

# Making the Safety Net Work: The Role of the EITC

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# Context

- Oregon Business Plan set a goal reducing poverty to below 10% by 2020
- ECONorthwest authored a December 2013 strategy paper that called for safety net redesign
- An OBC Poverty Taskforce identified the expansion of the EITC as a policy priority for the 2015 legislative session

# EITC: By the Numbers, 2013

## National

\$66 billion

28 million recipients

\$2,407 average credit

## Oregon

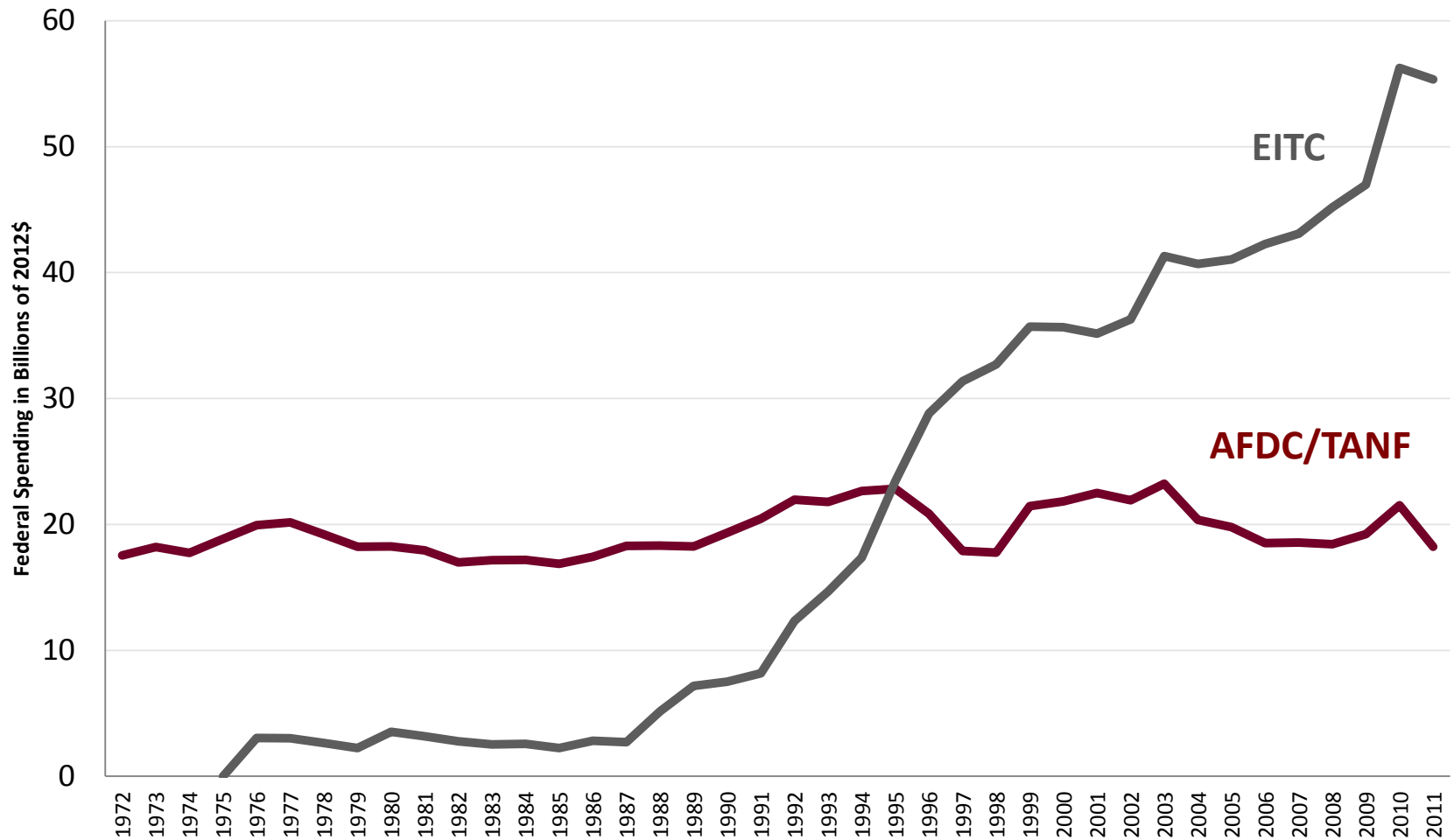
\$0.6 billion

279,000 recipients

\$2,101 average credit

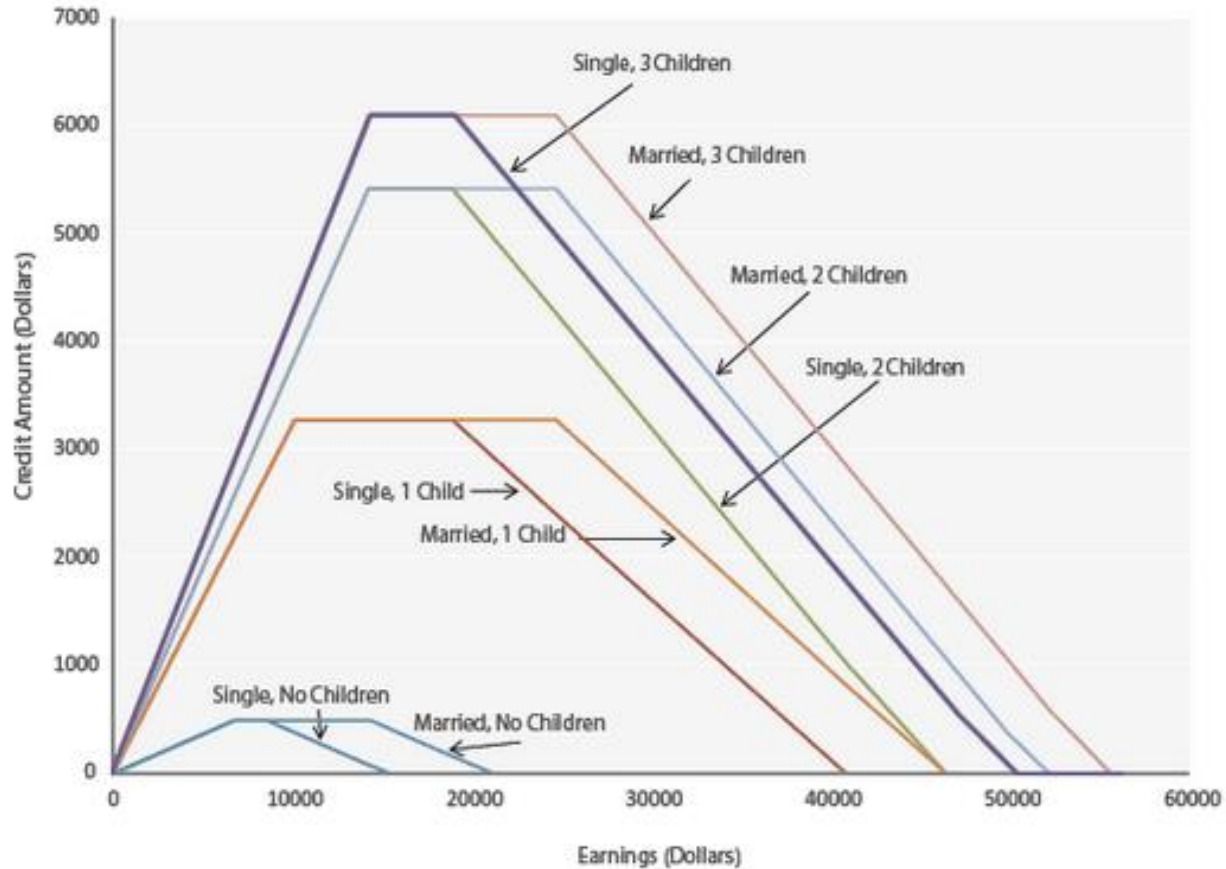
