WORK SUPPORTS AND HEALTH: THE EARNED INCOME TAX CREDIT

JUNE 25, 2020

Policies for Action

Policy and Law Research to Build a Culture of Health
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SENIOR RESEARCH ECONOMIST, IWPR
EDITOR, JOURNAL OF WOMEN, POLITICS & POLICY
EITC BASICS

- Provides reduced taxes or cash benefits to working poor and near poor adults with and without children
- Designed to reward work
- Because it helps lower earners, it disproportionately helps women and people of color
- 45 years old. Now one of the largest anti-poverty programs
- 22 million working families and individuals received benefits in 2018
- $3,191: average benefit for a family with children in 2017
- With child care tax credits and SNAP, helps raise families above poverty
Value of Federal Earned Income Tax Credit, 2019

Filing Status:
Married

Number of Children:
Two

Household Earnings:
$20000

EITC: $5828

Note: Assumes all income is from earnings (as opposed to investments, for example).

Source: Internal Revenue Service
Value of Federal Earned Income Tax Credit, 2019

Filing Status: Single/Head of Household

Number of Children: Two

Household Earnings: $19000

EITC: $5828

Note: Assumes all income is from earnings (as opposed to investments, for example).
Source: Internal Revenue Service
Value of Federal Earned Income Tax Credit, 2019

Filing Status:
Single/Head of Household

Number of Children:
None

Household Earnings:
$20000

Note: Assumes all income is from earnings (as opposed to investments, for example).

Source: Internal Revenue Service
Figure 8.
Change in Number of People in Poverty After Including Each Element: 2018
(In millions)

Earned Income Tax Credit and Child Tax Credit Have Powerful Anti-Poverty Impact

Millions of people lifted out of poverty or made less poor by EITC and Child Tax Credit, 2018

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.


CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG
29 States Plus DC and Puerto Rico Have EITCs

*Refundable earned income tax credits (EITCs) give working households the full value of the credit they earn even if it exceeds their income tax liability.

Source: CBPP analysis. Data are as of 2019.
FOR MORE INFORMATION:

- Policy Basics: The Earned Income Tax Credit
  - [https://www.cbpp.org/research/federal-tax/policy-basics-the-earned-income-tax-credit](https://www.cbpp.org/research/federal-tax/policy-basics-the-earned-income-tax-credit)

- States Can Adopt or Expand Earned Income Tax Credits to Build a Stronger Future Economy
  - [https://www.cbpp.org/research/state-budget-and-tax/states-can-adopt-or-expand-earned-income-tax-credits-to-build-a](https://www.cbpp.org/research/state-budget-and-tax/states-can-adopt-or-expand-earned-income-tax-credits-to-build-a)

- The Supplemental Poverty Measure: 2018

- EITC Fast Facts
The Effects of the Earned Income Tax Credit on Child Health

IWPR Webinar: Work Supports and Health
June 4, 2020

Rita Hamad, MD, PhD
Director, Social Policies for Health Equity Research Program
Department of Family & Community Medicine
Philip R. Lee Institute for Health Policy Studies

@DrRitaHamad
Overview

Pathways linking poverty and health

EITC and health: brief evidence review

Case study: short-term health effects

Implications
Pathways Linking Poverty & Health

Adler et al., 1999; Mani et al., 2013; McEwen, 2008
The Effects of the EITC on Health

Adults
- Reduced smoking, improved mental health
- Increased obesity, worsened metabolic markers

Children
- Improved birthweight, development, general health
- Higher risk of very low birthweight for black mothers

Most studies use historical data prior to 2000

Bruckner et al., 2013; Dahl et al., 2012; Dow et al., 2019; Evans et al., 2014; Hamad et al., 2015; Hoynes et al., 2015; Markowitz et al., 2017; Rehkopf et al., 2014
Timing of Receipt of the EITC

Proportion of tax refund payments, by month

LaLumia, 2013
Short-term Health Effects of the EITC

Adults
- Improved food security, reduced smoking, worse metabolic markers
- No change in healthcare spending

Children
- Improved general health, no changes in biomarkers, test scores, or food security.

