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The Earned Income Tax Credit (EITC): How It Works and Who Receives It

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SUMMARY

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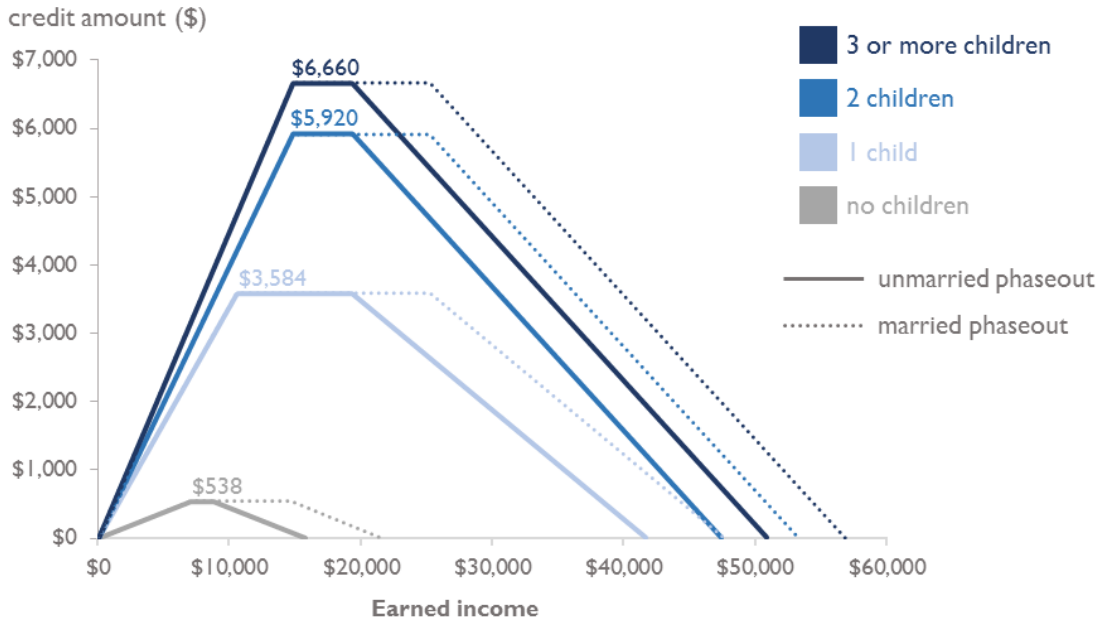
The Earned Income Tax Credit (EITC): How It Works and Who Receives It

The Earned Income Tax Credit (EITC) is a refundable tax credit available to eligible workers earning relatively low wages. Because the credit is refundable, an EITC recipient need not owe taxes to receive the benefit. Eligibility for and the amount of the EITC are based on a variety of factors, including residence and taxpayer ID requirements, the presence of qualifying children, age requirements for childless recipients, and the recipient's investment income and earned income. Taxpayers with income above certain thresholds—these thresholds are based on marital status and number of qualifying children—are ineligible for the credit.

The EITC varies based on a recipient's earned income. Specifically, the EITC phases in as a percentage of earned income (the "credit rate") until the credit amount reaches its maximum level. The EITC then remains at its maximum level over a subsequent range of earned income, between the "earned income amount" and the "phaseout amount threshold." Finally, the credit gradually decreases to zero at a fixed rate (the "phaseout rate") for each additional dollar of adjusted gross income (AGI) (or earned income, whichever is greater) above the phaseout amount threshold. The specific values of these EITC parameters (e.g., credit rate, earned income amount) vary depending on several factors, including the number of qualifying children a taxpayer has and the taxpayer's marital status, as illustrated below. For 2020, the maximum EITC for a taxpayer without children is $538 per year. In contrast, the 2020 maximum EITC for a taxpayer with one child is $3,584 per year; for two children, $5,920 per year; and for three or more children, $6,660 per year.

EITC Amount by Number of Qualifying Children, Marital Status, and Income, 2020



Source: IRS Revenue Procedure 2019-44 and Internal Revenue Code §32. For more information see **Table 1**.

