The Earned Income Tax Credit and Child Tax Credit

The Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC) help working families make ends meet by both rewarding work and recognizing the additional expenses of raising children. These tax credits have a strong history of bipartisan support and have been praised and expanded by Republican and Democratic administrations alike. In 2009, Congress significantly improved the EITC and CTC by:

- Making the CTC “refundable” at lower income levels so that more working families with incomes below the poverty line are eligible
- Substantially reducing the “marriage penalty” that some couples faced under the EITC
- Expanding the EITC for families with more than two children, since such families have greater expenses and a higher poverty rate than smaller families

In the *American Taxpayer Relief Act of 2012* the improved EITC and CTC provisions were extended through 2017. While a positive step for working families, they were not made permanent despite the incredibly beneficial impact they have for children, families and the economy.

2010 IRS Data Show that the EITC and CTC Help Pennsylvania Families

- **The combined value of the EITC and CTC to Pennsylvania families and economy was over $3.6 billion**
- Nearly 900,000 Pennsylvania families benefitted from the EITC (16% of PA tax filers)
- The average ETIC per Pennsylvania family was $2,024
- Almost 1.5 million Pennsylvania families benefitted from the CTC (26% of PA tax returns filed)
- The average CTC per Pennsylvania family was $1,237
- **From 2009-11 the EITC and CTC lifted 116,000 Pennsylvania children out of poverty each year**

Congressional District	Total value of EITC &CTC
1-Brady	$327,707,359
2- Fattah	$278,269,220
3- Kelly	$205,821,901
4- Perry	$206,355,704
5- Thompson	$184,272,961
6- Gerlach	$145,700,129
7- Meehan	$139,917,598
8- Fitzpatrick	$144,375,485
9- Shuster	$205,846,602
10- Marino	$198,502,171
11- Barletta	$203,753,282
12- Rothfus	$169,746,080
13- Schwartz	$225,832,296
14- Doyle	$195,349,680
15- Dent	$215,526,657
16- Pitts	$239,622,013
17- Cartwright	$201,720,379
18- Murphy	$160,262,425
State Total	$3,648,581,942

Source: Brookings Institution, Metropolitan Policy Program: http://www.brookings.edu/research/interactives/eitc

PCCY Public Citizens for Children and Youth

PENNSYLVANIA Budget and Policy Center

PENNSYLVANIA PARTNERSHIPS FOR CHILDREN

Economic Benefit of EITC and CTC to Pennsylvania Families by PA Congressional District (IRS data, 2010)

District	Total Returns	Total EITC Returns	Percent of Returns with EITC	Sum EITC Received	Average EITC per family	Total CTC Returns*	Percent of Returns with CTC*	Sum CTC Received*	Average CTC per family*	Sum EITC and CTC Combined
1-Brady	292,086	88,038	30.1%	$204,831,988	$2,327	110,875	38.0%	$122,875,371	$1,098	$327,707,359
2- Fattah	283,966	79,728	28.1%	$179,186,823	$2,247	94,440	33.2%	$99,082,397	$1,038	$278,269,220
3- Kelly	315,106	51,737	16.4%	$103,350,972	$1,998	80,628	25.6%	$102,470,929	$1,257	$205,821,901
4- Perry	334,928	46,867	14.0%	$92,581,617	$1,975	90,027	26.9%	$113,774,087	$1,251	$206,355,704
5- Thompson	298,509	47,303	15.8%	$90,358,098	$1,910	74,274	24.9%	$93,914,863	$1,251	$184,272,961
6- Gerlach	330,433	28,836	8.7%	$52,193,772	$1,810	70,930	21.4%	$93,506,357	$1,523	$145,700,129
7- Meehan	318,601	27,446	8.6%	$49,863,653	$1,817	67,647	21.2%	$90,053,945	$1,317	$139,917,598
8- Fitzpatrick	338,350	29,252	8.6%	$51,379,559	$1,756	71,452	21.1%	$92,995,926	$1,282	$144,375,485
9- Shuster	312,294	52,177	16.7%	$101,406,850	$1,944	82,889	26.6%	$104,439,752	$1,571	$205,846,602
10- Marino	311,421	48,480	15.6%	$95,289,758	$1,966	80,838	26.0%	$103,212,413	$1,268	$198,502,171
11- Barletta	329,464	50,615	15.4%	$100,053,173	$1,977	84,254	25.6%	$103,700,109	$1,222	$203,753,282
12- Rothfus	332,533	40,761	12.3%	$75,036,485	$1,841	73,263	22.0%	$94,709,595	$1,263	$169,746,080
13- Schwartz	321,371	53,962	16.8%	$115,554,837	$2,141	91,730	28.6%	$110,277,459	$1,204	$225,832,296
14- Doyle	331,788	56,464	17.0%	$109,839,746	$1,945	73,405	22.1%	$85,509,934	$1,538	$195,349,680
15- Dent	340,657	50,461	14.8%	$105,748,024	$2,096	89,363	26.2%	$109,778,633	$1,222	$215,526,657
16- Pitts	324,684	52,352	16.1%	$113,183,104	$2,162	98,434	30.3%	$126,438,909	$1,284	$239,622,013
17- Cartwright	320,112	50,442	15.8%	$99,205,668	$1,967	82,863	25.9%	$102,514,711	$1,229	$201,720,379
18- Murphy	339,113	37,316	11.0%	$66,498,082	$1,782	72,043	21.2%	$93,764,343	$1,258	$160,262,425
State Total	5,775,416	892,237	15.4%	$1,805,562,209	$2,024	1,489,355	25.8%	$1,843,019,733	$1,237	$3,648,581,942

