

What is the Federal Earned Income Tax Credit (EITC)?

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What is the Earned Income Tax Credit (EITC)?

- Federal tax benefit for working families and individuals earning low- to moderate-incomes
- Refundable tax credit
- Working families with incomes below about \$50,000 may be eligible
- The credit is worth up to about \$6,000, with an average EITC of about \$3,000 for a family with children



Goals of the EITC

▶ Reduce
Income Tax

▶ Supplement
Wages

▶ Promote
Work

Administration of the EITC

The image shows a close-up of a Form 1040, U.S. Individual Income Tax Return, from the Department of the Treasury. The form is for the year Jan. 1-Dec. 31, 2012, or other tax year beginning on Jan. 1, 2012. A yellow pencil is pointing to the "Filing Status" section, which includes options for "Married jointly (even if you were separated during the year)", "Married separately", "Single", "Head of household", and "Qualifying widow(er) with dependent child". The form also includes sections for "Home address (no P.O. box)", "City, town or post office", "State", "ZIP code", and "Foreign country name".

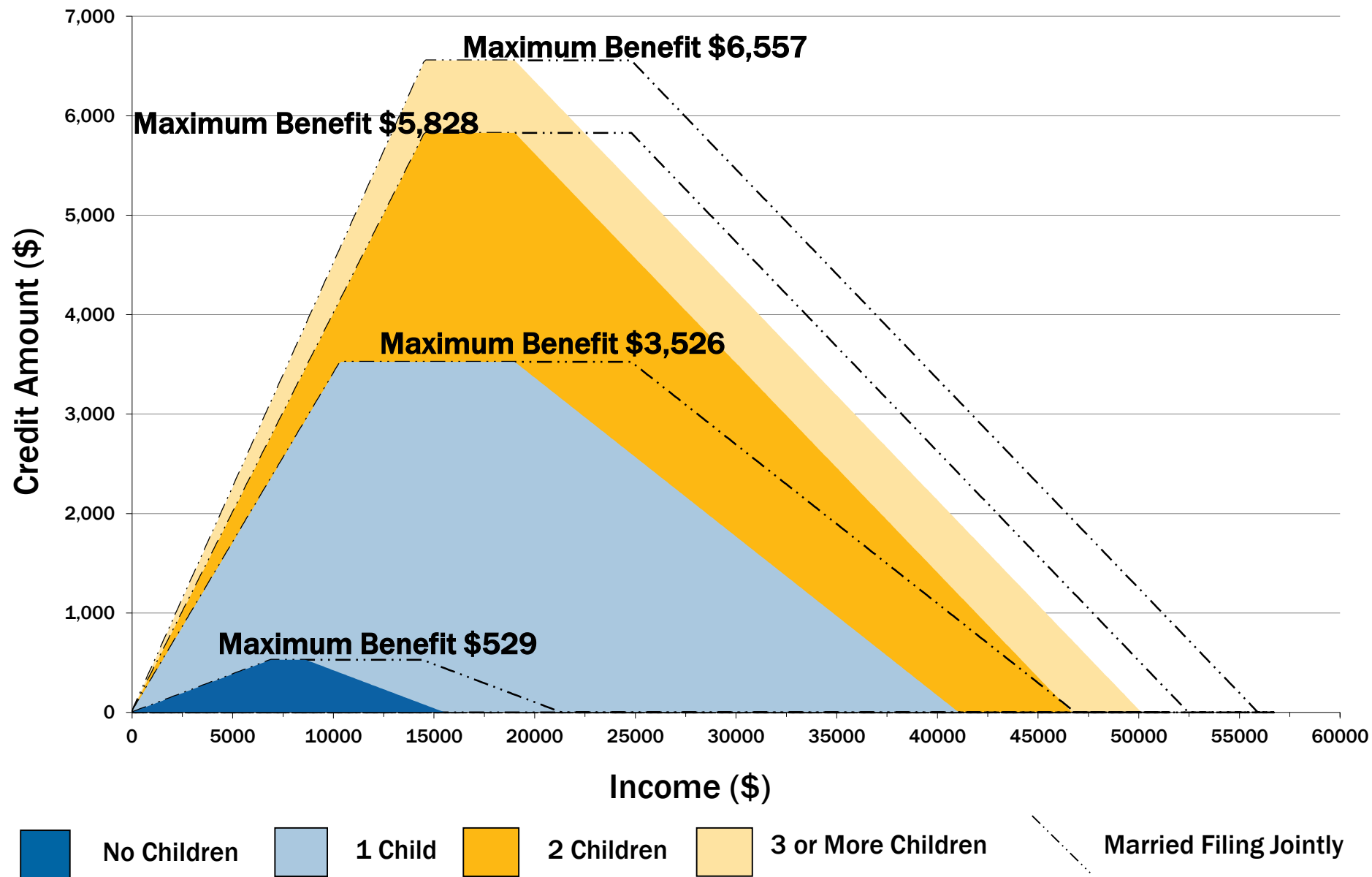
How Much Can Workers Earn and Qualify for the EITC?

