



California Budget  
& Policy Center

# Earned Income Tax Credits (EITCs) Benefit Families, Children, and Communities: Key Findings From the Research

ALISSA ANDERSON

SENIOR POLICY ANALYST

DECEMBER 6, 2017

2017 CalWORKs TRAINING ACADEMY

[calbudgetcenter.org](http://calbudgetcenter.org)

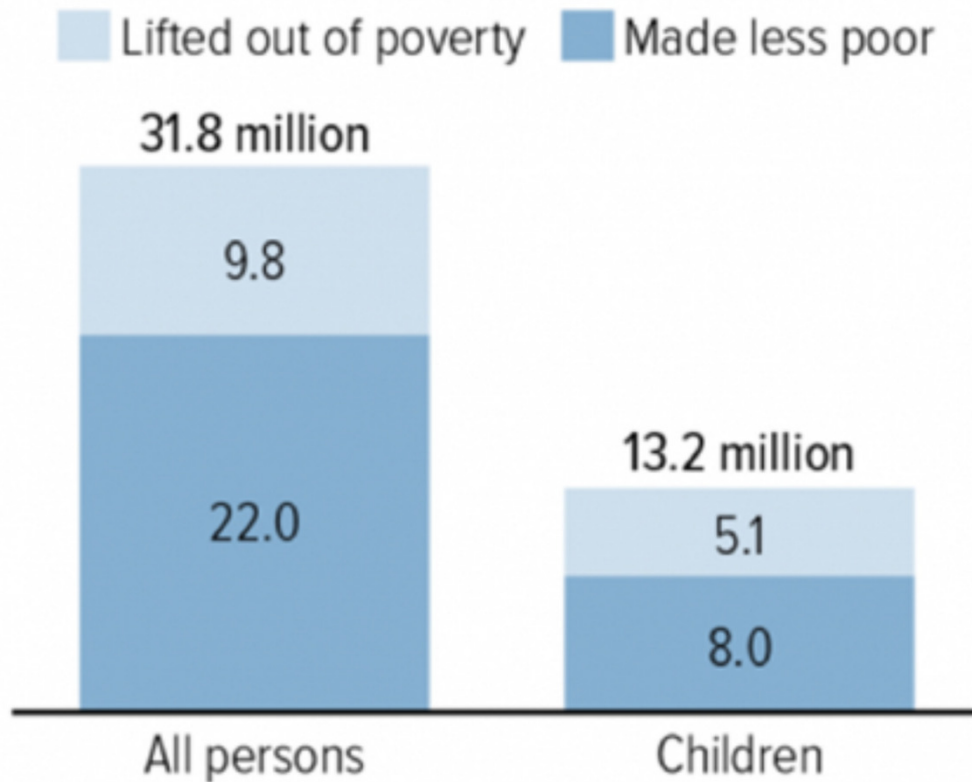
**The federal EITC is key to our nation's effort to cut poverty.**

