



U.S. HOUSE OF REPRESENTATIVES

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The Earned Income Tax Credit: A Proven Program that Improves the Lives of Working Americans

President Trump and Congressional Republicans have consistently pursued a tax agenda that consists of huge tax cuts for the wealthy and corporations, while ignoring the needs of lower-income working Americans. The tax scam they pushed into law last year is a case in point: it showers benefits on wealthy CEOs and investors, worsens our country's income and wealth inequality, and adds trillions of dollars to the national debt. Republicans could have used that legislation to invest in low-income workers by building on the proven success of the Earned Income Tax Credit (EITC), but they did not.

Instead, the Republican tax cut has helped corporate profits soar and fueled record stock buybacks, while doing little to increase real wages for working-class Americans. Furthermore, House Republicans are not stopping at their tax giveaway to the rich enacted last year. On September 13, the Ways and Means Committee reported another deficit-financed "tax cut 2.0" package, which again favors the wealthiest. Two weeks later, almost all House Republicans voted for this latest tax scam favoring the wealthy which would add an additional \$3 trillion to the nation's debt. This week the Majority was at it again, proposing yet another unpaid-for partisan tax bill.

The EITC has been proven to improve the lives of working Americans for more than 40 years. It incentivizes people to work by effectively boosting their wages and provides benefits to lower-income working Americans to help support their families. Every president since Ronald Reagan expanded this pro-work, pro-family program. If President Trump and Republicans genuinely want to help working Americans, rather than continuing to push deficit-financed tax cuts for the wealthy, they should embrace bipartisan proposals that strengthen the EITC in a fiscally responsible way.

Overview of the EITC

The EITC is a refundable tax credit available to eligible workers. Created in 1975, it has evolved from a modest tax benefit to one of the federal government's largest antipoverty programs improving the lives of lower-income working Americans. In 2017, 27 million eligible workers and families earned about \$65 billion of total benefits, with an average benefit of about \$2,445 per worker or family. This tax credit is refundable, so if the credit amount exceeds a worker's federal income tax liability, the worker receives the balance as a tax refund.

The maximum amount of EITC earned by eligible workers in 2018 ranges from \$519 for workers with no qualifying children to \$6,431 for workers with three or more qualifying children. These amounts increase annually for inflation. The Republican tax law permanently adopted a lower inflation measure for indexing the tax system, so it reduced the value of EITC over time by lowering annual inflationary increases.

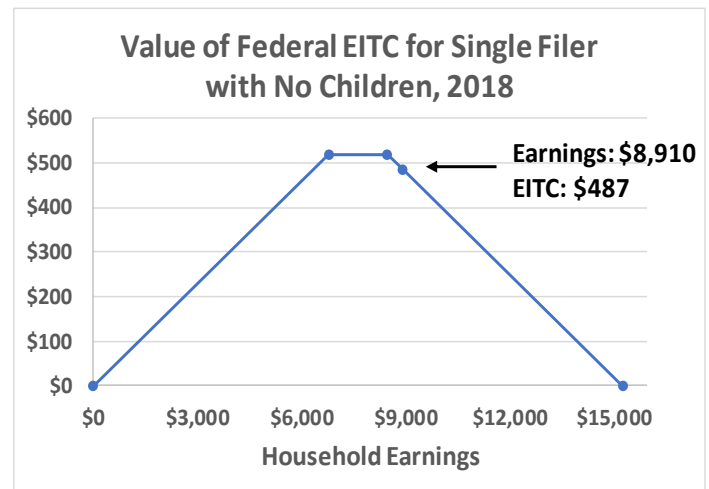
Recognizing the EITC's proven effectiveness in promoting work and improving the lives of working Americans, 25 states and some local governments currently provide their own EITC in addition to the federal benefit. State EITC benefits range from a low of 4 percent of the federal credit for families with one child in Wisconsin to a high of 85 percent of the federal credit in California. The District of Columbia provides 40 percent of the federal credit and New York City provides 5 percent of the federal credit.

The EITC helps working Americans who need help with their everyday expenses. Research shows that families mostly use the EITC to pay for necessities, repair homes, maintain vehicles that are needed to commute to work, and in some cases, obtain additional education or training to boost their employability and earning power. Because these everyday expenses tend to be purchased locally, the credit not only helps its recipients make ends meet, it also supports their communities' local jobs and businesses.

The evidence is clear that the EITC encourages work, reduces poverty, and provides a host of other benefits, including better health and education outcomes. Proposals to improve the EITC regularly attract bipartisan support. Strengthening the EITC would improve the lives of

Calculating the EITC Amount in 2018

Calculating the amount of EITC a household earns depends on a variety of factors, including marital status, the number of qualifying children, and household earnings. The amount of the EITC increases with each additional dollar earned, until the filer reaches the maximum benefit. As the filer continues to earn additional income, the EITC begins to phase out, eventually reaching zero once the filer passes a certain income threshold. For example, a childless single filer working full time at \$8.57 an hour (average state minimum wage rate) would earn \$487 in EITC benefit in 2018 as shown below.



hard-working Americans and their families. For more information about the EITC, see the following reports:

- The EITC Boosts Work, Reduces Poverty, and Provides Other Benefits
- Opportunities to Improve the EITC

Sources

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