**CTC totals reflect CTC and Refundable CTC combined. We can provide breakdowns based on IRS data if needed.*

PCCY, PBPC, PPC - February 18, 2013

The EITC and CTC Reduce Child Poverty and Promote Work

Nationwide, in 2011 the EITC and CTC lifted nearly 5 million children — and a total of more than 9 million people – out of poverty. **The 2009 improvements alone lifted 800,000 children (1.5 million people) out of poverty.** To benefit from the EITC and CTC, *a family must be working.* Research has shown that EITC increases employment and reduces poverty among families with children, particularly single-mother families.

Reducing these Credits, or Limiting Refundability, Will Increase Poverty and Hurt the Economy

Changing the credits will hit working families with children hard. For instance:

- A mom with two children working full time at minimum wage earns $14,500/year. She could lose a large portion – or the entire amount – of her CTC if the credit is altered or eliminated. If the portion that is refundable is eliminated, her credit would fall from $1,725 to $165, a drastic reduction that would make it even more difficult for her to afford basics – rent, food, child care and transportation so she can work.

The EITC and CTC provide high "bang for the buck" support for the still-struggling economy

In an analysis of tax provisions due to expire in 2012, CBO confirmed those affecting low- and middle-income families were much more effective in supporting the struggling economy than those for high-income families. Reducing these credits would decrease consumer spending, hurt business and potentially lead to job losses.

Families receiving the EITC and CTC pay a host of other federal, state, and local taxes

While many families do not earn enough to owe federal income taxes, they pay other substantial federal, state and local taxes. In fact, low-income workers pay a much larger percentage of their income in these other taxes than high-income people. A Congressional Budget Office analysis shows: in 2009, on average, the 20 percent of households with the lowest incomes paid nearly 11 percent of their income in payroll, excise, and other federal taxes. State and local taxes consumed another 12 percent of these households' incomes.

Reducing child poverty is an investment in our nation's competitiveness and future prosperity

Today's low-income children are tomorrow's labor force. Studies have found that boosting the incomes of the poorest families through measures such as these credits raises children's school performance and is associated with increased employment when children reach adulthood. The EITC in particular is an effective and efficient means of targeting federal dollars to children who most need and benefit from this investment.

Conclusion

As Congress works to develop and agree upon a broad range of tax and spending changes to achieve deficit reduction, we urge that the EITC and CTC remain protected as they currently stand. Deficit reduction should not exacerbate poverty or stifle economic opportunity for those struggling to get into the middle class. The EITC and CTC meet important national priorities of encouraging work, helping working families make ends meet, and promoting better school performance among poor children. The tremendous value of these credits is widely acknowledged, as both the Bowles-Simpson and Gang of Six deficit reduction plans maintained the current iterations of EITC and CTC. The federal investment in children, families, and the economy through the EITC and CTC are too important to be altered in any way in order to offset the costs of other spending that reaches far fewer families and is far less impactful.