**This tax credit lifts more children out of poverty than any other federal policy.**



# The Federal EITC & Child Tax Credit (CTC) Lift Millions of People in Our Nation Out of Poverty Each Year

Number of People, 2015

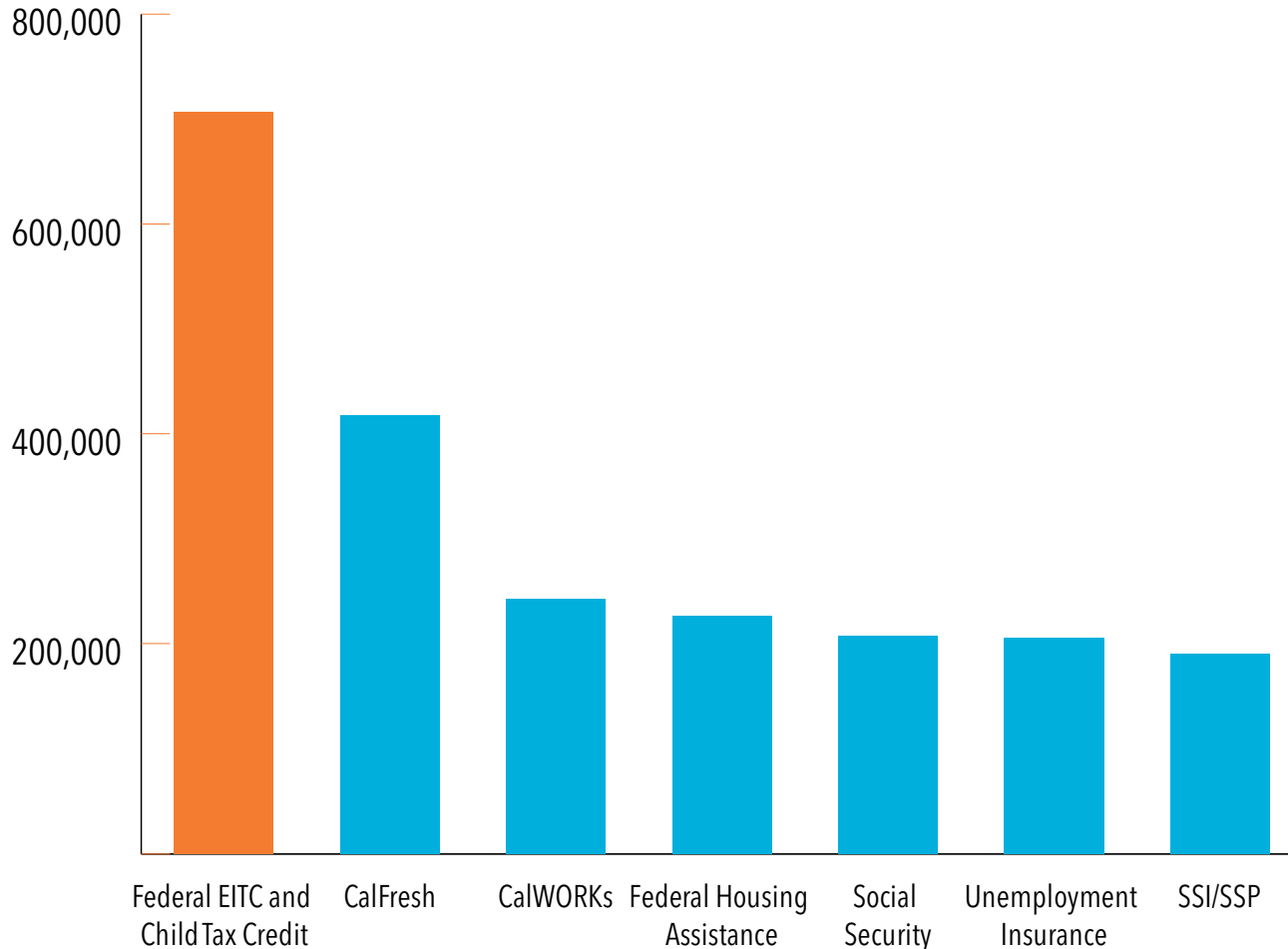


Note: Analysis is based on the US Census Bureau's Supplemental Poverty Measure.  
Source: Center on Budget and Policy Priorities analysis of US Census Bureau data



# The Federal EITC & CTC Lifted 700,000 California Children Out of Poverty During & After the Recession

Average Annual Number of Children Lifted Above the Poverty Line Between 2009 and 2012

