

Make Work Pay for Workers Without Children in the Household by Expanding the EITC

The Earned Income Tax Credit (EITC) is one of our nation's most effective anti-poverty programs, boosting the earnings of workers paid low wages, including many essential workers. This program also provides an opportunity to promote racial equity and to reduce the racial wealth gap. But under current law, the EITC eligibility restrictions leave out many workers, pushing them deeper into poverty. The Biden-Harris Administration proposed expanding the EITC for workers without dependent children in its American Rescue Plan, and the House included it in the legislation. Congress should pass this law quickly to provide critical financial relief to workers who are paid low incomes during the economic crisis.

The EITC provides a credit to low- and moderate-income tax filers that can be used to pay for necessities like car repairs and food. But under current law, the EITC only provides a very small credit to workers without children; those whose children don't live with them; or whose children are grown. The benefit is so small that it taxes nearly 6 million workers ages 19 through 65 *deeper* into poverty. And young workers who are under age 25 without dependent children aren't eligible for the credit at all.

Among workers who are eligible, the EITC supports their economic security. The program also can advance racial equity. Due to a history of discrimination in the labor market, people of color have less access to well-paying jobs. Because of this disparity, the EITC helps communities of color build savings and assets.

The EITC Should Support All Workers, Especially Young Workers Who Have Been Largely Left Out of COVID Relief

Young workers are the essential workers sustaining our economy during the COVID-19 crisis. Young people are often employed in the industries hardest hit by the COVID-19 crisis, **such as food service and retail**. Despite this, lawmakers have largely left them out of federal aid to help people make ends meet during the economic crisis. Young people are also **likelier to be paid lower wages** and to face poverty when compared to people in other age groups. These rates of hardship are even higher for young people of color, who face employment discrimination and disproportionately work in jobs that pay a low wage.

But under current law, the EITC fails to support many young workers. Today, if you don't have children, or you don't have children living in your household, you are only eligible for a meager EITC benefit. This credit is so small that these workers are taxed deeper into poverty. This includes non-custodial parents who can't claim their child as a tax dependent and therefore receive this smaller EITC benefit, despite providing support to their child.

EITC Expansions Would Support Workers of Color, Promoting Racial Equity

Workers of color face increased rates of employment discrimination and disproportionately work in jobs that pay low wages compared to their white counterparts. This leaves many workers of color with increased financial hardship, especially during the COVID-19 public health and economic crises. Poverty rates are especially high for young people of color, ages 18-24, who often begin their careers in jobs that pay a low wage.

The EITC promotes racial equity because it targets financial support to low- and moderate-income workers so effectively. It lifts a larger share of people of color above the poverty line and reaches a larger share of people of color when compared to white tax filers. Receiving the EITC can also help people of color build savings and buy assets, therefore helping reduce the racial wealth gap.

Expanding the EITC for workers without dependent children would support many workers of color who currently get just a small credit, many of whom work in essential jobs. This is especially urgent given that the COVID-19 crisis has disproportionately impacted the health and economic wellbeing of people of color.

Young Workers Need Congress to Adopt the American Rescue Plan's EITC Expansions

The American Rescue Plan would make these workers eligible for the EITC beginning at age 19 and would remove the maximum age limit of 65 years old. The bill would also provide support for youth who face additional hardships, such as those who are homeless or transitioning from the foster care system, by expanding EITC eligibility for them starting at age 18.

These changes would have tangible benefits on workers' lives. For example, under the proposed EITC expansion in the **American Rescue Plan**, the maximum EITC credit for workers without children in the household would increase from \$543 to \$1,502. That difference is the price of a car repair, of one month's rent, or of a laptop for school. That additional income could keep a young worker from falling into poverty or from facing eviction.

These EITC expansions would make work pay for many essential workers. Yet lawmakers can also do more to effectively reduce poverty and support workers. Increasing the minimum wage, for example, would also boost the take-home pay for workers who are paid low wages. Expanding the EITC should supplement an increase to the federal minimum wage; workers need more than an annual tax credit to meet their daily living expenses.

For a broader discussion of how the tax code can increase equity, see CLASP's **Principles for Federal Tax Policy**.