



TAX POLICY CENTER
URBAN INSTITUTE & BROOKINGS INSTITUTION

The Federal Earned Income Tax Credit

Providing a Foundation of Support for Workers with Children

December 2018

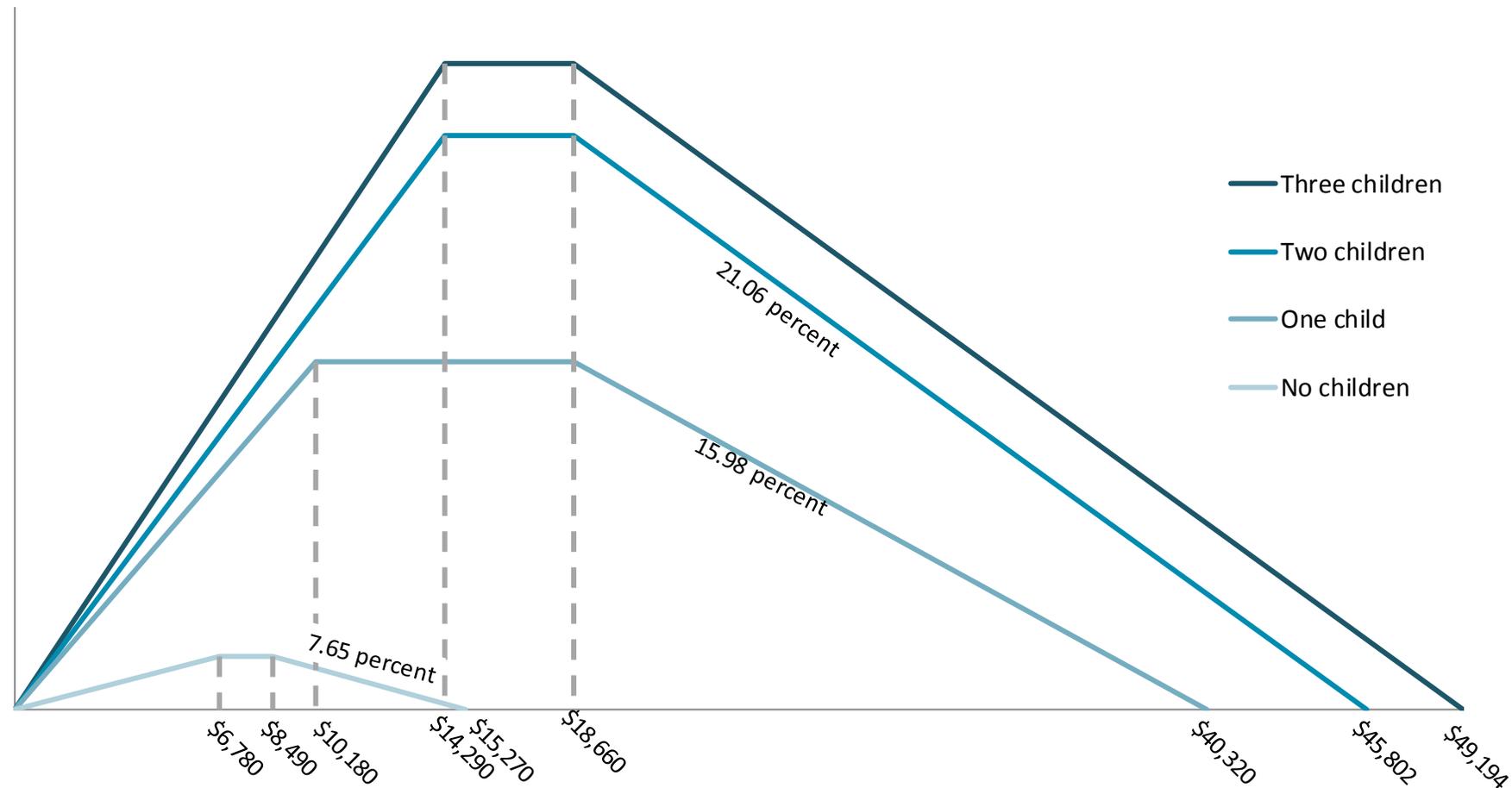
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Understanding the EITC

Earned Income Tax Credit 2018



Credit amount



Source: Tax Policy Center, 2018. Internal Revenue Procedure 2018-18, Internal Revenue Service.

