

Research shows long-lasting benefits of EITC

Short Term Impact of EITC

The Earned Income Tax Credit (EITC) is one of the largest anti-poverty programs available in the U.S., reaching more than 27 million families and individuals in 2011.ⁱ

The EITC fights poverty in the short term by:

- **Providing a short-term safety-net.** EITC supplements the income of workers whose wages do not pay enough to keep them above the poverty line and families experiencing a temporary decrease in their household income. In 2011, the EITC lifted the incomes of almost 5.7 million people above the poverty line, including 3.1 million children.ⁱⁱ
- **Promoting work.** EITC makes work pay for low-wage workers and helps offset work-related costs such as transportation and child care. The EITC has been shown to encourage work among low-wage workers, particularly among working mothers. The EITC expansions of 1994-1996 are estimated to have contributed to an increase in the employment rates of single mothers, particularly those with two or more children. By 1997, the employment rate of single mothers with two or more children had increased by roughly 8 percentage points more than the employment rate of single mothers with one child, who received a smaller benefitⁱⁱⁱ

Intermediate Impact of EITC

Studies have also shown that EITC has intermediate impact on families and children:

- **Providing positive health impacts.** William Evans and Craig Garthwaite studied the 1993 expansions of the EITC which increased the benefit levels for families with two or more children and suggested that the expansion of EITC improved mental health for mothers with a high school degree or lower who had two or more children. In addition, the increase in payments increased the probability of mothers reporting excellent or very good health status overall.^{iv}

Furthermore, in 2011, Hilary Hoynes, Douglas Miller and David Simon evaluated the health impact of EITC on infant health outcomes and found that increased EITC income reduces the incidence of low birth weight and increases mean birth weight. For single mothers with 12 years of education or less, an increase of \$1000 in EITC was associated with a 7% reduction in low birth weight rate.^v

- **Encouraging asset building and savings.** Building assets and savings are key strategies for helping to lift families out of poverty. However, for many low-income families, there are few opportunities to save and build assets. EITC provides families an opportunity to do so.

A 2010 study surveyed EITC recipients who received refunds of at least \$1,000. This

survey revealed that 39% of families reported saving a portion of their refund, and 27% of families used some of their refund to purchase, repair or save for a car.^{vi} This may, in turn, improve their access to employment by having reliable transportation.

Long Term Impact of EITC

Recent studies have shown that EITC also has significant long-term benefits for families and children by:

- **Supporting working mothers.** A 2009 report studying the effect of EITC on earnings growth showed that once a single mother becomes employed, she will develop the skills to increase her earnings and her work continues to pay off through future increases in earnings.^{vii}
- **Increasing educational achievement in children.** Research suggests that even relatively minor increases in income help children in low-income families do better in school. One study found an increase of \$1,000 in tax credit raises a child's math and reading test scores.^{viii} The same study also suggests that the effects are even larger for children growing up in more disadvantaged families.

Families may use the additional income to purchase more goods and services such as food, clothing and books, which help maintain basic child welfare and enhance child development. More indirectly, the effects of having increased income may reduce stress among parents, and improve household relations which benefit all family members, including children and therefore improve their ability to learn.^{ix}

- **Increasing earnings as adults.**

Raj Chetty, John Friedman and Jonah Rockoff also found that EITC contributes to higher test scores. They suggested that this in turn would increase the probability of college attendance and raise later earnings as adults.^x

Policy Implications

The EITC is a widely successful program that has been shown to help lift families above poverty and contribute to the short-, intermediate- and long-term support of low-income families. The “fiscal cliff” deal struck by Congress in January 2013, included a 5-year extension of improvements in the EITC which expanded the program for families with 3 or more children; however, much more needs to be done to ensure that EITC continues to support families. Congress must make these improvements to EITC permanent and protect and strengthen the program in upcoming tax reform and deficit reduction debate

ⁱ EITC Statistics for tax year 2011, <http://www.eitc.irs.gov/central/eitcstats/>

ⁱⁱ Based on the 2011 supplemental poverty measure. <http://www.nwlc.org/our-blog/5-public-programs-lift-millions-women-out-poverty>

ⁱⁱⁱ Molly Dahl, Thomas DeLeire and Jonathan Schwabish, “Stepping Stone or Dead End? The Effect of the EITC on Earnings Growth,” April 2009, <http://www.irp.wisc.edu/publications/dps/pdfs/dp136509.pdf>

^{iv} William N. Evans and Craig L. Garthwaite, “Giving Mom a Break: The Impact of Higher EITC Payments on Maternal Health,” August 2010, <http://www.nber.org/papers/w16296>