# EITC and TANF

Change in Federal Spending on the EITC and AFDC/TANF, 1972-2011



# How the EITC Works

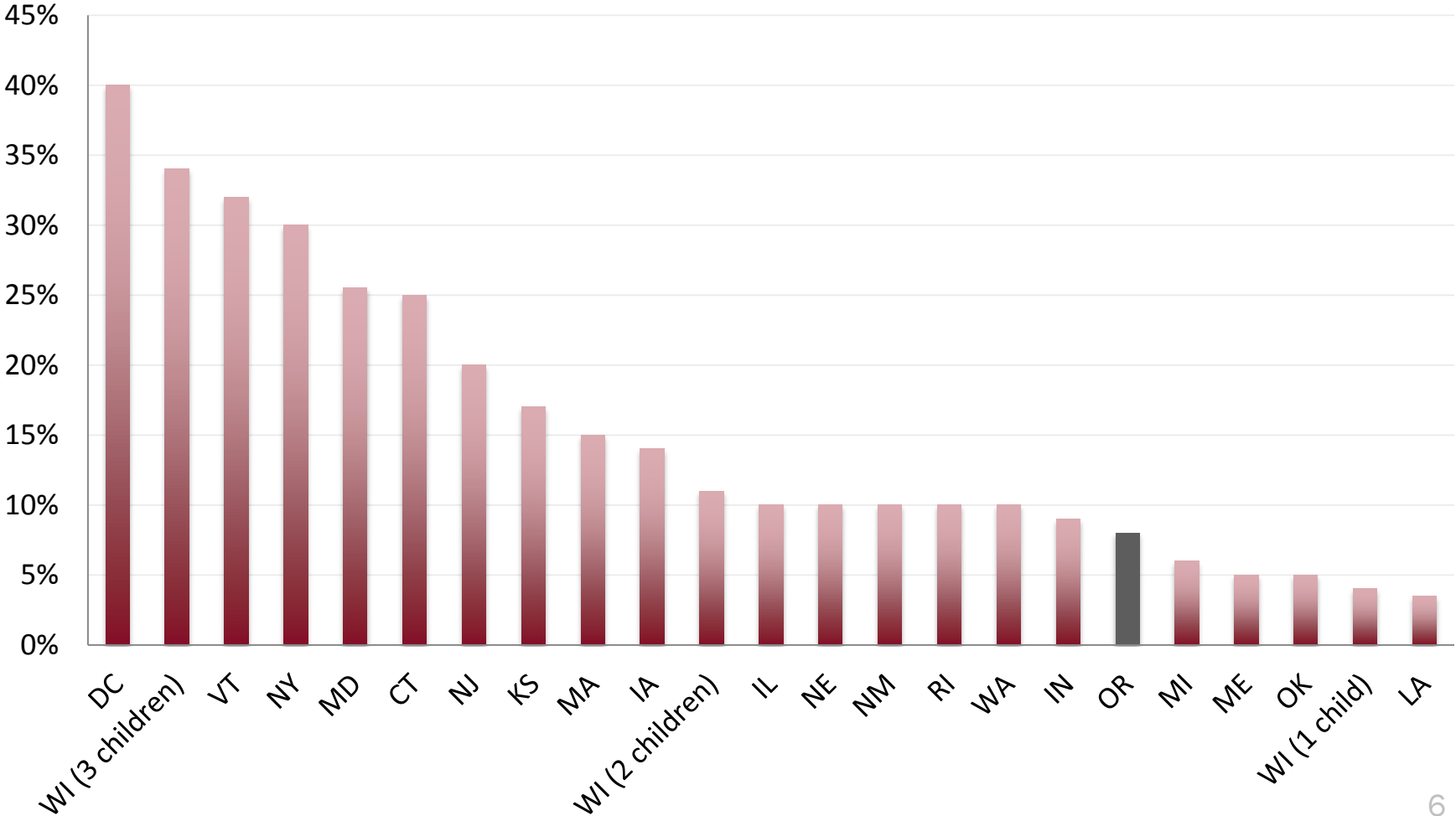
## Credit by Number of Children and Filing Status, 2014



Source: 2014 EITC parameters taken from <http://www.taxpolicycenter.org/taxfacts/displayafact.cfm?Docid=36>