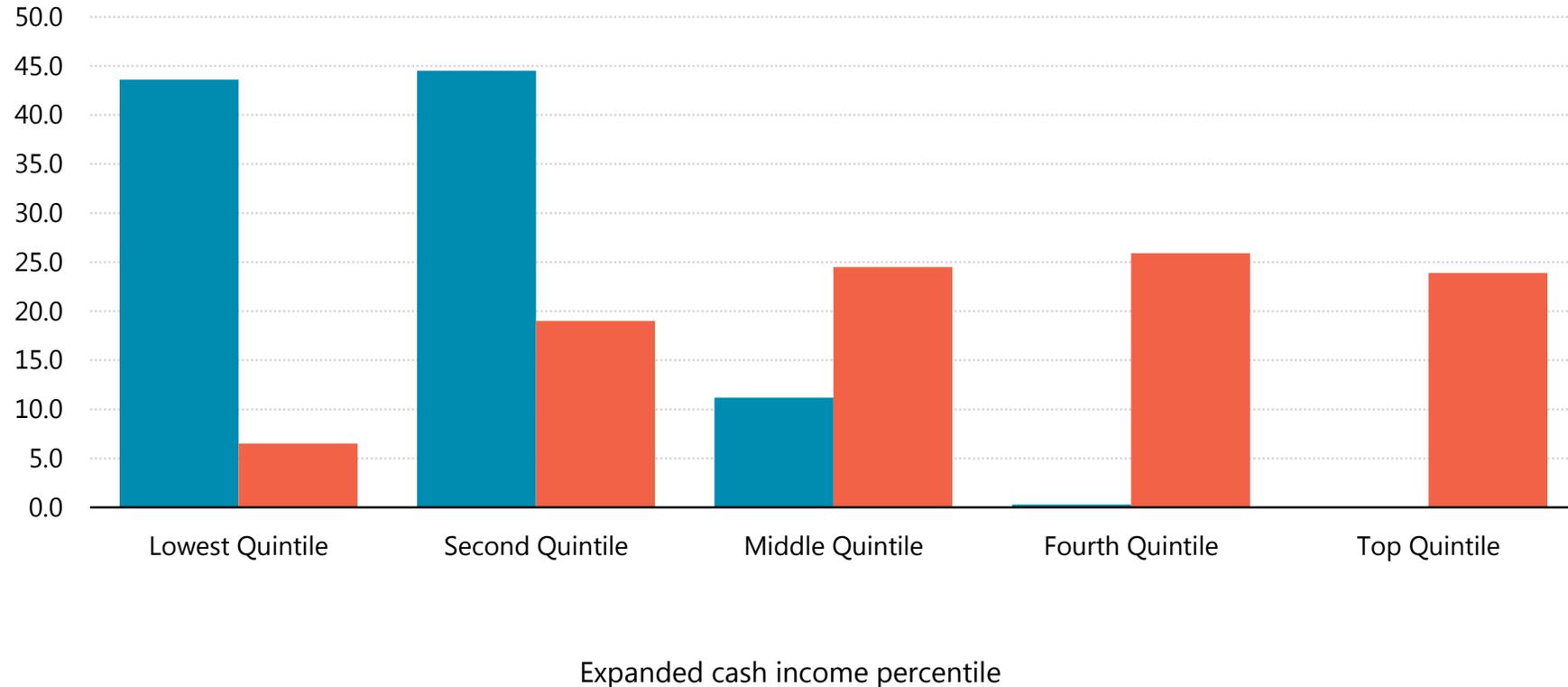
Note: Assumes all income comes from earnings. Amounts are for taxpayers filing a single or head-of-household tax return. For married couples filing a joint tax return, the credit begins to phase out at income \$5,690 higher than shown.