The EITC is provided to individuals and families once a year, in a lump-sum payment after individuals and families file their federal income tax returns. Like all tax credits, the EITC can reduce income tax liability. And because the EITC is a refundable tax credit, if a taxpayer's EITC is greater than what they owe in income taxes, they can receive the difference (the portion of the credit that remains after offsetting any income tax liability) as

part of their annual tax refund. The amount of the credit that remains after offsetting any income tax liability is often referred to as the *refundable portion* of the EITC, whereas the amount that reduces income tax liability is referred to as the *nonrefundable portion* of the credit. A taxpayer who has no income tax liability will receive all of the EITC as the refundable portion of the credit.

The amount of the credit a taxpayer receives is based on the prior year's earned income and family composition (marital status and number of qualifying children). In other words, the 2020 EITC—which is based on 2020 earned income (and other 2020 factors)—will not be paid until 2021.

The EITC cannot be counted as income in determining eligibility for or the amount of any federally funded public benefit program. An EITC refund that is saved by a taxpayer does not count against the resource limits of any federally funded public benefit program for 12 months after the refund is received.

For 2017 (i.e., 2017 tax returns filed in 2018), 27 million taxpayers (18% of all taxpayers) received a total of $66.4 billion from the EITC, making the credit the largest need-tested antipoverty program that provides cash benefits. In that year, 97% of all EITC dollars were received by families with children. However, there was considerable variation in EITC receipt by state, with a greater share filed in certain southern states compared to other regions of the country.

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Introduction

The Earned Income Tax Credit (EITC) is a refundable tax credit available to eligible workers with relatively low earnings. Because the credit is refundable, an EITC recipient need not owe taxes to receive the benefit. The credit is authorized by Section 32 of the Internal Revenue Code (IRC §32) and administered as part of the federal income tax system. According to IRS data, 27 million taxpayers received a total of $66.4 billion from the EITC for 2017, making the credit the largest need-tested antipoverty program that provides cash benefits.

Did the "Tax Cuts and Jobs Act (TCJA)" modify the EITC?

At the end of 2017, President Trump signed into law P.L. 115-97, commonly referred to as the Tax Cuts and Jobs Act or TCJA,[1] which made numerous changes to the federal income tax for individuals and businesses.[2] The final law did not make any direct changes to the EITC.

The law did however indirectly affect the credit's value in future years. Parameters of the EITC (see **Table 1**) are indexed to inflation. Prior to P.L. 115-97, this measure of inflation was based on the consumer price index for urban consumers (CPI-U). P.L. 115-97 changed this inflation measure to be permanently based on the chained CPI-U (C-CPI-U).[3] In comparison to CPI-U, chained CPI-U tends to grow more slowly. Hence, over time, the monetary parameters of the EITC will increase more slowly.

Under current law, the EITC is calculated based on a recipient's earned income, using one of eight different formulas, which vary depending on several factors, including the number of qualifying children a taxpayer has (zero, one, two, or three or more) and his or her marital status (unmarried or married). All else being equal, the amount of the credit tends to increase with the number of eligible children the EITC recipient has. Indeed, most of the EITC's benefits—97% of EITC dollars for 2017—went to families with children.

This report provides an overview of the EITC, first discussing eligibility requirements for the credit, followed by how the credit is computed and paid. The report then provides data on the growth of the EITC since it was first enacted in 1975. Finally, the report concludes with data on the EITC from 2017 tax returns, examining EITC receipt by number of qualifying children, income level, tax filing status, and location of residence.

Eligibility for the EITC

A taxpayer must fulfill the following requirements to claim the EITC:

1. The taxpayer must file a federal income tax return.

[1] The original title of the law, the Tax Cuts and Jobs Act, was stricken before final passage because it violated what is known as the Byrd rule, a procedural rule that can be raised in the Senate when bills, like the tax bill, are considered under the process of reconciliation. The actual title of the law is "To provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018." For more information on the Byrd rule, see CRS Report RL30862, *The Budget Reconciliation Process: The Senate's "Byrd Rule"*, by Bill Heniff Jr., The Budget Reconciliation Process: The Senate's "Byrd Rule", by Bill Heniff Jr.

[2] For more information on the changes made to the tax code by P.L. 115-97, see CRS Report R45092, *The 2017 Tax Revision (P.L. 115-97): Comparison to 2017 Tax Law*, coordinated by Molly F. Sherlock and Donald J. Marples.