# Oregon Adds 8% to the Federal EITC

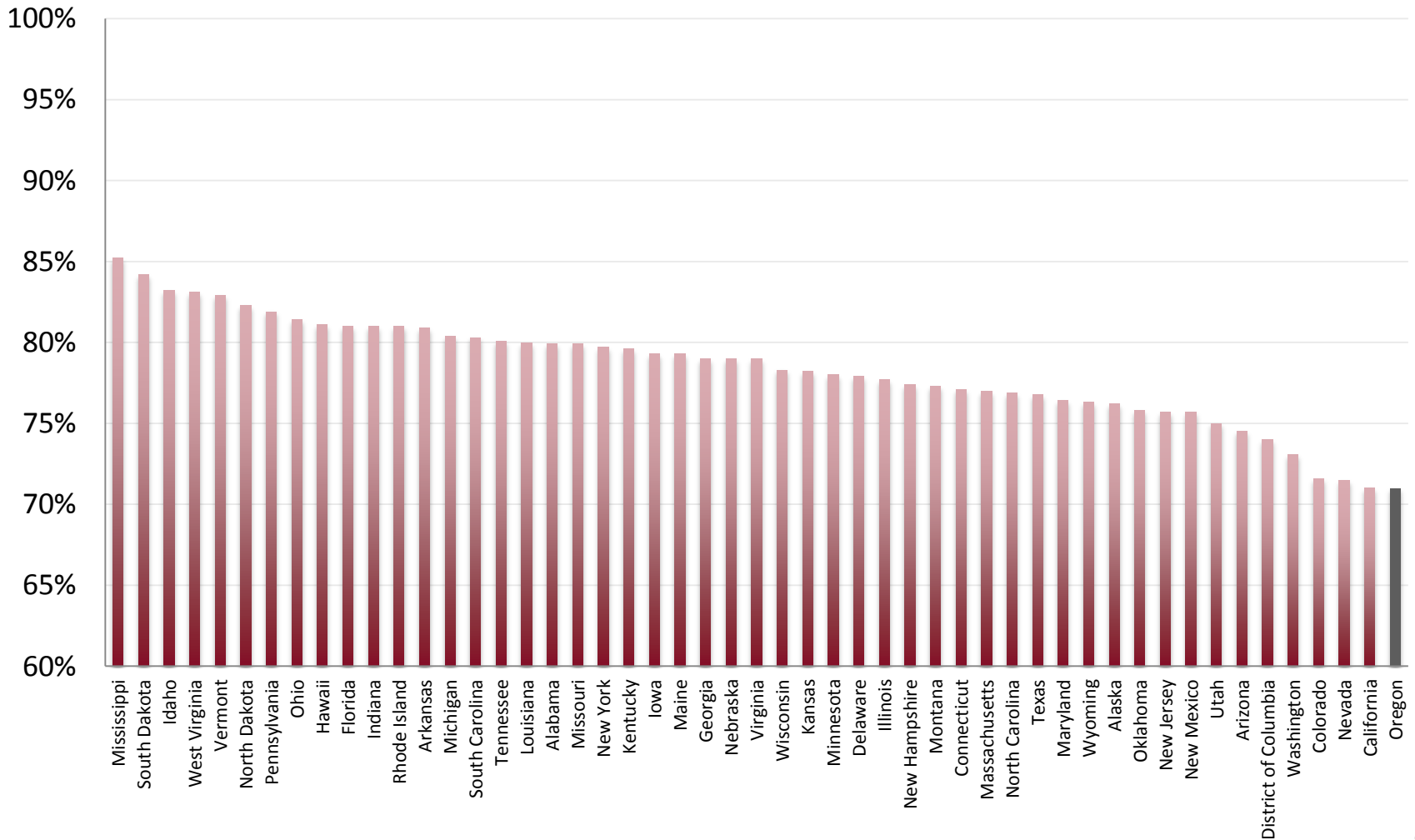
Refundable State Earned Income Tax Credits  
Expressed as a Share of the Federal Credit, July 2014