Income Limits for Tax Year 2019:

Number of children:	Single income less than:	Married income less than:	EITC up to:
3 or more children	\$50,162	\$55,952	\$6,557
2 children	\$46,703	\$52,493	\$5,828
1 child	\$41,094	\$46,884	\$3,526
No children	\$15,570	\$21,370	\$529

- Workers not raising children must be between the ages of 25 and 64.
- Investment income cannot exceed \$3,600.

The Federal EITC in Tax Year 2019



What Counts as Earned Income?

Includes:

- Wages, salaries, and tips
- Net earnings from self-employment
- Union strike benefits
- Employer-paid disability benefits
- Military combat pay

Doesn't Include:

- Non-taxable earned income
 - Payroll deductions for dependent care or retirement plans
- Public benefits
 - Social security, SSI, welfare
- Other income, such as:
 - Unemployment
 - Alimony and child support
 - Interest on bank accounts
 - Investment income

Who Can Claim the EITC?

- Married and unmarried parents
 - Step-parents
- Grandparents, great-grandparents
 - Grandparent with child and grandchild
- Aunt or uncle
- Older brother or sister
 - Step-brother or step-sister
 - Half-brother or half-sister
- Foster and adoptive parents



Who Can Claim the EITC?

- Some workers not raising children
- Workers who also receive public benefits
- Eligible workers can claim the EITC for up to 3 previous years

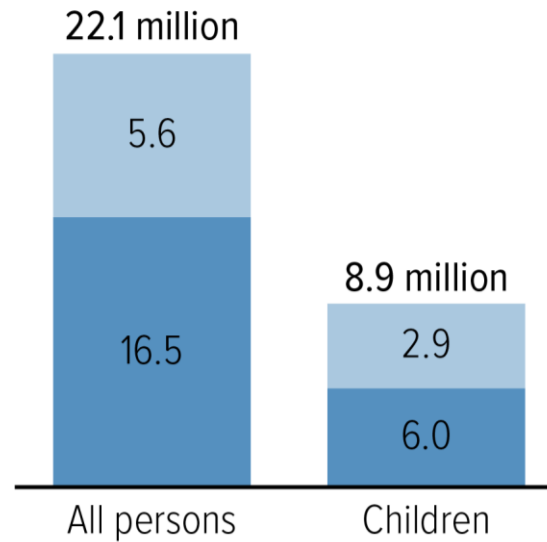


EITC Impact

EITCs Help Reduce Poverty and Hardship

Millions of people lifted out of poverty or made less poor by federal EITC, 2018

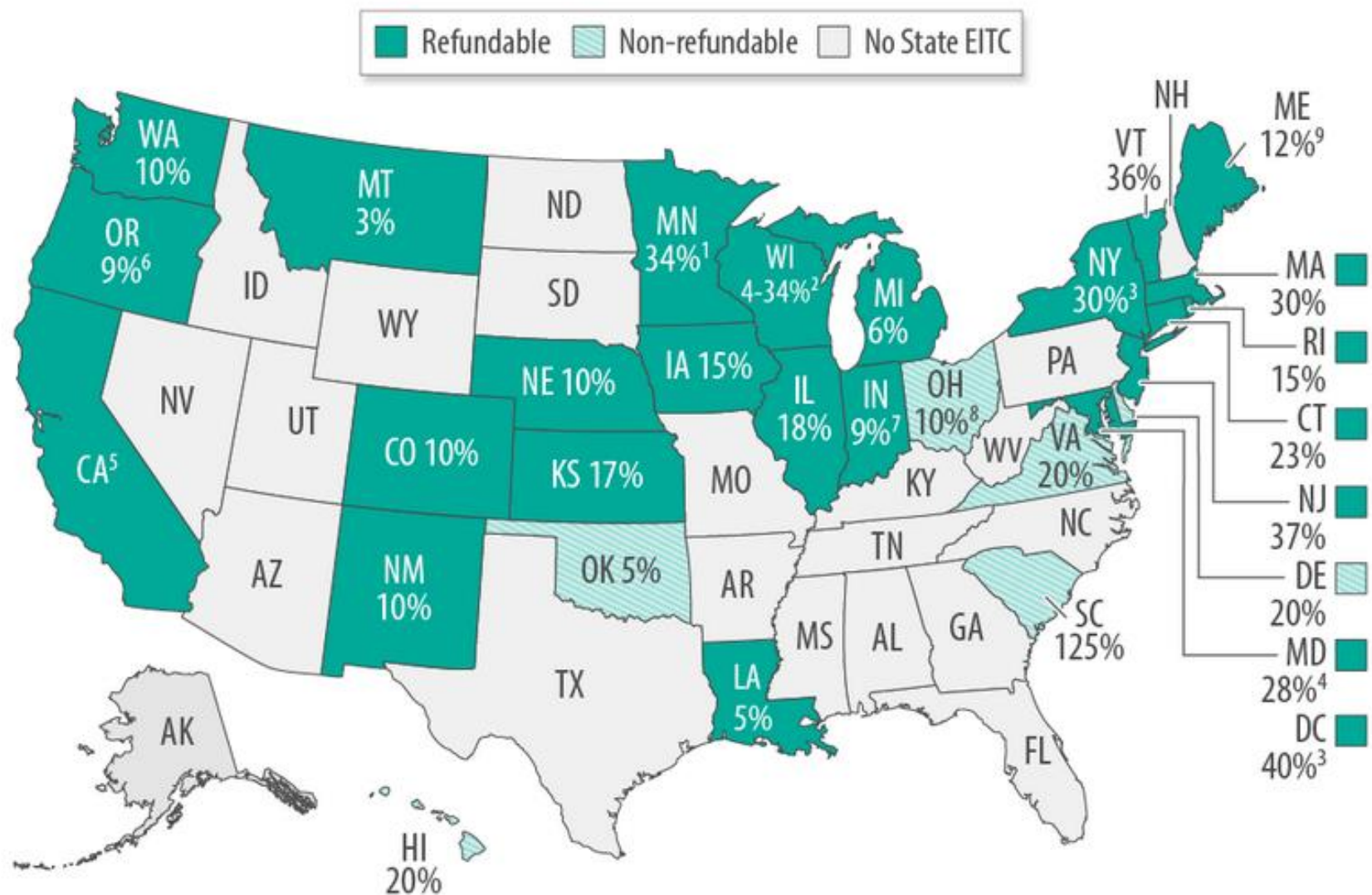
■ Lifted out of poverty ■ Made less poor