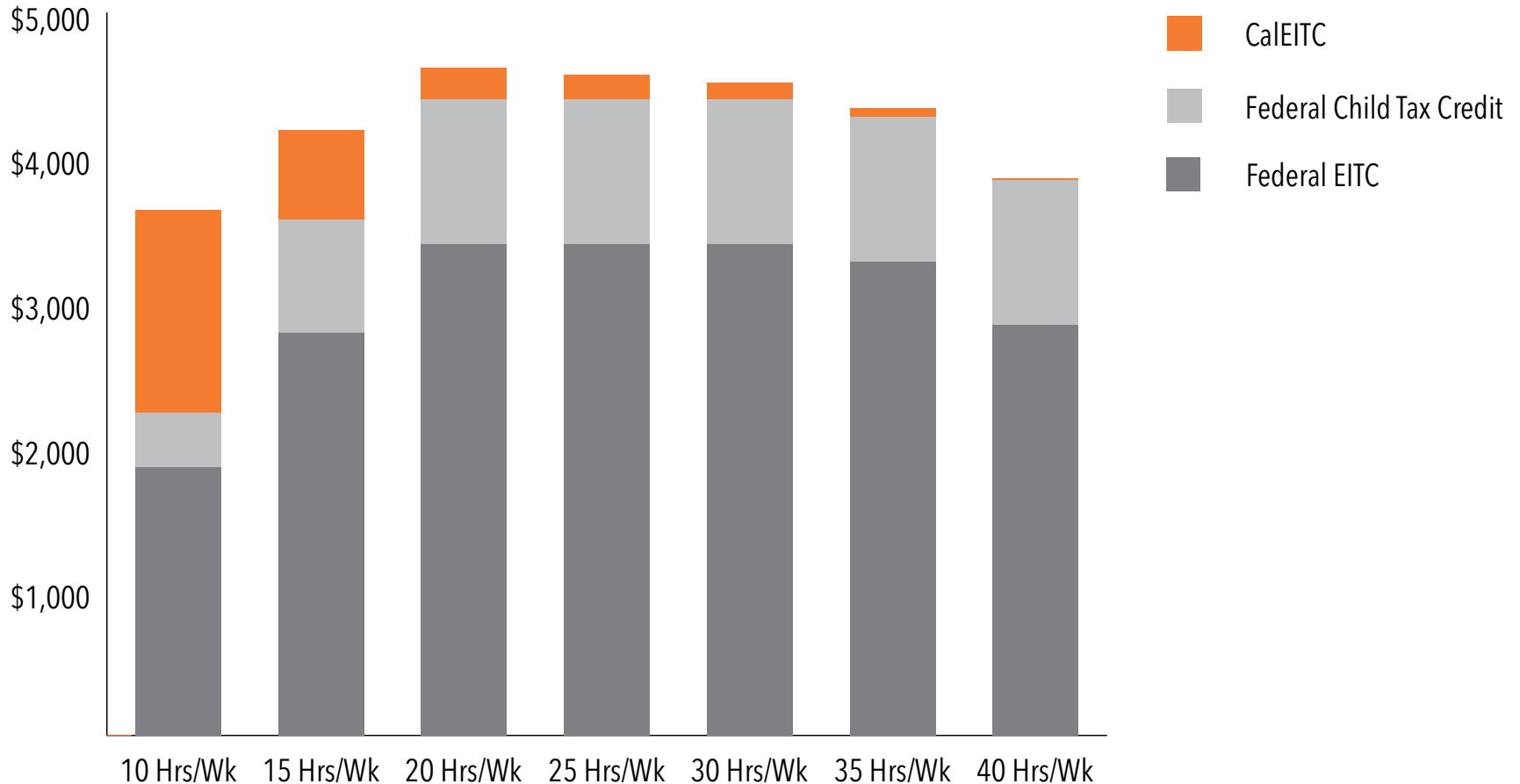


Note: Analysis is based on the US Census Bureau's Supplemental Poverty Measure after correcting for underreported public supports using administrative data.  
Source: Center on Budget and Policy Priorities



# The CalEITC Provides an Additional Income Boost on Top of Federal Tax Credits for Low-Income Workers

Credits Available to a Working Parent With One Child in Tax Year 2017



Note: Credit amounts are based on annual earnings from working specified hours per week at the state minimum wage of \$10.50 per hour, assuming 52 weeks of work per year.

Source: Budget Center analysis of the California and federal Earned Income Tax Credits (EITCs) and both the refundable federal Child Tax Credit and nonrefundable federal Additional Child Tax Credit



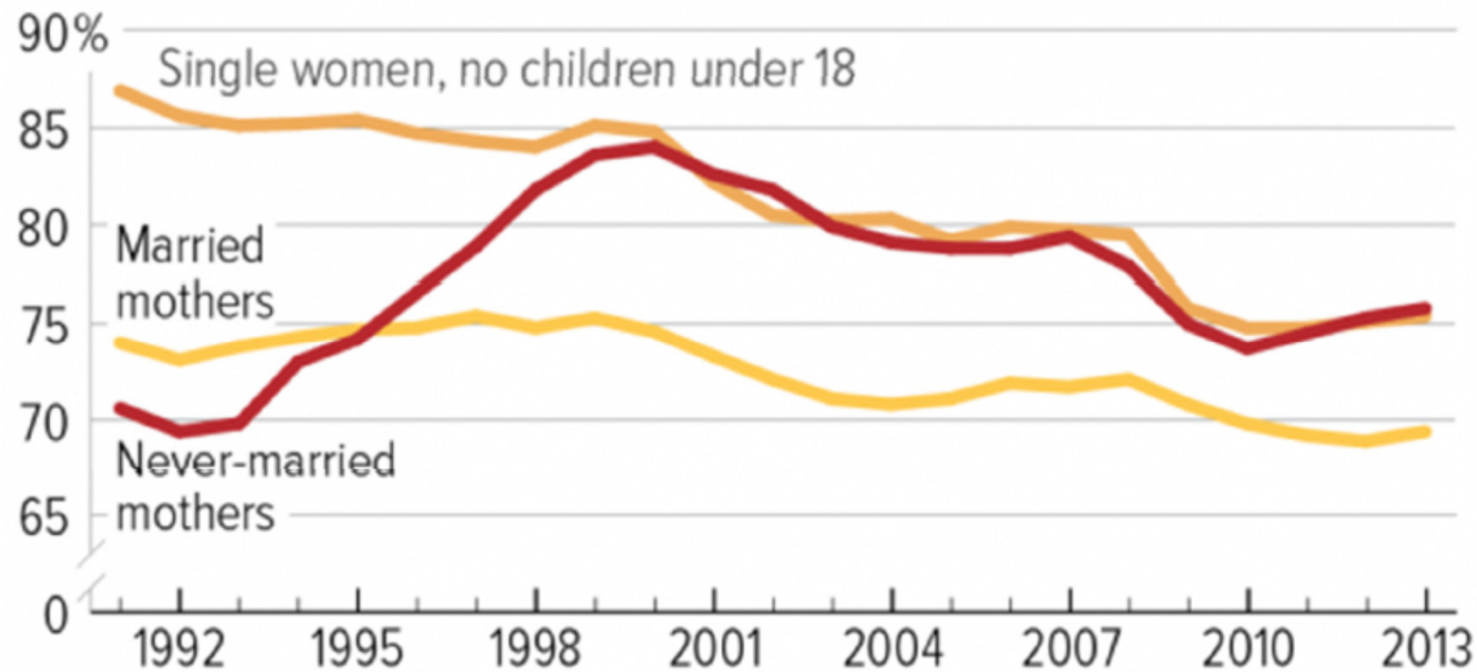
# **The EITC also significantly boosts employment.**