Rehkopf et al., 2014; Hamad et al., 2018; Hamad et al., 2019
Study Design

Nationally representative serial cross-sectional survey conducted throughout the year, waves 1998-2016

Restricted to families with income < $100,000 and > $0

Sample size 15,000 to 70,000 (depending on outcome)

EITC refund size calculated using IRS formulas based on participant demographics
Health Outcomes

Nutrition
- Food insecurity: USDA 10-item scale
- Overweight and underweight: self-reported

Mental Health
- Mental Health Index (MHI, ages 2-3)
- Strengths and Difficulties Questionnaire (SDQ, ages 4-17)
Analysis: Difference-in-Differences

- Non-recipients
- EITC recipients

May-Jan

Feb-Apr
Analysis: Difference-in-Differences

Observed change over time in treatment and control groups

Treatment effect

Counterfactual change over time in treatment group in absence of intervention
Results

Panel A: Continuous Outcomes

- Food insecurity: $-0.011 \ (0.022, -0.00079)^*$
- MHI score: $0.015 \ (-0.0042, 0.033)$
- SDQ score: $0.0044 \ (-0.0034, 0.012)$

*p < 0.05*
Results

Panel B: Binary Outcomes

Overweight

Underweight

EITC Effect per $1,000, Percent

0.20 (-0.31, 0.71)

0.085 (-0.17, 0.34)
Discussion and Implications

- Modest improvement in food insecurity, suggesting that EITC may contribute to cyclical pattern in health.

- No effect for other outcomes, perhaps because they don’t change in short term or parents smooth income.

- Possible policy implication: spread out payments?

- Future studies should assess other health outcomes, others ways to deliver income.
Acknowledgements

Co-author
Akansha Batra

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Hellman Fellowship
National Center for Excellence in Women’s Health
Thank you! Questions?

https://sphere.ucsf.edu

@DrRitaHamad
Analysis

Model equation

\[ Y = \beta_0 + \beta_1 EITC \times Season + \beta_2 EITC + \beta_3 Season + \beta_4 Covar + \beta_5 State + \beta_6 Year + \varepsilon \]

Multivariable linear models

Covariates: child’s age, age-squared, gender, and race; parents’ marital status, education, inflation-adjusted income, income-squared, and number of kids; fixed effects for year

Additional sensitivity analyses: ask if interested!
## Sample Characteristics

<table>
<thead>
<tr>
<th>Demographics</th>
<th>EITC-Eligible, Feb-Apr</th>
<th>EITC-Eligible, May-Jan</th>
<th>Non-Eligible, Feb-Apr</th>
<th>Non-Eligible, May-Jan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
<td>Mean or %</td>
<td>Mean or %</td>
<td>Mean or %</td>
<td>Mean or %</td>
</tr>
<tr>
<td>Female</td>
<td>48%</td>
<td>49%</td>
<td>48%</td>
<td>49%</td>
</tr>
<tr>
<td>Age</td>
<td>8.3</td>
<td>8.3</td>
<td>8.3</td>
<td>8.3</td>
</tr>
<tr>
<td><strong>Race</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>32%</td>
<td>30%</td>
<td>56%</td>
<td>55%</td>
</tr>
<tr>
<td>Black</td>
<td>22%</td>
<td>22%</td>
<td>13%</td>
<td>13%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>35%</td>
<td>36%</td>
<td>20%</td>
<td>21%</td>
</tr>
<tr>
<td>Other</td>
<td>11%</td>
<td>12%</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td><strong>Parent married</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>50%</td>
<td>51%</td>
<td>75%</td>
<td>74%</td>
</tr>
<tr>
<td><strong>Parent education</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than high school</td>
<td>33%</td>
<td>33%</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>High school</td>
<td>31%</td>
<td>31%</td>
<td>28%</td>
<td>27%</td>
</tr>
<tr>
<td>College</td>
<td>29%</td>
<td>29%</td>
<td>37%</td>
<td>38%</td>
</tr>
<tr>
<td>More than college</td>
<td>7%</td>
<td>7%</td>
<td>23%</td>
<td>23%</td>
</tr>
<tr>
<td><strong>Family income (USD)</strong></td>
<td>24,300</td>
<td>24,217</td>
<td>66,833</td>
<td>66,774</td>
</tr>
<tr>
<td><strong>EITC refund size (USD)</strong></td>
<td>2,981</td>
<td>3,028</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
## Sample Characteristics