Majority of EITC benefits go to lowest income families

Benefits of the EITC and CTC

By income quintile, 2018

Share of benefits (%)

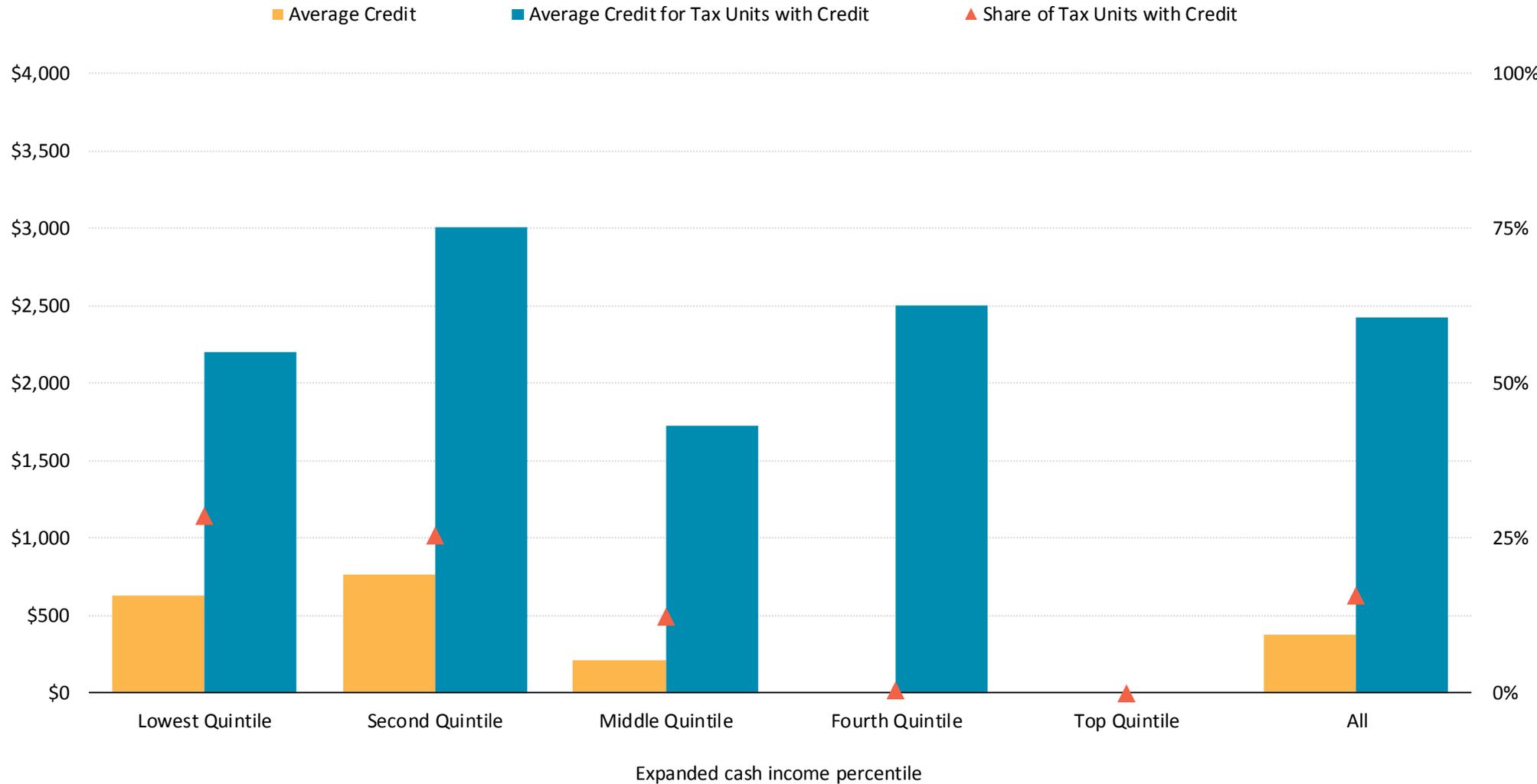


Source: Tax Policy Center Tables T13-0203 and T18-0195

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 EITC benefits (federal)

Distribution of Earned Income Tax Credit 2018



Source: Urban-Brookings Tax Policy Center. "TPC Microsimulation Model, version 0718-1."

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?*



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Thank you! Additional research can be found at: www.TaxPolicyCenter.org

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Elaine Maag; December 12, 2018