**It is particularly effective at encouraging work  
among single mothers.**



# Single Mothers' Work Rates Jumped Following EITC Expansions in the 1990s

Percentage of Women Ages 20 to 49 Who Worked During the Year

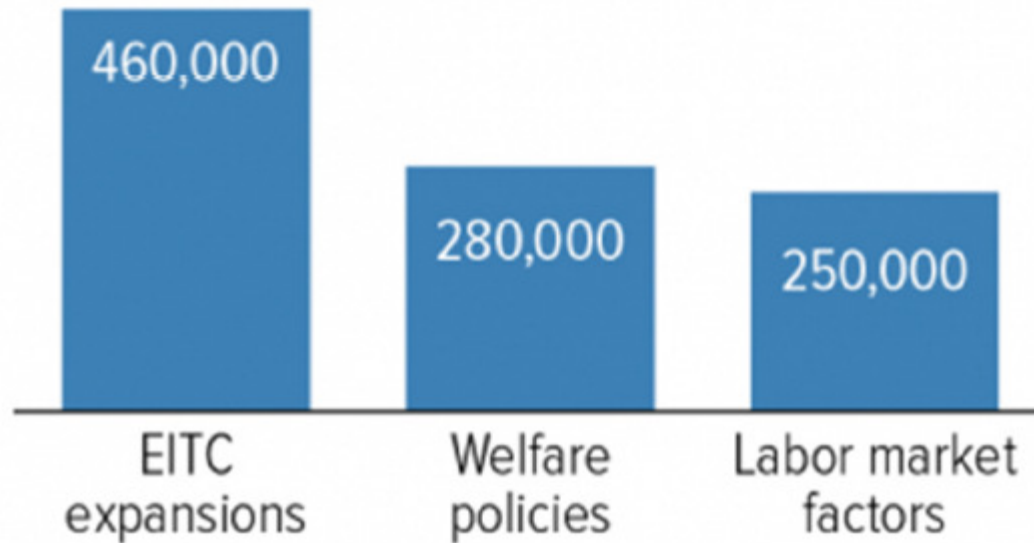


Source: Center on Budget and Policy Priorities analysis of US Census Bureau data



# The EITC Was the Biggest Factor Boosting Single Mothers' Employment in the Mid-1990s

Increase in Employed Women Heads of Household in 1999 Due to Changes Since 1993



Source: Center on Budget and Policy Priorities analysis of US Census Bureau data and findings from Jeffrey Grogger, "The Effects of Time Limits, the EITC, and Other Policy Changes on Welfare Use, Work, and Income Among Female-Headed Families" *Review of Economics and Statistics* (May 2003)





**The EITC doesn't just help families get by day to day, it may also create a stronger future for children.**



# The Benefits of the EITC Appear to Extend Into the Next Generation

---

- **The EITC may improve the health of mothers and babies.**
  - After EITC expansions in the 1990s, infants born to mothers who likely received the largest increases in the credit had the greatest improvements in key health measures such as birth weight, a predictor of future health and economic well-being.
  - Mothers also experienced improved health, including reduced stress, an important outcome given the negative effects that maternal stress may have on children's development.
  - Research also has linked *state* EITCs to better health for kids, including increased birth weights and improved health status.