<table>
<thead>
<tr>
<th>Outcomes</th>
<th>EITC-Eligible, Feb-Apr</th>
<th>EITC-Eligible, May-Jan</th>
<th>Non-Eligible, Feb-Apr</th>
<th>Non-Eligible, May-Jan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food insecurity</td>
<td>1.6 (2.4)</td>
<td>1.7 (2.5)</td>
<td>0.5 (1.5)</td>
<td>0.6 (1.5)</td>
</tr>
<tr>
<td>Overweight (%)</td>
<td>48.0</td>
<td>47.3</td>
<td>40.8</td>
<td>40.8</td>
</tr>
<tr>
<td>Underweight (%)</td>
<td>7.2</td>
<td>7.5</td>
<td>7.9</td>
<td>8.2</td>
</tr>
<tr>
<td>MHI score</td>
<td>1.4 (1.6)</td>
<td>1.4 (1.6)</td>
<td>1.2 (1.4)</td>
<td>1.3 (1.5)</td>
</tr>
<tr>
<td>SDQ score</td>
<td>2.3 (2.4)</td>
<td>2.3 (2.5)</td>
<td>2.3 (2.6)</td>
<td>2.3 (2.6)</td>
</tr>
</tbody>
</table>
Estimating the Take-Up of the Earned Income Tax Credit (EITC) Among CalFresh Recipients

John Iselin - Research Fellow
June 4, 2020
California Policy Lab
Eligible households are missing out on EITC Benefits

Take-Up

- US Take-Up Rate at 78% (TY 2016)
- Measured using IRS-Census Data
- Take-Up driven by eligible non-filers
Low take-up is a particular concern in CA

State credit

- Established in 2015 (expanded in 2017, 2018, and 2019)
- Primarily targets the poorest/lowest earners
- 1.5 million CA households, $351 million
Franchise Tax Board (FTB)
- Annual data from 2015-2017
- Forms 540, 1040, and Schedule 3514
- 33 million individuals in 2017

California Department of Social Services (CDSS)
- CalFresh (SNAP)
- Monthly enrollment data from 2012-2019
- 5.6 million individuals in 2017
- Merged UI-Covered Earnings from EDD
Preliminary Results

• In 2017 and 2018, the take-up rate among CalFresh recipients was **70 percent**

• Comparable (if lower) than the IRS-Census estimates

• We estimate that non-filers are eligible for smaller dollar amounts on average
  
  • Fed + State EITC of **$3,122** for Filers

  • Fed + State EITC of **$1,819** for Non-Filers
Table 3 compares estimated credit amounts, filing rates, and claiming rates by household type (approximated by CalFresh data). The lowest average filing and claiming rates are for households without dependents and those with the lowest incomes, for whom EITC credits will be relatively small. These households represent a large share of the 21% of CalFresh households who did not file.

Among households with dependents, claiming rates are also consistently lower for those earning below $10k than those with higher earned income. The size of the potential credit varies widely depending on household composition. For a household with earned income of $5,000 and no dependents, the CalEITC would have been worth no more than $142, and the federal credit worth $384. Some of these households may choose not to file because the costs associated with filing could outweigh the credit amount they are due. However, households with children could receive substantially larger credits, and it is unlikely that the direct costs of filing will exceed the value of the EITC that these households, even those with very low incomes, stand to receive. For example, a household with earned income of $5,000 and one dependent could receive $1,438 from the CalEITC and $1,709 from the federal EITC. These households likely face other barriers to filing taxes, such as scarcity of the time and resources required to navigate the filing process.