Source: NCSL

# Oregon has relatively low participation among eligibles

## EITC Participation Rate by State, 2010 Tax Year



Source: U.S. IRS

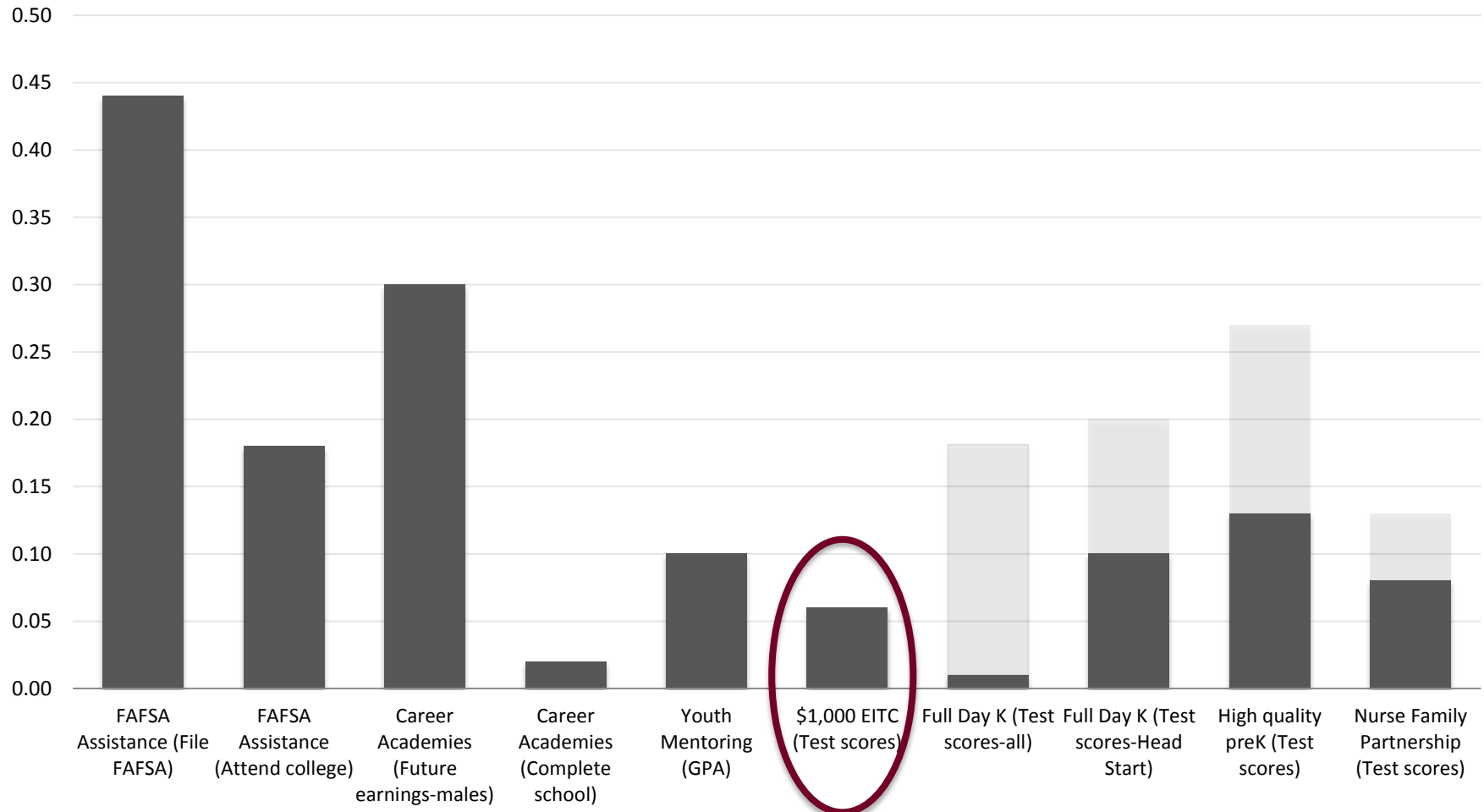
# Impacts

- Increased labor force participation and improved social security profiles for single mothers
- May improve infant and maternal health (fewer low birth-weight and premature births)
- Associated with higher test scores, high school graduation rates, and college attendance for children in recipient families



# EITC Boosts Academic Achievement

Effect Sizes of Selected Poverty Reduction Options  
(in Standard Deviation Units)



Sources: Washington State Institute for Public Policy (NSP, PreK, Full Day K, Youth Mentoring); IES What Works Clearinghouse (FAFSA Assistance, Career Academies); Dahl and Lochner (EITC)

The EITC, clearly the cornerstone to the country's "second war" on poverty, may ultimately be judged one of the most successful labor market innovations in U.S. history.

*Hilary Hoynes, University of California*

[http://web.stanford.edu/group/scspi/\\_media/pdf/pathways/summer\\_2014/Pathways\\_Summer\\_2014\\_Hoynes.pdf](http://web.stanford.edu/group/scspi/_media/pdf/pathways/summer_2014/Pathways_Summer_2014_Hoynes.pdf)

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