^v Hilary W. Hoynes, Douglas L. Miller and David Simon, “Income, the Earned Income Tax Credit, and Infant Health,” October 2011, http://www.econ.ucdavis.edu/faculty/hoynes/working_papers/Hoynes-Miller-Simon-EITC.pdf

^{vi} Ruby Mendenhall, Kathryn Edin, Susan Crowley, Jennifer Sykes, Laura Tach, Katrin Kriz, and Jeffrey R. Kling, “The Role of Earned Income Tax Credit in the budgets of Low-Income Families,” June 2010, http://npc.umich.edu/publications/u/working_paper10-05.pdf

^{vii} Dahl, DeLeire, and Schwabish, “Stepping Stone or Dead End? The Effect of the EITC on Earnings Growth.”

^{viii} Gordon Dahl and Lance Lochner, “The Impact of Family Income on Child Achievement: Evidence from the Earned Income Tax Credit,” May 2012, <http://ftp.iza.org/dp6613.pdf>

^{ix} Kevin Milligan and Mark Stabile, “Do Child Tax Benefits Affect the Wellbeing of Children? Evidence from Canadian Child Benefit Expansions,” December 2008, http://www.nber.org/papers/w14624.pdf?new_window=1

^x Raj Chetty, John N. Friedman, and Jonah Rockoff, “Impacts of Tax Credits,” November 2011, <http://www.irs.gov/pub/irs-soi/111rpchettyfriedmanrockoff.pdf>

Boosting Oregon's EITC Provides a Great Return on Investment

Increasing the Oregon Earned Income Tax Credit (EITC), as HB 3028 proposes, not only helps struggling working families, but also has large, long-term benefits for the state.

The EITC boosts living standards of struggling families

- The average federal credit for Oregon households with children is \$2,900.¹
- The credit reduces the overall poverty rate by at least 10 percent; the child poverty rate by 16 percent.²

The EITC incentivizes work

- In the 1990s, the credit increased employment among single mothers by 6 to 7%.³
- A \$1,000 increase in the EITC leads to a 7.3 percentage point increase in employment.⁴
- Workers with less education see the greatest increases in employment.⁵

The EITC helps children succeed

- It improves birth outcomes — fewer low-weight births, especially for Black mothers.⁶
- It helps prevent child abuse.⁷
- Children perform better in school, and are more likely to finish high school and attend college.⁸
- Children earn more as adults: a \$3,000 yearly tax benefit results in 17% higher earnings when the child becomes an adult.⁹

The EITC reduces state costs and generates additional revenue

- An EITC boost of \$350 results in an average decrease of \$128 in state TANF costs.¹⁰
- It reduces criminal justice costs — for example, it results in an 11% lower recidivism among women.¹¹
- It increases taxes paid by businesses and their employees through induced economic effects.¹²

The EITC supports the economy

- The federal EITC brings in more than \$612 million per year to Oregon.¹³
- Rural legislative districts disproportionately benefit from the EITC.¹⁴
- It induces \$1.40 to \$1.58 in economic activity for every \$1 spent on the EITC.¹⁵