Note: These figures use the Supplemental Poverty Measure. Unlike the Census Bureau's official poverty measure, the SPM counts the effect of non-cash government programs like housing and food assistance, and tax credits.

Source: CBPP analysis of Census Bureau March 2019 Current Population Survey.

State EITCs



The EITC Helps Families Thrive in the Long-Term



Improves Maternal and Infant Health



Reduced maternal stress

Fewer low-birthweight births and premature births

Chuck Marr *et al.*, “ETC and Child Tax Credit Promote Work, Reduce Poverty, and Support Children’s Development, Research Finds,” Center on Budget and Policy Priorities, updated October 1, 2015, <https://www.cbpp.org/research/federal-tax/eitc-and-child-tax-credit-promote-work-reduce-poverty-and-support-childrens>



Tax Credits
for People
Who Work

Helps Kids Learn

Higher test scores in Reading and Math

More Likely To Graduate



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Increases College Enrollment

Making college more affordable for families with high-school seniors

Greater likelihood of attending college



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Tax Credits
for People
Who Work

Increases Retirement Security, Particularly For Women

**More work experience
and higher wages**

**Increased Social Security
eligibility, higher benefits**

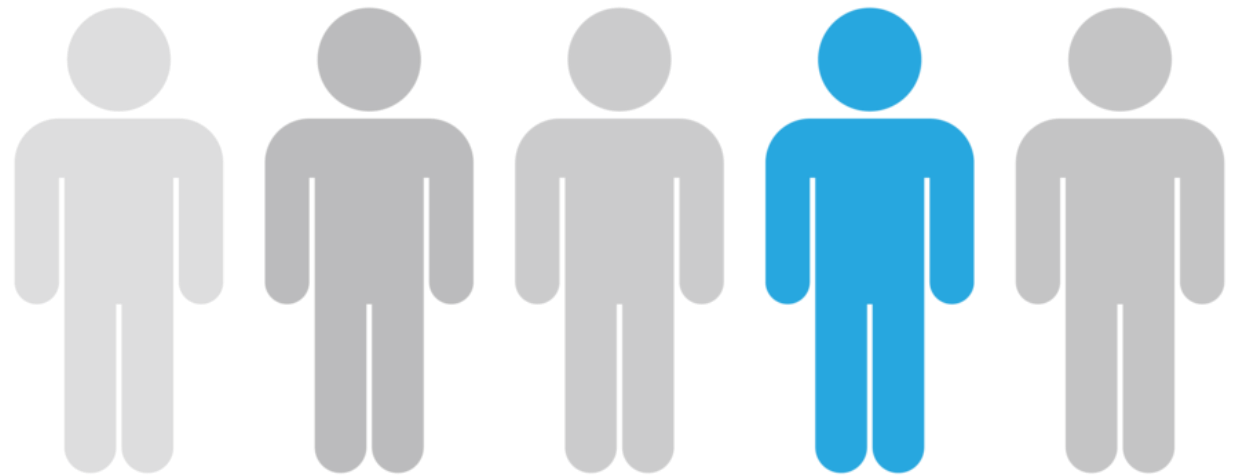
Molly Dahl, Jonathan Schwabish, Thomas DeLeire, and Timothy Smeeding, "The Earned Income Tax Credit and Expected Social Security Retirement Benefits Among Low-Income Women," Congressional Budget Office, revised March 5, 2012, <http://www.cbo.gov/publication/43033>.



Tax Credits
for People
Who Work

Who's missing out?

1 in 5 eligible workers doesn't claim the EITC



Resources

EITCoutreach.org

RideShareTaxHelp.com

Learn About the EITC and its Impact in Under 2 Minutes

Watch These Videos

English



<https://youtu.be/TXsdp6SDKcY>

Spanish



<https://youtu.be/K-4Dn87rkeE>