

Administration Budget Proposal to Expand the Earned Income Tax Credit (EITC) for Workers without Qualifying Children

Low- and moderate-income workers may be eligible for a refundable EITC. Eligibility for the EITC is based on the presence and number of qualifying children in the worker's household, AGI, earned income, investment income, filing status, age, and immigration and work status in the United States. For workers with children, this credit is very generous, with a maximum value for families with one child of \$3,373 in 2016. In contrast, workers without qualifying children can receive a maximum credit of \$506.

To be eligible for the EITC for workers without qualifying children, the taxpayer must be at least 25 years old and less than 65 years old. (In the case of married taxpayers filing jointly, the credit may be claimed if at least one spouse is over age 24 and less than age 65.) A taxpayer who may be claimed as a dependent or as a qualifying child by another taxpayer, including most college students, may not claim the EITC for workers without children. There is no age limitation of the EITC for workers with qualifying children.

The EITC for workers without children is phased in at a rate of 7.65 percent on earnings up to \$6,610. The credit is phased out at a rate of 7.65 percent on income in excess of \$8,270 (\$13,820 for married couples filing jointly). The credit is phased out completely at incomes of \$14,880 for unmarried taxpayers and \$20,430 for married couples filing jointly. In 2017 an estimated 7.5 million workers on 7.3 million returns will claim nearly \$2.2 billion in EITC, for an average credit of \$298.

Because the credit is small and phases out at such low incomes, it provides little or no assistance to individuals at or near the poverty line. For example, in 2017 a single worker without children who earns \$12,000 (a wage close to the poverty line), would be estimated to be in the phase-out range and eligible for a credit of about \$233 and would receive a refund of about \$83 after subtracting his or her Federal income tax (and would pay nearly \$920 in Federal payroll taxes). A single individual working full-time at minimum wage would receive about \$41 of EITC and face income tax liability of about \$359 after subtracting his or her EITC.

A larger EITC for workers without children would promote employment and reduce poverty for this group of workers. The current age restrictions prevent young workers and older workers from claiming the EITC. As a result, young workers living independently from their families are unable to benefit from the antipoverty and work related effects of the EITC just when they are establishing the patterns of behavior that may persist throughout their working lives. The EITC, by increasing the effective wage, encourages additional work effort in the short run, which may in turn affect long run labor force attachment and wages. The current age restriction on older workers is inconsistent with recent increases in the full retirement age. As a result, workers age 65 and 66 with low incomes may lose the benefit of the EITC before retiring and claiming their social security benefits.

The proposal would increase the EITC for workers without qualifying children by doubling the phase-in rate and the phase-out rate from 7.65 percent to 15.3 percent, thereby doubling the maximum credit in 2017 from an estimated \$511 to an estimated \$1,022. The beginning of the



phase-out range would be increased from an estimated \$8,360 to \$11,500 (from \$13,960 to \$17,100 for joint filers) and be indexed for inflation in subsequent years as under current law. Thus, the credit for workers without qualifying children would be phased out completely at an estimated \$18,180 for single taxpayers and \$23,780 for married taxpayers filing jointly. The proposal would also allow taxpayers who are at least age 21 and under age 67 to claim the EITC for workers without qualifying children, if otherwise eligible. In the case of married taxpayers filing jointly, the credit could be claimed if either spouse were at least age 21 and under age 67. As under current law, taxpayers who could be claimed as a qualifying child or a dependent would not be eligible for the EITC for childless workers. Thus, full-time students who are dependent upon their parents would not be allowed to claim the EITC for workers without qualifying children, despite meeting the new age requirements, even if their parents did not claim a dependent exemption or an EITC on their behalf.

All current claimants would receive a larger EITC under the proposal than under current law and millions more who currently receive no EITC would become eligible. Table 1 shows that in 2017 about 12.8 million returns and about 13.1 million earners would benefit from this proposal, with an average benefit per return of \$487. Of these, 5.5 million returns and 5.7 million earners would be newly eligible. The newly eligible would receive an average benefit of \$511 per return. Just over 80 percent of the filers who receive a benefit are unmarried. Table 2 shows the distribution of workers who would benefit from this proposal by state.

The proposal would be effective for taxable years beginning after December 31, 2016.



**Estimated Benefit from Administration Budget Proposal to
Expand the Earned Income Tax Credit (EITC) for Workers Without Qualifying Children
for Returns, Earners and Filers by Marital Status
Tax Year 2017**

Return, Earner, Filer	All Claimants Benefiting from Proposal			New Claimants Benefiting from Proposal		
	Number of Returns or Individuals (millions)	Total Benefit (\$millions)	Average Benefit (\$)	Number of Returns or Individuals (millions)	Total Benefit (\$millions)	Average Benefit (\$)
Total Returns	12.8	-6,241	-487	5.5	-2,836	-511
Total Earners	13.1			5.7		
Total Filers	14.2			5.9		
Returns by Marital Status						
Joint Returns	1.3	-607	-454	0.4	-126	-351
Two Earners	0.3	-154	-484	0.1	-43	-379
One Earner	1.0	-453	-444	0.2	-83	-338
Unmarried Returns	11.5	-5,634	-491	5.2	-2,709	-522

Note: The proposal would increase the EITC for workers without qualifying children by doubling the phase-in rate and the phase-out rate from 7.65 percent to 15.3 percent, thereby doubling the maximum credit from an estimated \$511 to an estimated \$1022. The proposal would also allow taxpayers who are at least age 21 and under age 67 to claim the benefit, if otherwise eligible. All current claimants would receive a larger EITC.



Expand the EITC for Workers without Qualifying Children
(2017 Income and Law)

State	Number (Thousands of Workers Benefiting)	State	Number (Thousands of Workers Benefiting)	State	Number (Thousands of Workers Benefiting)
Alabama	194	Massachusetts	266	South Dakota	37
Alaska	38	Michigan	459	Tennessee	287
Arizona	230	Minnesota	220	Texas	994
Arkansas	118	Mississippi	125	Utah	99
California	1,495	Missouri	252	Vermont	32
Colorado	202	Montana	51	Virginia	304
Connecticut	140	Nebraska	76	Washington	254
Delaware	35	Nevada	107	West Virginia	81
Florida	994	New Hampshire	58	Wisconsin	246
Georgia	468	New Jersey	343	Wyoming	24
Hawaii	58	New Mexico	90	DC	24
Idaho	64	New York	871	Other Areas	130
Illinois	525	North Carolina	369		
Indiana	275	North Dakota	29		
Iowa	120	Ohio	502		
Kansas	115	Oklahoma	145	United States	13,100
Kentucky	181	Oregon	159		
Louisiana	185	Pennsylvania	554		
Maine	62	Rhode Island	46		
Maryland	206	South Carolina	196		

