- Largest antipoverty program for working age adults
  - Encourages people to work
  - Raises incomes of low-income workers
- Improves educational attainment
- Improved health outcomes
Areas of Concern

- Workers without custodial children left out – almost entirely – of benefits
  - Must be 25 – 64
  - Must have income below $15,270
  - Relatively small benefit
    - States / DC can opt to improve credit for this group of people.

- Can exacerbate income volatility
  - Not well suited to responding to daily needs
  - But can facilitate purchase of higher cost items (transportation, durable goods)
    - Alternate delivery mechanism?
Thank you! Additional research can be found at: [www.TaxPolicyCenter.org](http://www.TaxPolicyCenter.org) 
@ElaineMaag

Elaine Maag; December 12, 2018