Note: IRS filing threshold for head of household is not displayed here, but is in between the single and married filing jointly threshold at $18,000.

Source: Linos et al. (2020)
Expanded Tax Unit Imputations

Create reference case
- Creates pool of individuals who might be on the same return
- Re-assign children who are alone on a reference case if possible

Assign adults to tax units
- Impute who is a head/spouse and who is a dependent
- Marry individuals in married in PY and on same reference case
- Marry individuals if certain age rules are satisfied

Assign children to tax units
- Count number of months a child is attached to a reference case
- Assign child using PY information first
- Assign child based on age and income rules
Concerns and next-steps

• Improving household creation process

• Self-Employment Income

• Identifying potential individuals not on CalFresh who should be on a tax return

• Producing estimates by household composition, race, language spoken, and geography
HOW THE EITC CAN PROMOTE HEALTH AND ECONOMIC WELL-BEING DURING THE COVID-19 RECESSION

Adam Ruben
Economic Security Project
EITC is a crucial tool for health and economic well-being in normal times

The largest antipoverty program for working age adults

Countless positive ripple effects, like better maternal and infant health, education outcomes, and more work and earnings

A resilient public policy with a history of bipartisan support
EITC can help us get through this public health and economic crisis

A proven recession fighter, with pronounced positive impacts during economic downturns:

“The EITC provides income support through good and bad economic times. During economic downturns, it also acts as a modest automatic stabilizer. In past recessions, more workers have seen their EITC benefits rise than have seen them fall.”

Tax Policy Center, “Design Changes Can Strengthen the EITC During Recessions,” May 2020
This downturn will require the largest economic response in our nation’s history

COVID-19 has devastated Americans’ health and economic well-being:

- **A shattered economy**: 40 million unemployed; 40% of households earning under $40k have lost jobs; 27 million have lost job-sponsored health insurance

- **Black, Native, and Latinx families hit the hardest** by both health and economic impacts: highest infection and death rates; greater risk of job loss
EITC is well-positioned to help meet basic needs and promote a sustained recovery

Provides families with money to meet essential needs while staying home and safe

Well-targeted to the lowest-income families who are most likely to need help, and most likely to spend and stimulate local businesses

Will help people get back to work and back on their feet, once it’s safe to reopen the economy
Temporary design changes could make it more responsive to the moment

As currently structured, the EITC misses many who will need the most help during the recession:

- Family caregivers and low-income college students
- Younger and older workers without kids at home
- Many who suffer significant income drops
- Those who need help now, rather than tax time next year
Recognize the crucial role of family caregiving during the pandemic

It has never been clearer that we need to recognize caregiving as valuable and essential work.

Many women, especially women of color, will fall out of the paid workforce and into unpaid family caregiving because of coronavirus.

Those providing this essential care, even if unpaid, should receive a minimum credit.
Make the credit bigger and broader to get the most help to more who need it

Almost everybody is suffering financially – many in ways the data can’t see

Immigrant households have been largely left behind by COVID response

Raise income limits to capture more in the middle class; increase credit amounts (especially for childless adults), and allow credits for younger and older workers, students, and immigrant workers
Don’t risk undermining the families most in need

Millions in the working class have already lost jobs and suffered huge income losses

Phasing in the credit makes little sense when work is unavailable or unsafe

Temporarily accelerating the phase-in will ensure that families who have suffered income losses won’t also lose most or all of their EITC.
Deliver credits more effectively

Tax credits are only useful if people get them; one in five already miss out on EITC they’re eligible for

Automatic filing would make it easier to access credits earned

Bills don’t wait until tax time next year; an option for periodic payment would help people get cash when they need it
Some progress on EITC in federal COVID-19 response

House passed the HEROES Act last month, which includes some expansions of EITC to respond to COVID-19:

