

The Earned Income Tax Credit (EITC) for low- and moderate-income workers encourages and rewards work, offsets federal payroll and income taxes, and helps meet basic needs. The Child Tax Credit (CTC) also helps working families offset part of the cost of child rearing.<sup>1</sup> Together, the EITC and low-income CTC are among the nation's strongest tools to promote work and help workers with children escape poverty and achieve self-sufficiency.

Policymakers from both parties have supported strengthening these tax credits' ability to lift workers out of poverty. In December 2015, Congress preserved some or all working-family tax credits for **238,000 children** in **125,000 Oregon families** by making permanent key provisions of the credits that would have otherwise expired at the end of 2017. Policymakers should now fill a glaring hole in the EITC: working childless adults – that is, adults without children and non-custodial parents – currently receive little or nothing from the EITC and are the only group that the federal tax code taxes into poverty.

### Encouraging Work and Reducing Poverty

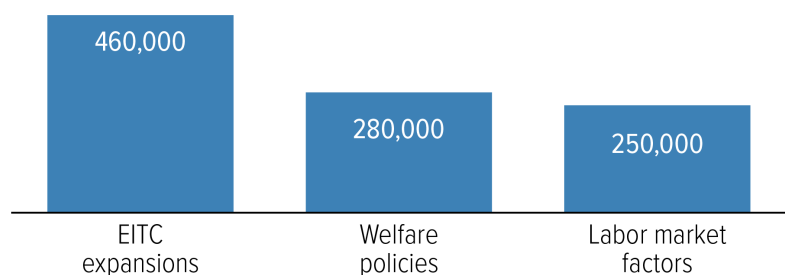
- **293,000 Oregon households** received the EITC in 2012.
- **208,000 Oregon households** received the low-income part of the CTC in 2012.
- **129,000 Oregonians** were lifted out of poverty by the EITC and CTC, including **65,000 children**, each year, on average, during 2011 to 2013.
- The federal EITC put about **\$586 million** into the pockets of **Oregon families who claimed it** in 2012.

Extensive research finds that the EITC encourages work, especially in a strong labor market. During the 1990s, EITC expansions did more to raise employment among single mothers with children than either welfare reform or the strong economy (see chart).

Research has also found that children in families who get an income boost from the EITC and CTC quickly show improvements in health and school performance relative to other low-income children who did not receive this extra help. In addition, children whose families receive that boost have higher school test scores, on average, and are more likely to go to college and to work and earn more as adults.

### EITC Biggest Factor Boosting Single Mothers' Employment, Research Finds

Increase in employed female heads of households in 1999 due to changes since 1993



Note: Categories from study were combined for simplicity. Categories "time limits," "other reforms," and "maximum benefits" were combined into "welfare policies." Categories "minimum wage" and "unemployment rate" were combined into "labor market factors."

Source: CBPP analysis of results from Jeffrey Grogger, "The Effects of Time Limits, the EITC, and Other Policy Changes on Welfare Use, Work, and Income among Female-Headed Families," 2003, and data from March 1999 Current Population Survey.

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<sup>1</sup> The EITC is refundable, meaning that recipients whose credit exceeds their federal income tax liability can receive the difference as a refund. The low-income part of the CTC is refundable.

## Veteran and Military Families

In 2012, about 32,000 Oregon veteran and military families received the EITC or the low-income part of the CTC.

## Rural Families

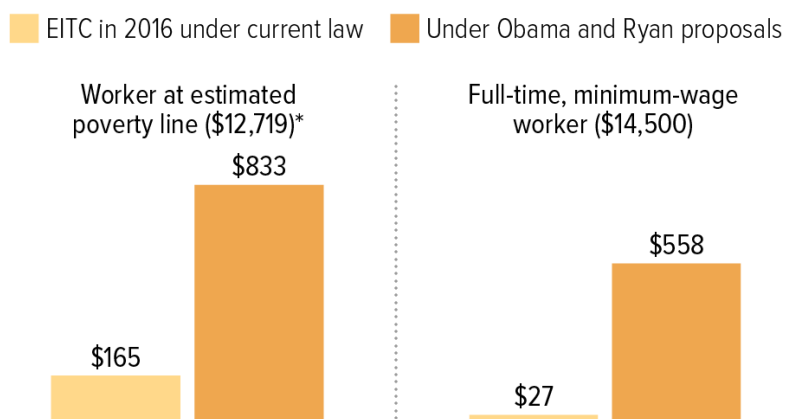
In 2013, nearly 64,000 families outside of metropolitan areas in Oregon received the EITC or the low-income part of the CTC.

## Policymakers Should Also Fill the Glaring Hole in the EITC for “childless workers”

Policymakers should fill the glaring hole in the EITC so it no longer mostly excludes some of the most vulnerable working people, including low-income adults without children at home and young people just starting out. Often referred to as “childless workers,” they are the lone group the federal tax code taxes into or deeper into poverty, in part because they receive little or nothing from the EITC.

The President, House Speaker Paul Ryan (while House Budget Committee Chairman), and other lawmakers have proposed making more childless workers eligible for the EITC and expanding the credit for those already eligible. These changes could boost employment and reduce poverty among childless workers.

### Obama and Ryan Proposals Would Boost Earned Income Tax Credit (EITC) for Childless Workers



\*CBPP estimate based on 2014 official poverty line

Source: President's FY2016 budget, Chairman Ryan's "Expanding Opportunity in America" discussion draft, Internal Revenue Code

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Under the President's and Speaker Ryan's proposals, the credit for a childless adult with wages right at the poverty line would rise from just \$165 to \$833 in the 2016 tax year. For a childless adult working full time at the minimum wage, the credit would jump from just \$27 to \$558 in 2016 (see chart).

About 164,000 childless workers in Oregon would become eligible for an EITC or receive a larger EITC in their 2015 taxes under the President's proposal.

## States Can Supplement the Federal EITC

Oregon is one of 26 states that offer a supplemental state credit; Oregon's credit is refundable and is set at 8% of the federal EITC.

Figures on number of recipients and dollars from IRS. Number benefiting from President's EITC proposal from Treasury Department, <http://1.usa.gov/OX9XNJ>. Figures for veteran and military families from "Pro-Work Tax Credits Help 2 Million Veteran and Military Households," <http://bit.ly/1BUqjOE>. Figures for rural families from "Pro-Work Tax Credits Help 4.8 Million Rural Households," <http://bit.ly/1fExYpi>. Antipoverty impact of EITC/CTC from "Fighting Poverty at Tax Time through the EITC," <http://brook.gs/1392sJG>. Antipoverty impact of EITC and CTC provisions set to expire from CBPP analysis of the Census Bureau's March 2010-2014 Current Population Survey and Supplemental Poverty Measure public use files for 2009-2013. For more information, see: Policy Basics on the EITC (<http://bit.ly/1cHK9u>) and CTC (<http://bit.ly/1FgRopJ>).

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