[3] For more information, see Michael Ng and David Wessel, *Up Front | The Hutchins Center Explains: The Chained CPI*, The Brookings Institution, December 7, 2017, https://www.brookings.edu/blog/up-front/2017/12/07/the-hutchins-center-explains-the-chained-cpi/.

2. The taxpayer must have earned income.
3. The taxpayer must meet certain residency requirements.
4. The taxpayer's children must meet relationship, residency, and age requirements to be considered qualifying children for the credit.
5. Childless workers who claim the credit must be between ages 25 and 64.[4] (This age requirement *does not apply* to EITC claimants *with qualifying children*.)
6. The taxpayer's investment income must be below a certain amount.
7. The taxpayer must not be disallowed the credit due to prior fraud or reckless disregard of the rules when they previously claimed the EITC.
8. The taxpayer must provide the Social Security number (SSN) for themselves, their spouse, if married, and any children for whom the credit is claimed.[5]

Additionally, a taxpayer with income above a certain dollar amount (labeled as "income where credit = 0" in **Table 1**) will be ineligible for the credit. Given that this income level is dependent on the number of qualifying children and marital status of the taxpayer, this requirement is discussed in greater detail in the section of the report entitled "Calculating the EITC."

Requirements (1) through (8) are discussed in detail below.

Filing a Federal Income Tax Return

A person must file a federal income tax return to be eligible for the EITC. Those who do not file a federal income tax return cannot receive the EITC.

The EITC can be claimed by taxpayers filing their tax return as married filing jointly, head of household, or single.[6] Taxpayers cannot claim the EITC if they use the filing status of married filing separately. If the taxpayer has a qualifying child, the taxpayer must include the child's name and Social Security number on a separate schedule (Schedule EIC) filed with the federal tax return.[7]

Earned Income

A taxpayer must have earned income to claim the EITC. Earned income for the EITC is defined as wages, tips, and other compensation included in gross income. It also includes net self-

[4] A taxpayer without qualifying children who can be claimed as a dependent on another person's tax return is ineligible for the EITC. In addition, claimants without qualifying children must live in the United States for more than half the year.

[5] The SSN must be issued to a citizen of the United States or pursuant to a provision of the Social Security Act relating to the lawful admission for employment in the United States. See IRC §§32(m).

[6] There is an additional filing status that may claim the EITC—"qualifying widow(er) with dependent child." Generally, taxpayers may file their tax return as married filing jointly in the year their spouse died. A taxpayer may be eligible to use qualifying widow(er) with dependent child as his or her filing status for two years following the year his or her spouse died. This filing status entitles the taxpayer to use joint return tax rates and the highest standard deduction amount (if he or she does not itemize deductions). It does not entitle the taxpayer to file a joint return. The taxpayer calculates the EITC using the formula for other unmarried tax filing statuses (head of household and single). The eligibility rules for this filing status can be found on page 10 of IRS Publication 501, available at http://www.irs.gov/pub/irs-pdf/p501.pdf.

[7] The 2020 version of this form can be found at https://www.irs.gov/forms-pubs/about-schedule-eic-form-1040.

employment income (self-employment income after deduction of one-half of Social Security payroll taxes paid by a self-employed individual). In addition, according to the Internal Revenue Service, those who provide care for disabled individuals and receive certain nontaxable payments under a Medicaid waiver may treat those payments as earned income for the purposes of the EITC.[8]

In addition, servicemembers may elect to include combat pay in their earned income when calculating the EITC. All income earned by a member of the Armed Forces while in a designated combat zone is considered combat pay and is normally *not included* in taxable income. However, a taxpayer may elect to include combat pay as earned income for the purpose of calculating the EITC.[9] Generally, servicemembers will make this election if it results in a larger credit. (Using combat pay to calculate the EITC does not make the combat pay taxable income.)

Certain forms of income are not considered earned income for the purpose of the EITC. These include pension and annuity income, income of nonresident aliens not from a U.S. business, income earned while incarcerated for work in a prison, and TANF benefits paid in exchange for participation in work experience or community service activities.