Endnotes

- ¹ Data on use of the federal EITC in Oregon for tax year 2016 sent to OCPP by Mark Beilby, Oregon Department of Revenue, November 14, 2018.
- ² Bruce D. Meyer, "The Effects of the Earned Income Tax Credit and Recent Reforms," Chapter 5, *Tax Policy and the Economy*, National Bureau of Economic Research, August 2010, Vol. 24, p. 159, available at <https://www.nber.org/chapters/c11973.pdf>. Also, Hilary W. Hoynes, Ankur J. Patel, *Effective Policy for Reducing Inequality? The Earned Income Tax Credit and the Distribution of Income*, NBER Working Paper No. 21340, July 2015, pp. 22-28, available at <https://www.nber.org/papers/w21340.pdf>.
- ³ Jacob Bastian, *The Rise of Working Mothers and the 1975 Earned Income Tax Credit*, University of Michigan, April 2016, available at <https://www.sole-jole.org/16385.pdf>. Also, Jeffrey Grogger, "The Effects of Time Limits and Other Policy Changes on Welfare Use, Work, and Income Among Female-Headed Families," Working Paper, NBER, March 2001, pp. 18-19, available at <https://www.nber.org/papers/w8153.pdf>.
- ⁴ Reference group is single mothers, 1984-1999. Op. Cit., Hilary W. Hoynes, Ankur J. Patel, 2015.
- ⁵ Jacob E. Bastian, Maggie R. Jones, *Do EITC Expansions Pay for Themselves? Effects on Tax Revenue and Public Assistance Spending*, University of Chicago, December 19, 2018, p. 12-13, available at <https://drive.google.com/file/d/1GbBeeQzfGH9fF9Y1u5rS55Sn3eStBWE7/view>.
- ⁶ An increase in EITC of \$1,000 is associated with 6.7 to 10.8 percent reduction in the rate of low births, with larger impacts for African American mothers. Hilary W Hoynes, Douglas L. Miller, David Simon, *Income, The Earned Income Tax Credit, and Infant Health*, NBER Working Paper No. 18206, July 2012, available at <https://www.nber.org/papers/w18206.pdf>.
- ⁷ Refundable EITC associated with a decrease of 3.1 abusive head trauma admissions per 100,000 population in young children. Joanne Klevens, Brian Schmidt, Feijun Luo, *Effect of the Earned Income Tax Credit on Hospital Admissions for Pediatric Abusive Head Trauma, 1995-2013*, Public Health Reports, July 13, 2017, available at <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5507428/>.
- ⁸ "An increase in the maximum EITC of \$1,000 significantly increases math achievement by about 0.072 nationally normed standard deviations[,] also increases the probability of graduating high school or receiving a GED at age 19 by about 2.1 percentage points and increases the probability of completing one or more years of college by age 19 by about 1.4 percentage points. Michelle Maxfield, *The Effects of the Earned Income Tax Credit on Child Achievement and Long-term Educational Attainment*, Michigan State University Job Market Paper, November 14, 2013, available at <https://msu.edu/~maxfiel7/20131114%20Maxfield%20EITC%20Child%20Education.pdf>. Also, Dayannand S. Manoli, Nicholas Turner, *Cash-on-hand and College Enrollment: Evidence From Population Tax Data and Policy Nonlinearities*, NBER Working Paper No. 19836, January 2014, available at <https://www.nber.org/papers/w19836.pdf>. Also, Jacob Bastian, Katherine Michelmore, *The Long-Term Impact of the Earned Income Tax Credit on Children's Education and Employment Outcomes*, Journal of Labor Economics, 2018, Vol. 36, No. 4, available at https://drive.google.com/file/d/0B4jTC3zaouX_WI9RaU95cHJpZE0/view.
- ⁹ "The paper says 19 percent, but our calculations, confirmed by one of the authors, show that this is a typographical error and 17 percent is correct," according to Center on Budget and Policy Priorities, in reference to Greg J. Duncan, Kathleen M. Ziol-Guest, Ariel Kalil, *Early-Childhood Poverty and Adult Attainment, Behavior, and Health*, Child Development, Vol. 81, No.1 January/February 2010, pp. 306-325, available at https://www.jstor.org/stable/40598980?seq=1#page_scan_tab_contents.
- ¹⁰ A \$1,000 increase in the maximum federal EITC results in a \$350 increase in the average EITC credit and reduction of \$127.80 in state welfare costs in states that have ever had a state EITC. Op. Cit., Jacob E. Bastian, Maggie R. Jones, 2018, pp. 17, 42.
- ¹¹ States instituting an EITC have 11% lower recidivism rates among women, who tend to have dependent children and higher refunds than men. Amanda & Agan, Michael D. Makowsky, *The Minimum Wage, EITC, and Criminal Recidivism*, NBER Working Paper 25116, September 2018, p. 15, available at <https://www.nber.org/papers/w25116.pdf>.
- ¹² *The Importance of the Earned Income Tax Credit and Its Economic Effects in Baltimore City*, The Jacob France Institute, June 2004, available at <https://www.ubalt.edu/jfi/jfi/reports/EITC-rept.pdf>.
- ¹³ Oregon Department of Revenue data for 2016 tax year.
- ¹⁴ Rural Oregon legislative districts are defined as those not containing a Metropolitan Statistical Area, which include House Districts 1, 4, 5, 10, 17, 23, 53, 55, 56, 57, 58, 59, and 60. OCPP analysis of IRS and Tax Policy Center data, available at <https://www.ocpp.org/media/uploads/pdf/2019/02/20190216-EITC-House-fnl.pdf>.
- ¹⁵ OCPP analysis of findings: Antonio Avalos, Sean Alley, *The Economic Impact of the Earned Income Tax Credit (EITC) in California*, The California Journal of Politics & Policy, 2010, Vol. 2, Issue 1, available at <https://escholarship.org/uc/item/2jj0s1dn>. Also, Matthew Soursourian, *The Earned Income Tax Credit in the 12th District*, Community Development Research Brief, Federal Reserve Bank of San Francisco, May 2011, available at <https://www.frbsf.org/community-development/files/earned-income-tax-credit-in-the-12th-district.pdf>.

