

Refundable Tax Credits Are Critical To Reducing Poverty and Hunger For Women, Children, and Families and Should Be Expanded

Center On Budget & Policy Priorities | Feeding America
Food Research & Action Center | National Women's Law Center



February 2019

The Earned Income Tax Credit (EITC) and the refundable Child Tax Credit (CTC) help families make ends meet.

Millions of working people across the country are unable to support their families on their wages alone. For example, a mother with two children working full-time and year-round in a minimum wage job would not earn enough to keep her family out of poverty in 2019.¹ Jobs with insufficient pay, unpredictable schedules, and few benefits make it challenging for families to survive. Women make up two-thirds of the workers in jobs that pay, on average, \$11.50 per hour or less,² and low-wage workers are disproportionately likely to be people of color.

Federal tax credits, like the EITC and refundable CTC, provide critical supports for millions of working women, children, and families every year. They supplement low wages and can help soften the financial impact of fluctuating incomes or job losses. These credits are especially important for communities of color and women.³

- The EITC is designed to support and reward work. The amount of the EITC depends on the filer's income, the number of children, and marital status. In 2019, the EITC is worth a maximum of \$6,557.

- The CTC helps offset the cost of raising children. It is worth up to \$2,000 per child, and is partially refundable, up to a maximum of \$1,400 in 2019.

Refundable tax credits keep millions of children and families out of poverty.

Refunds from the EITC and the refundable CTC can boost the incomes of working families:

- In 2017, the EITC and CTC together lifted about 8.9 million people above the poverty line, including 4.8 million children.⁴
- By encouraging employment, the EITC can also help increase future Social Security retirement benefits,⁵ which are critical to lowering poverty among the elderly (especially women).

Refundable tax credits help children thrive and succeed.

Research has found that lifting low-income families' incomes when children are young not only has improved the children's immediate well-being, but has been associated with better health and education during childhood and adulthood, and more hours worked and higher earnings in adulthood.⁶ Research suggests that very young children benefit the most from increased family incomes.

Improving the EITC and CTC, along with other tax credits, would provide more resources for working people and their families.

- **The EITC for workers not claiming children should be expanded.** In 2019, the EITC for childless workers is worth only \$529. The income limits are so low that people working full-time and year-round at the federal minimum wage receive hardly any EITC. In addition, both young (under age 25) and older workers (above age 65) cannot claim the credit. As a result, very low-income workers can literally be taxed into poverty.⁷
- **The EITC for families with children should be increased to address wage stagnation.** Wages for low- and moderate-income families have stagnated over the past

several decades, and increasing the EITC would boost those incomes.⁸

- **The CTC should be expanded for the families who need the most help.** While families with six-figure incomes can claim a CTC worth \$2,000 per child, the refundable portion of the CTC is limited to \$1,400 per child in 2019. In addition, families must earn at least \$2,500 in order to receive a refund. The 2017 tax law also prevented over 1 million children in immigrant families from claiming the CTC. In addition to correcting flaws of the current CTC, the credit could be expanded for families with very young children, who face greater costs.
- **Other tax credits for families, like the Child and Dependent Care Tax Credit, should be made refundable.**⁹ Nonrefundable tax credits for families mean that low- and moderate-income families will be unable to fully benefit.

Improving refundable tax credits would help families make ends meet, increase children's well-being and future success, and make the tax code work for all of us, not just the wealthy few.

Endnotes

- ¹ National Women's Law Center. (2018). *Women and the Minimum Wage, State by State*. Available at: <https://nwlc.org/resources/women-and-minimum-wage-state-state/>. Accessed on February 20, 2019.
 - ² National Women's Law Center. (2018). *Low-Wage Jobs Held Primarily by Women Will Grow the Most Over the Next Decade*. Available at: <https://nwlc-ciw49tixgw51bab.stackpathdns.com/wp-content/uploads/2016/04/Low-Wage-Jobs-Held-Primarily-by-Women-Will-Grow-the-Most-Over-the-Next-Decade-2018.pdf>. Accessed on February 20, 2019.
 - ³ UNIDOS U.S. calculations are based on the Current Population Survey's March 2018 Annual Social and Economic Supplement (showing that about 60 percent of CTC and EITC recipients were women, while about 30 percent of recipients were people of color).
 - ⁴ Jennifer Beltrán, "Working-Family Tax Credits Lifted 8.9 Million People out of Poverty in 2019, (January 15, 2019), <https://www.cbpp.org/blog/working-family-tax-credits-lifted-89-million-people-out-of-poverty-in-2017>
 - ⁵ Marr, C., Huang, C-C., Sherman, A., & DeBot, B. (2015). EITC and Child Tax Credit Promote Work, Reduce Poverty, and Support Children's Development, Research Finds. Available at: <https://www.cbpp.org/research/eitc-and-child-tax-credit-promote-work-reduce-poverty-and-support-childrens-development>. Accessed on February 20, 2019.
 - ⁶ Ibid.
 - ⁷ Center on Budget and Policy Priorities. (2016). *Strengthening the EITC for Childless Workers Would Promote Work and Reduce Poverty*. Available at: <https://www.cbpp.org/research/federal-tax/strengthening-the-eitc-for-childless-workers-would-promote-work-and-reduce>. Accessed on February 20, 2019.
 - ⁸ Center on Budget and Policy Priorities. (2017). *How Tax Reform Can Raise Working-Class Incomes*. Available at: <https://www.cbpp.org/research/federal-tax/how-tax-reform-can-raise-working-class-incomes>. Accessed on February 20, 2019.
 - ⁹ National Women's Law Center. (2018). *Improving the Child and Dependent Care Tax Credit Would Help Working Families with the High Cost of Child Care*. Available at: <https://nwlc-ciw49tixgw51bab.stackpathdns.com/wp-content/uploads/2018/12/Improving-the-CDCTC.pdf>. Accessed on February 20, 2019.
-