Finally, taxpayers who claim the foreign earned income exclusion (i.e., they file Form 2555 or Form 2555EZ with their federal income tax return) are ineligible to claim the EITC.[10]

Residency Requirements

Under current law, an EITC recipient must be a resident of the United States, unless the recipient resides in another country because of U.S. military service.

Qualifying Children

An EITC recipient's qualifying child must meet three requirements.[11] First, the child must have a specific *relationship* to the taxpayer (son, daughter, step child or foster child,[12] brother, sister, half-brother, half-sister, step brother, step sister, or descendent of such a relative). Second, the child must share a *residence* with the taxpayer for more than half the year in the United States.[13]

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[8] These payments are provided to individual care providers for the care of eligible individuals under a state Medicaid Home and Community-Based Services waiver program described in §1915(c) of the Social Security Act and are not subject to federal taxation. See IRS Notice 2014-7; IRS, *Certain Medicaid Waiver Payments May Be Excludable From Income*, February 23, 2015, https://www.irs.gov/individuals/certain-medicaid-waiver-payments-may-be-excludable-from-income; and *Feigh v. Commissioner*, No. 20163-17, 152 T.C. 267, May 15, 2019.

[9] For more information, see https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/special-eitc-rules.

[10] See Internal Revenue Code (IRC) §32(c)(1)(C) and http://www.irs.gov/Individuals/EITC,-Earned-Income-Tax-Credit,-Questions-and-Answers.

[11] If an individual is the qualifying child for the purposes of the EITC of another person, that individual cannot themselves claim the EITC. For more information, see http://www.irs.gov/Individuals/EITC,-Earned-Income-Tax-Credit,-Questions-and-Answers.

[12] If placed by an authorized agency or court order.

[13] Qualifying children who reside with a servicemember who is stationed outside the United States while serving on extended active duty with the U.S. Armed Forces are considered to reside in the United States for the purposes of the EITC.

Third, the child must meet certain *age requirements*; namely, the child must be under the age of 19 (or age 24, if a full-time student) or be permanently and totally disabled.

As a result of these three requirements, a child may be the qualifying child of more than one taxpayer in the same household. For example, a child who lives with a single parent, grandparent, and aunt in the same home could be a qualifying child of all three of these individuals. But only one of these individuals can claim the qualifying child for the EITC, and the others cannot. In these cases, "tiebreaker" rules for who can claim the child for the EITC apply.[14] If, as a result of these rules, a taxpayer cannot claim any qualifying children for the EITC, the taxpayer may be able to claim the credit for those with no qualifying children.[15]

Age Requirements for EITC Recipients with No Qualifying Children

If a taxpayer has *no qualifying children*, he or she must be between 25 and 64 years of age to be eligible for the EITC. There is no age requirement for taxpayers *with qualifying children.*

Investment Income

A taxpayer with investment income over a certain dollar amount is ineligible for the EITC. For 2020, the limit on investment income is $3,650. Investment income is defined as interest income (including tax-exempt interest), dividends, net rent, net capital gains, and net passive income. It also includes royalties that are from sources other than the filer's ordinary business activities.

Disallowance of the EITC Due to Fraud or Reckless Disregard of Rules

A taxpayer is barred from claiming the EITC for a period of 10 years after the IRS makes a final determination to reduce or disallow a taxpayer's EITC because that individual made a fraudulent

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[14] Under tiebreaker rules, a child who can be claimed as an EITC qualifying child of more than one taxpayer is generally treated as the EITC qualifying child of (by order of application): (1) the parents, if they file a joint return and claim the child as a qualifying child; (2) the parent if only one of the persons is the child's parent and the parent claims the child as a qualifying child; (3) the parent with whom the child lived for the longer period of time during the tax year if two of the persons are the child's parent, they do not file a joint return together, and both parents claim the child; (4) the parent with the highest AGI if the child lived with each parent for the same amount of time during the tax year, they do not file a joint return together, and both parents claim the child; (5) the person with the highest AGI if no parent can claim the child as a qualifying child; or (6) the person with the highest AGI if a parent may claim the child as a qualifying child but no parent claims the child as a qualifying child, but only if that person has an AGI higher than any parent who may claim the child as a qualifying child. For examples of application of the tiebreaker rules and answers to common questions, see Internal Revenue Service, *Qualifying Child of More Than One Person, AGI and Tiebreaker Rules,* June 23, 2017, https://www.eitc.irs.gov/tax-preparer-toolkit/frequently-asked-questions/qualifying-child-of-more-than-one-person-agi-and.