RENEW & RAISE

O R E G O N

HB 3028 makes the Oregon EITC work better for working families

Raising Oregon's EITC helps working families in every Senate district

District	Senator	EITC Households (#)	Percent of All Filers	Federal EITC (\$/yr)	Current Oregon EITC* (\$/yr)	Oregon EITC with HB 3028-2 (\$/yr)
1	Heard	10,017	19%	21,800,000	1,900,000	3,400,000
2	Baertschiger	11,057	19%	24,600,000	2,200,000	3,900,000
3	Golden	11,264	18%	24,200,000	2,100,000	3,700,000
4	Prozanski	9,094	16%	18,700,000	1,700,000	3,000,000
5	Roblan	10,072	18%	21,500,000	1,900,000	3,400,000
6	Beyer	9,772	17%	20,400,000	1,800,000	3,200,000
7	Manning	9,739	16%	18,500,000	1,600,000	2,900,000
8	Gelser	7,632	13%	14,800,000	1,300,000	2,300,000
9	Girod	8,952	15%	20,700,000	1,800,000	3,200,000
10	Winters	8,828	14%	20,100,000	1,800,000	3,200,000
11	Courtney	12,237	22%	31,300,000	2,800,000	5,000,000
12	Boquist	8,914	15%	20,300,000	1,800,000	3,200,000
13	Thatcher	7,365	11%	16,300,000	1,400,000	2,500,000
14	Hass	5,458	8%	10,900,000	1,000,000	1,800,000
15	Riley	7,489	12%	16,900,000	1,500,000	2,700,000
16	Johnson	8,220	13%	17,100,000	1,500,000	2,700,000
17	Steiner Hayward	4,976	8%	8,900,000	800,000	1,400,000
18	Burdick	5,680	8%	8,600,000	800,000	1,400,000
19	Wagner	4,514	7%	8,200,000	700,000	1,200,000
20	Olsen	7,183	11%	15,200,000	1,300,000	2,300,000
21	Taylor	7,982	11%	11,900,000	1,100,000	2,000,000
22	Frederick	9,716	14%	17,300,000	1,500,000	2,700,000
23	Dembrow	9,477	14%	17,700,000	1,600,000	2,900,000
24	Fagan	11,782	20%	27,800,000	2,500,000	4,500,000
25	Monnes Anderson	10,782	18%	25,800,000	2,300,000	4,100,000
26	Thomsen	9,548	15%	22,100,000	2,000,000	3,600,000
27	Knopp	8,095	11%	16,800,000	1,500,000	2,700,000
28	Linthicum	10,491	19%	24,000,000	2,100,000	3,700,000
29	Hansell	9,881	19%	23,900,000	2,100,000	3,700,000
30	Bentz	10,301	20%	25,200,000	2,200,000	3,900,000

Figures for tax year 2015.