- Temporary expansion and increased credit for childless workers 19 to 66 (except students)
- Allows families to elect to use their 2019 income instead of 2020 income if it would result in a higher credit
- Some important permanent eligibility fixes
Existing proposals to expand and modernize EITC

Several lawmakers have championed many of these modernizations:

- LIFT the Middle Class Act, Sen. Harris
- EITC Modernization Act, Rep. Watson Coleman
- Rise Credit, Sen. Booker
- WRCR Act, Rep. Moore
- BOOST Act, Rep. Tlaib
SUPPORTING POLICY RESEARCH
TO ADVANCE EQUITY IN
ECONOMIC POLICY

THE ROCKEFELLER FOUNDATION
EQUITY & ECONOMIC OPPORTUNITY INITIATIVE

OTIS ROLLEY
SENIOR VICE PRESIDENT
Every person in the United States who works should be able to **meet the basic needs** of their families and **have a path to a better future**.
Household costs exceed income by 50% for 28% of households in the US – A.L.I.C.E. households

Source: United Way of Northern New Jersey
90M people cannot make ends meet.

83% live in cities.

62% people of color.

69% ages 25 to 54.

Source: United Way of Northern New Jersey
**EARNED INCOME TAX CREDIT (EITC) AND CHILD TAX CREDIT (CTC) PUT CASH DIRECTLY INTO THE HANDS OF OUR TARGET POPULATION**

**What are EITC and CTC**
- **Federal EITC up to $5,700 directly in the pockets of low-income workers**
- **Federal Child Tax Credit up to $2,000 per child**
- **Credit values dependent upon children, marital status, and household earnings**
- **State EITC is an additional tax credit typically calculated a % of the federal EITC**

**Why it’s our focus**
- Directly supports our target population
- Strong evidence base for effectiveness
- Bipartisan support
- Strong momentum: 6 new states over last 5 years
- Interest from other funders

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“The EITC may ultimately be judged one of the most successful labor market innovations in U.S. history.”

– Hilary Hoynes, Co-editor of American Economic Review
While low-wage workers across the U.S. struggle to make ends meet, the Earned Income Tax Credit (EITC) and Child Tax Credit’s (CTC) lift millions out of poverty each year and have the potential to do more.
LIFELONG BENEFITS OF THE EITC

- Improved Infant Health
- Better School Performance
- Likelier College Enrollment
- Increased Adult Earnings
- Greater Social Security Benefits

Source: Center on Budget and Policy Priorities
ECONOMIC POLICY

New Jersey Policy Perspective
Lower age of eligibility from 25 to 21 and increase credit for adults without qualifying children

Missouri Budget Project
$150,000
Adopt a new credit at 5% match of federal credit

Economic Security for Illinois
Increase credit from 18% to 36% match of federal credit

Solid Ground
Fund a credit at 15% match of federal credit and expand eligibility

Economic Security Project
Expand EITC programs in CA & ME

Asset Funders Network AR
Adopt a new credit at 5% match of federal credit

Georgia Budget & Policy Institute
Adopt a new credit at 10% match of federal credit

Directly funded through state coalition
Indirectly funded through national org
ECONOMIC POLICY

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Adopt a new credit at 10% match of federal credit

Solid Ground
Fund a credit at 15% match of federal credit and expand eligibility
CBPP Priorities

- Expand EITC for working people without children
- Increase EITC for families with children
- Expand CTC to include millions of low-income children
- Boost CTC for young children
Produce research to identify policies that help workers and those that harm workers in the aftermath of COVID-19 to advance equity in economic policy.

Assess the impact of COVID-19 on state budgets to inform the federal debate on state relief.
TAKEAWAYS

EITC and CTC *lift millions of workers and their families out of poverty*, yet *many are excluded or receive only small amounts* from these credits.

Grantmaking *supports coalitions that shape policy debates* through policy research and analysis.

Alongside other interventions, *EITC can help support workers and their families in the wake of COVID-19 and into the future.*