[15] Currently, there is no federal regulation which states that taxpayers with a qualifying child who do not claim that qualifying child for the EITC are ineligible for the credit. In the past, information provided on the IRS website stated that such individuals were ineligible for the childless EITC. However, "the IRS has changed its position in proposed regulations." For more information, see Joint Committee on Taxation, *Present Law and Background of Individual Refundable Income Tax Credits and a Description of Modifications to Refundable Credits Included in H.R. 6800, as Passed by the House of Representatives,* June 16, 2020, JCX-17-20, pp. 9-10.

EITC claim. A taxpayer is barred from claiming the EITC for a period of two years after the IRS determines that the individual made an EITC claim "due to reckless and intentional disregard of the rules" of the EITC, but that disregard was not found to be fraud.[16]

Identification Requirements

To be eligible for the credit, the taxpayer must provide valid Social Security numbers (SSNs) for work purposes for themselves, spouses if married filing jointly, and any qualifying children.[17] The SSNs must be issued before the due date of the income tax return.[18] (U.S. citizenship is not required to be eligible for the credit. SSNs do not indicate U.S. citizenship.) Nonresident aliens—those who do not have green cards or do not spend sufficient time in the United States—are generally ineligible for the EITC.[19]

Calculating the EITC

The EITC amount is based on formulas that consider earned income, number of qualifying children, marital status, and adjusted gross income (AGI). In general, the EITC equals a fixed percentage (the "credit rate") of earned income until the credit reaches its maximum amount. The EITC then remains at its maximum level over a subsequent range of earned income, between the "earned income amount" and the "phaseout amount threshold." Finally, the credit gradually decreases in value to zero at a fixed rate (the "phaseout rate") for each additional dollar of earned income or AGI (whichever is greater) above the phaseout amount threshold. The specific values of these EITC parameters (e.g., credit rate, earned income amount, etc.) vary depending on several factors, including the number of qualifying children a taxpayer has and his or her marital status, as illustrated in **Table 1**.

Table 1. EITC Tax Parameters by Marital Status and Number of Qualifying Children, 2020

Number of Qualifying Children	0	1	2	3 or more
unmarried taxpayers (single and head of household filers)				
credit rate	7.65%	34%	40%	45%
earned income amount	$7,030	$10,540	$14,800	$14,800
maximum credit amount	$538	$3,584	$5,920	$6,660
phaseout amount threshold	$8,790	$19,330	$19,330	$19,330

[16] See IRC §32(k).

[17] For more information on Social Security numbers valid for work purposes, see SSA, *Social Security Number for Noncitizens*, at https://www.socialsecurity.gov/pubs/EN-05-10096.pdf; CRS Report R43840, *Federal Income Taxes and Noncitizens: Frequently Asked Questions*, by Erika K. Lunder and Margot L. Crandall-Hollick; CRS Report R44290, *Legal Authority for Aliens to Claim Refundable Tax Credits: In Brief*, by Erika K. Lunder (available to congressional clients upon request).

[18] See IRC §32(m).