# The Benefits of the EITC Appear to Extend Into the Next Generation (continued)

---

- **The EITC may boost children's academic achievement and educational attainment.**
  - Children in families who received larger EITCs tended to score better on reading and math tests and were more likely to complete high school and attend college.
  - One review of the research concluded: "There is robust evidence of quite large effects of the EITC on children's academic achievement and attainment, with potentially important consequences for later-life outcomes."



# The Benefits of the EITC Appear to Extend Into the Next Generation (continued)

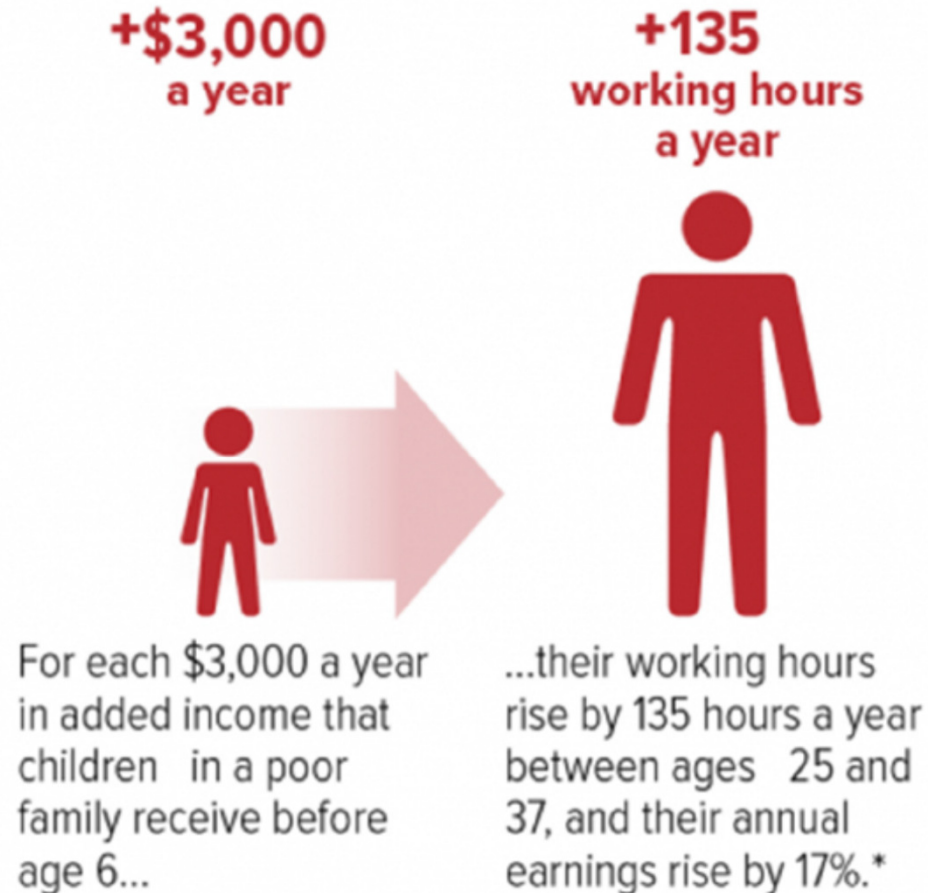
---

- **The EITC may increase children's future earnings.**
  - If the EITC leads to greater school success, then children whose families benefit from this credit may earn more as adults.
  - Researchers project that *each dollar* of income provided by tax credits like the EITC may increase the real value of a child's future earnings by *more than one dollar*.



# Modest Increases in Low-Earning Families' Incomes May Lead to a Stronger Future for Children

Young Kids Whose Families Received Additional Income Worked and Earned More as Adults



Source: Center on Budget and Policy Priorities analysis of Duncan, Ziol-Guest, and Kalil, "Early-Childhood Poverty and Adult Attainment, Behavior, and Health" *Child Development* (January/February 2010).



# The EITC Boosts California Businesses and the State's Economy

---

- The federal EITC brings well over \$7 billion into California each year. These federal funds help to boost California jobs and businesses, as families in our state who receive the EITC likely spend much of their tax refund in their own communities.
- However, about 25% of California families who are eligible for the EITC (around 1 million families total) do not claim it. As a result, nearly \$2 billion in federal funds are left on the table each year.
- The new CalEITC could help bring in some of those “lost” federal dollars, as research suggests that state EITCs boost participation in the federal EITC.





California Budget  
& Policy Center

1107 9th Street, Suite 310

Sacramento, California 95814

916.444.0500

[aanderson@calbudgetcenter.org](mailto:aanderson@calbudgetcenter.org)

[@alissa\\_brie](#)

[@CalBudgetCenter](#)

[calbudgetcenter.org](http://calbudgetcenter.org)