RENEW & RAISE

O R E G O N

HB 3028 makes the Oregon EITC work better for working families

Raising Oregon's EITC helps working families in every House district

District	Representative	EITC Households (#)	Percent of All Filers	Federal EITC (\$/yr)	Current Oregon EITC(\$/yr)	Oregon EITC with HB 3028-2 (\$/yr)
1	Smith (David Brock)	4,867	18%	10,400,000	900,000	1,600,000
2	Leif	5,153	20%	11,400,000	1,000,000	1,800,000
3	Wilson	5,620	21%	12,500,000	1,100,000	2,000,000
4	Stark	5,434	18%	12,100,000	1,100,000	2,000,000
5	Marsh	5,414	17%	10,900,000	1,000,000	1,800,000
6	Wallan	5,847	19%	13,300,000	1,200,000	2,100,000
7	Hayden	4,981	18%	11,200,000	1,000,000	1,800,000
8	Holvey	4,113	14%	7,600,000	700,000	1,200,000
9	McKeown	5,087	18%	10,800,000	1,000,000	1,800,000
10	Gomberg	4,985	17%	10,700,000	900,000	1,600,000
11	Wilde	3,972	14%	7,900,000	700,000	1,200,000
12	Lively	5,800	21%	12,500,000	1,100,000	2,000,000
13	Nathanson	4,141	13%	7,400,000	700,000	1,200,000
14	Fahey	5,598	18%	11,100,000	1,000,000	1,800,000
15	Davis	4,720	15%	10,200,000	900,000	1,600,000
16	Rayfield	2,912	11%	4,600,000	400,000	700,000
17	Sprenger	4,789	17%	11,000,000	1,000,000	1,800,000
18	Lewis	4,164	14%	9,700,000	900,000	1,600,000
19	Boles	4,482	15%	10,400,000	900,000	1,600,000
20	Evans	4,347	14%	9,600,000	800,000	1,400,000
21	Clem	6,299	23%	15,900,000	1,400,000	2,500,000
22	Alonso Leon	5,938	22%	15,400,000	1,400,000	2,500,000
23	Nearman	4,338	15%	9,700,000	900,000	1,600,000
24	Noble	4,576	15%	10,600,000	900,000	1,600,000
25	Post	4,439	14%	10,300,000	900,000	1,600,000
26	Neron	2,926	8%	6,000,000	500,000	900,000
27	Schouten	3,230	11%	6,400,000	600,000	1,100,000
28	Barker	2,226	6%	4,600,000	400,000	700,000
29	McLain	4,420	14%	10,400,000	900,000	1,600,000
30	Sollman	3,068	9%	6,400,000	600,000	1,100,000
31	Witt	3,533	12%	7,300,000	600,000	1,100,000

Raising Oregon's EITC helps working families in every House district

District	Representative	EITC Households (#)	Percent of All Filers	Federal EITC (\$/yr)	Current Oregon EITC(\$/yr)	Oregon EITC with HB 3028-2 (\$/yr)
32	Mitchell	4,687	15%	9,900,000	900,000	1,600,000
33	Greenlick	2,176	7%	3,400,000	300,000	500,000
34	Helm	2,800	9%	5,500,000	500,000	900,000
35	Doherty	3,143	9%	6,200,000	500,000	900,000
36	Williamson	2,537	7%	2,400,000	200,000	400,000
37	Prusak	2,523	8%	5,000,000	400,000	700,000
38	Salinas	1,991	6%	3,100,000	300,000	500,000
39	Drazan	3,442	11%	7,400,000	700,000	1,200,000
40	Meek	3,742	11%	7,800,000	700,000	1,200,000
41	Power	4,101	12%	7,400,000	700,000	1,200,000
42	Nosse	3,881	10%	4,600,000	400,000	700,000
43	Sanchez	4,534	12%	7,200,000	600,000	1,100,000
44	Kotek	5,183	16%	10,100,000	900,000	1,600,000
45	Smith Warner	4,467	13%	8,300,000	700,000	1,200,000
46	Keny-Guyer	5,010	15%	9,500,000	800,000	1,400,000
47	Hernandez	6,556	23%	16,200,000	1,400,000	2,500,000
48	Reardon	5,226	17%	11,500,000	1,000,000	1,800,000
49	Gorsek	5,459	18%	13,100,000	1,200,000	2,100,000
50	Piluso	5,323	18%	12,800,000	1,100,000	2,000,000
51	Bynum	5,343	17%	13,000,000	1,100,000	2,000,000
52	Williams	4,205	13%	9,100,000	800,000	1,400,000
53	Zika	4,500	15%	9,600,000	800,000	1,400,000
54	Helt	3,598	9%	7,200,000	600,000	1,100,000
55	McLane	5,028	18%	11,200,000	1,000,000	1,800,000
56	Reschke	5,463	21%	12,700,000	1,100,000	2,000,000
57	Smith (Greg)	5,232	20%	13,400,000	1,200,000	2,100,000
58	Barreto	4,649	17%	10,500,000	900,000	1,600,000
59	Bonham	5,506	19%	12,800,000	1,100,000	2,000,000
60	Findley	4,794	22%	12,400,000	1,100,000	2,000,000

Figures for tax year 2015.

State REFUNDABLE Earned Income Tax Credits, effective in 2018	
State	Percentage of Federal Credit
California	85% (limited eligibility)
District of Columbia	40%
New Jersey	35%
Minnesota	34%
Vermont	32%
New York	30%
Maryland	28%
Connecticut	27.50%
Massachusetts	23%
Illinois	18%
Kansas	17%
Iowa	15%
Rhode Island	15%
Wisconsin	11%
Colorado	10%
Nebraska	10%
New Mexico	10%
Indiana	9%
Oregon	8%
Michigan	6%
Maine	5%
Louisiana	3.50%
Montana	3%