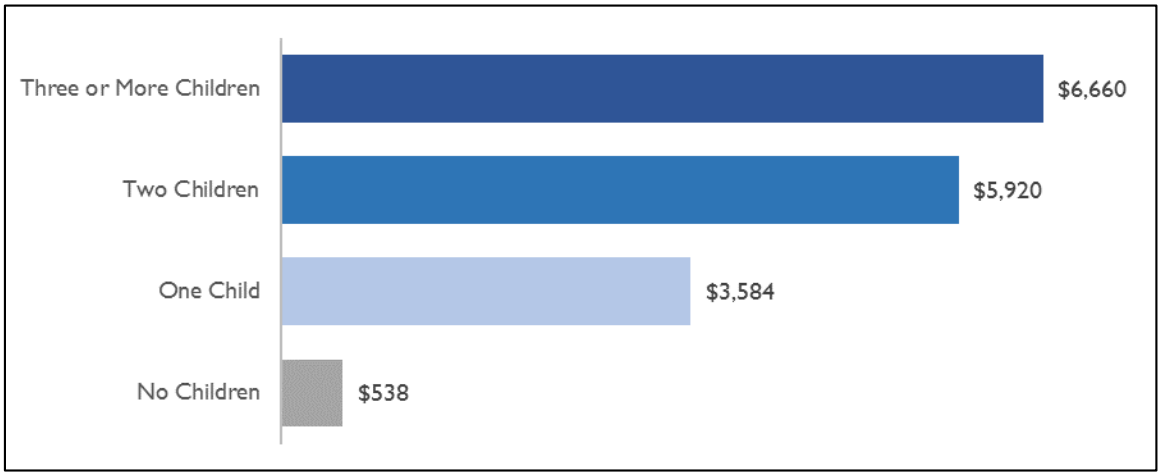
[19] Nonresident aliens may be eligible to claim the credit if they are married to a U.S. citizen or resident alien, make the election to be treated as a resident alien, and file a joint return. For more information on the tax treatment of nonresident aliens, see CRS Report RS21732, *Federal Taxation of Aliens Working in the United States*, by Erika K. Lunder (available to congressional clients upon request); CRS Report R43840, *Federal Income Taxes and Noncitizens: Frequently Asked Questions*, by Erika K. Lunder and Margot L. Crandall-Hollick.

Number of Qualifying Children	0	1	2	3 or more
phaseout rate	7.65%	15.98%	21.06%	21.06%
income where credit = 0	$15,820	$41,756	$47,440	$50,954
married taxpayers (married filing jointly)				
credit rate	7.65%	34%	40%	45%
earned income amount	$7,030	$10,540	$14,800	$14,800
maximum credit amount	$538	$3,584	$5,920	$6,660
phaseout amount threshold	$14,680	$25,220	$25,220	$25,220
phaseout rate	7.65%	15.98%	21.06%	21.06%
income where credit = 0	$21,710	$47,646	$53,330	$56,844

Source: IRS Revenue Procedure 2019-44 and Internal Revenue Code (IRC) §32.

The EITC ranges from a maximum credit of $538 for a taxpayer without a child to $6,660 for a taxpayer with three or more qualifying children, as illustrated in **Figure 1**.

Figure 1. Maximum EITC by Number of Qualifying Children, 2020



Source: Congressional Research Service, based on IRS Revenue Procedure 2019-44 and Internal Revenue Code (IRC) §32.

The phaseout amount threshold varies by *both* the number of qualifying children a taxpayer has and his or her marital status. The phaseout amount threshold for those who are married filing joint returns is $5,890 greater than for unmarried filing statuses with the same number of children. (Taxpayers who file as married filing separately are ineligible for the EITC.) This higher phaseout amount threshold for married taxpayers reduces (but generally does not eliminate) potential "marriage penalties" in the EITC whereby the credit for a married couple is less than the combined credit of two unmarried recipients.

Figure 2 illustrates the EITC amount by earned income level for an unmarried taxpayer with one child for 2020. It shows the three distinct ranges of EITC for this family:

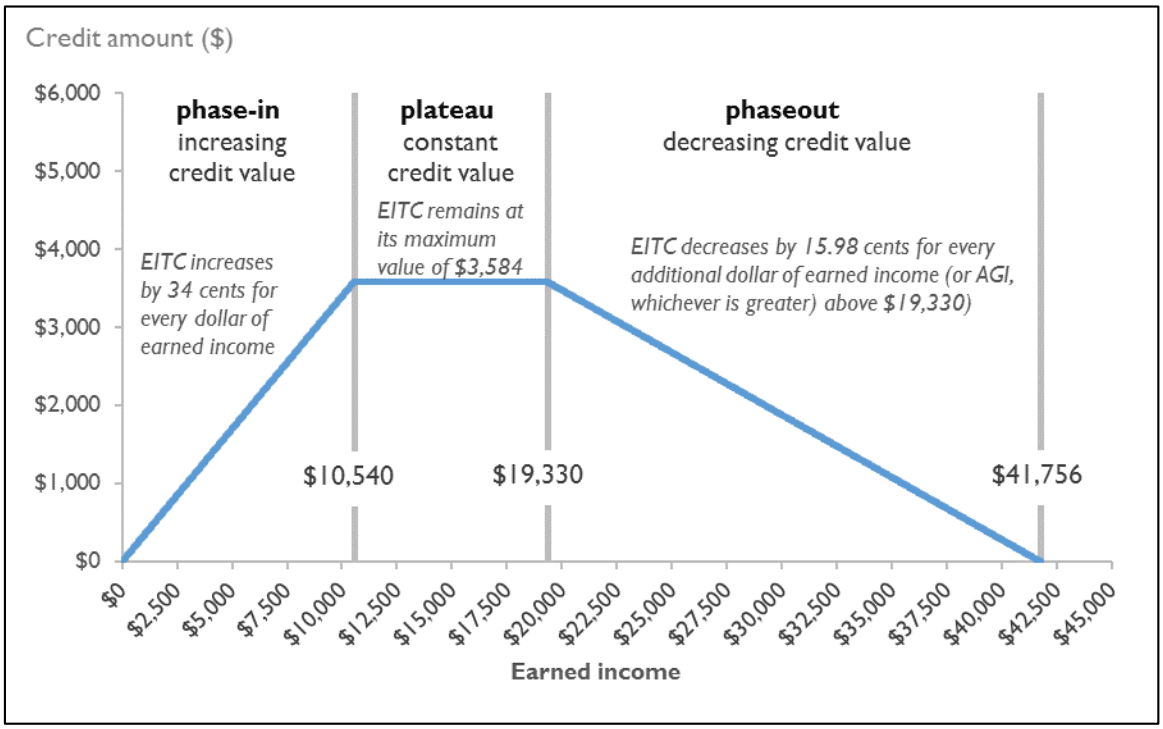
- **Phase-in Range:** The EITC increases with earned income from the first dollar of earned income up to earned income of $10,540. Over this earned income range, the credit equals the *credit rate* (34% for a taxpayer with one child) times the amount of annual earned income. The $10,540 threshold is called the *earned*

income amount and is the level at which the EITC ceases to increase with earned income. The income interval up to the earned income amount, where the EITC increases with earned income, is known as the *phase-in range*.

- **Plateau:** The EITC remains at its maximum level of $3,584 from the earned income amount ($10,540) until $19,330. The $3,584 credit represents the *maximum credit* for a taxpayer with one child in 2020. The income interval with the EITC fixed at its maximum value represents the *plateau* on **Figure 2**.
- **Phaseout Range:** Once adjusted gross income (or if greater, earned income) exceeds $19,330, the EITC is reduced for every additional dollar over that amount. The $19,330 threshold is known as the *phaseout amount threshold* for a single taxpayer with one child in 2020. For each dollar over the phaseout amount threshold, the EITC is reduced by 15.98%. The 15.98% rate is known as the *phaseout rate*. The income interval from the phaseout income level until the EITC is completely phased out is known as the *phaseout range*.

The EITC is completely phased out (EITC = $0) once the taxpayer's AGI (or earned income, whichever is greater) reaches $41,756. The earned income amounts and the phaseout amount thresholds are adjusted each year for inflation.

Figure 2. EITC for an Unmarried Taxpayer with One Child by Income, 2020



Source: Congressional Research Service, based on information in IRS Revenue Procedure 2019-44 and Internal Revenue Code §32.

Notes: In this simplified example, adjusted gross income (AGI) is assumed to equal earned income.

EITC claimants use tables published by the IRS to calculate their credit amount based on their income, marital status, and number of qualifying children. The instructions for the federal income tax form show the EITC amounts in tables by income brackets (in $50 increments).[20]

Income Limits for the EITC

As previously discussed, the amount of the EITC is reduced for each dollar of AGI (or earned income, if greater) above a certain dollar threshold, referred to as the phaseout amount threshold. That threshold, combined with the phaseout rate, results in a specific income level (referred to as "income where credit = 0" in **Table 1**) above which a taxpayer is ineligible for the credit. This income level, where the credit reaches zero, is sometimes referred to as the *eligibility threshold*.

