TAX & BUDGET

IMPROVING THE EITC FOR CHILDLESS WORKERS WOULD BENEFIT MILLIONS OF WORKING WOMEN AT ALL STAGES OF THEIR LlVES

AMY MATSUI AND KATHERINE GALLAGHER ROBBINS

The federal Earned Income Tax Credit (EITC) encourages and rewards work by boosting the wages of low-wage workers, lifting the incomes of millions of families above the poverty line every year.\(^1\) Considerable research demonstrates the EITC’s effectiveness at encouraging work, especially among low-income single mothers, and reducing poverty among families with children.\(^2\) The boost the EITC provides families with children—about $3,000 on average\(^3\)—helps families meet their basic needs and provides lasting health, education and employment benefits to children.\(^4\)

In contrast, the EITC provides little or no help to low-wage workers without qualifying children (including workers without children, non-custodial parents, and parents whose children are beyond the age limit). The “childless worker EITC” does not provide a meaningful work incentive or poverty-reducing benefit. The average EITC benefit for an individual or couple without qualifying children in 2013 was just $281.\(^5\) For 2016, it is worth a maximum of about $500 and begins to phase out when incomes are still below poverty. As a result, the federal tax system actually pushes this group of workers into, or deeper into, poverty.

President Obama’s Proposal to Improve the EITC for Childless Workers

President Obama’s proposed improvements to the EITC for childless workers would:

• double the current maximum credit (to about $1,000 in tax year 2016);
• increase the amount of income that tax filers can earn and remain eligible for the credit (from about $14,900 to about $18,200 for a single tax filer); and
• expand the age range of workers who are eligible for the credit, from 25-64 to 21-66.

The proposal would benefit 13 million low-income workers, including 6 million women, in 2017.

Improving the EITC for childless workers would increase economic security for millions of working women at all stages of their lives.

Improving the EITC for childless workers would provide an increased work incentive for young men, whose participation in the labor force has been declining. But it would also have a substantial impact on women.

Proposals to improve the EITC for childless workers would benefit millions of women, including women in low-wage jobs, where women are a large majority of workers; young women who already experience a wage gap and are burdened by student debt; mothers whose children have left home or who are too old to be claimed for the EITC, and who are economically disadvantaged by caregiving; and older women who need to increase income before retirement.

Women working in low-wage jobs would benefit.

- Women are two-thirds of low-wage workers—and nearly half of women working in low-wage jobs are women of color.
- Women are overrepresented in low-wage jobs for the majority of their working lives.
- Women working full time, year round in low-wage occupations are typically paid only 85 cents for every dollar their male counterparts are paid—and the figures are worse for women of color when compared to white, non-Hispanic men.
- Low-wage jobs are less likely to provide steady employment, thus income from the EITC could have a stabilizing effect.

Maria is a 28-year-old woman who works full-time for minimum wage at a fast food restaurant.

She earns $14,500 per year. Under current law, she would receive an EITC of only $27; under the President’s proposal, she would receive an EITC of $556; under the Brown and Neal proposals, she would receive an EITC of $913.

Senator Brown's and Representative Neal's Proposals to Improve the EITC for Childless Workers

Senator Sherrod Brown’s and Representative Richard Neal’s proposed improvements to the EITC for childless workers would:

- almost triple the current maximum credit (to about $1,400 in tax year 2016);
- increase the amount of income that tax filers can earn and remain eligible for the credit (from about $14,900 to just over $20,000 for a single tax filer); and
- expand the age range of workers who are eligible for the credit, from 25-64 to 21-64.

The proposal would benefit 16.2 million low-income workers, including 7.2 million women, in 2017. It would also ensure that the federal tax code does not push the incomes of eligible workers below the poverty line, effectively taxing them into poverty.

Young women, including young women entering the labor force and students working to support themselves, would benefit.

- Young women already experience a wage gap in their early 20s - women ages 21 through 24 working full time, year round are typically paid only 86 percent of what their male counterparts are paid. They are also more likely to be poor than their male counterparts: 23 percent of women ages 21 through 24 are poor, compared to 17 percent of men.

- Because of women’s lower pay, although women and men typically borrow the same amount for college, the repayment of that loan represents a more burdensome monthly expense for women than it does for men.

- Pell Grants provide federal financial assistance for lower-income students, 62 percent of whom are women and 59 percent of whom are financially independent. However, because of the escalating cost of higher education, these grants now cover less than 30 percent of the cost of college. While Pell Grant recipients are more likely than other lower-income students to stay enrolled and earn a degree, many still drop out of school before obtaining a degree.

- Extending the EITC to younger childless workers would help more low-income women, including both full- and part-time students who are supporting themselves while juggling the demands of work and school.

Women who are economically disadvantaged by caregiving would benefit.

- The “motherhood penalty” is estimated to reduce earnings by up to 15 percent per child for low-wage working mothers, and persists as children age. An expanded EITC for workers without qualifying children would help mothers whose earning capacity has been reduced by years of childrearing, after their children have left home or are too old to be claimed for the EITC.

- Overall, six in ten of those caring for sick, elderly or disabled family members are women. Many working caregivers have lost income because of their caregiving responsibilities; an expanded EITC could compensate for lower earnings.

- In large part due to the recent recession, many parents are still providing financial support for their adult children. Nearly one-third of young adults ages 18 to 34 are living at home with their parents. An expanded EITC could help adult children with low earnings and low-income parents who are contributing to their support, but are no longer able to claim them as dependents on their tax return.

Women approaching retirement would benefit.

- Women make up over half (56 percent) of poor adults ages 50 through 66, and over 22 percent of unmarried women ages 50 to 66 are poor. Nearly half (45 percent) of poor women ages 50 to 66 are women of color, though they comprise less than one-third (30 percent) of the women in this age group overall. An expanded EITC would boost their income.

- By encouraging employment among older women, the proposal could increase women’s Social Security retirement benefits. First, it could enable them to wait until their Full Retirement Age to claim Social Security benefits, and avoid a benefit reduction. Second, by staying in the workforce, they could increase their work history and wages on which Social Security benefits are based. Social Security benefits are critical to lowering women’s poverty in old age.

- The increased refund from an expanded EITC could enable older working women to add to their retirement savings, supplementing their Social Security benefits after they retire.
Methodology note:

1. NWLC calculations based on U.S. Census Bureau, Current Population Survey Table Creator, available at http://www.census.gov/cps/data/cpstablecreator.html. In 2014, income from the EITC lifted more than 5.6 million people above the poverty line.


4. Marr et al., supra note 2.

5. Ctr. on Budget & Policy Priorities, supra note 3.


12. Id.


14. NWLC calculations based on CPS Table Creator, supra note 1. The median personal earnings of women 21 through 24 working full time, year round are $24,000. For their male counterparts, this figure is $28,000. Figures are for 2014.

15. NWLC calculations based on CPS Table Creator, supra note 1.


24. Id.


26. NWLC calculations based on CPS Table Creator, supra note 1. The poverty rate for unmarried women 50-66 is 22.3 percent; this category includes women who are married but whose spouse is absent.

27. Id.