As illustrated in **Table 1**, there are eight eligibility thresholds for the EITC depending on the number of qualifying children a taxpayer has and his or her marital status. The eligibility thresholds vary every year given that they are based in part on a parameter of the credit—the phaseout amount threshold—that is adjusted for inflation. **Table 2** shows the EITC eligibility thresholds for 2020. An EITC claimant's AGI (or earned income, if higher) must be below these thresholds for the claimant to qualify for the EITC. In 2020, these thresholds range from $15,820 for an unmarried taxpayer with no qualifying child to $56,844 for a married taxpayer filing jointly with three or more qualified children.

Table 2 expresses these eligibility thresholds as a percentage of the 2020 poverty guidelines. For example, the poverty guideline for a family of three in 2020 was $21,720. Families of three with income at or below this amount are considered poor. The EITC eligibility threshold of $47,440 for an unmarried person filing jointly with two qualifying children was more than twice (218.4%) the poverty guideline for a family of that type.

Table 2 also expresses these eligibility thresholds as a percentage of the earned income of one worker who works at the federal minimum wage ($7.25 per hour), 40 hours per week, 52 weeks a year ($15,080 annually). For the purposes of the calculations in **Table 2**, married EITC recipients are assumed to have the same aggregate annual earned income as unmarried recipients—$15,080. The EITC is available in 2020 to families with children who have earned income between 2.8 to 3.8 times the annual earnings from a minimum wage job (276.9% to 376.9% of $15,080).

Table 2. Maximum AGI to Qualify for the EITC, by Number of Qualifying Children and Filing Status, 2020

	No Qualifying Children	One Qualifying Child	Two Qualifying Children	Three or More Qualifying Children
Unmarried	$15,820	$41,756	$47,440	$50,594
Married Filing Jointly	$21,710	$47,646	$53,330	$56,844
As a percentage of the poverty threshold				
Unmarried	124.0%	242.2%	218.4%	193.1%[a]
Married Filing Jointly	125.9%	219.4%	203.5%	185.3%[b]

[20] The tables can be found, for 2019 returns, beginning on page 46 of the Form 1040 general instructions, at https://www.irs.gov/pub/irs-pdf/i1040gi.pdf.

	No Qualifying Children	One Qualifying Child	Two Qualifying Children	Three or More Qualifying Children
As a percentage of earned income at the federal minimum wage 40 hours per week, 52 weeks per year				
Unmarried	104.9%	276.9%	314.6%	335.5%
Married Filing Jointly	144.0%	316.0%	353.6%	376.9%

Source: Congressional Research Service, based on IRS Revenue Procedure 2019-44, Internal Revenue Code (IRC) §32 and the 2020 Poverty Guidelines available at https://aspe.hhs.gov/poverty-guidelines.

a. Represents the EITC AGI threshold divided by the poverty guidelines for a family of 4

b. Represents the EITC AGI threshold divided by the poverty guidelines for a family of 5.

Payment of the EITC

The EITC is provided to individuals and families annually in a lump-sum payment after a taxpayer files a federal income tax return.[21] Like all tax credits, the EITC can reduce income tax liability. And because the EITC is a refundable tax credit, if a taxpayer's EITC is greater than what they owe in income taxes, they can receive the difference (the portion of the credit that remains after offsetting any income tax liability) as part of their annual tax refund. The amount of the credit that remains after offsetting any income tax liability is often referred to as the *refundable portion* of the EITC, whereas the amount that reduces income tax liability is referred to as the *nonrefundable portion* of the credit. A taxpayer who has no income tax liability will receive all of the EITC as the refundable portion of the credit.

The majority (85%) of the aggregate amount of the EITC—$66.4 billion for 2017—is received as the refundable portion of the credit.[22] In other words, for 2017, $56.8 billion of the EITC was received as the refundable portion of the credit (and hence exceeded income taxes owed), while approximately $9.7 billion offset tax liabilities.

The EITC is taken against all taxes reported on the federal individual income tax return (Form 1040) after all nonrefundable credits have been taken.[23] On the tax form, the EITC can be found in the payments section after the lines for withholding and estimated tax payments.

The EITC benefits families when they file their income taxes. Thus, payments are generally based on the prior year's income, earned income, and family composition.[24] That is, the 2020 EITC,

[21] Before 2011, any persons with a qualified child eligible for the EITC could elect to receive advance payment of the credit through the employer's payroll withholding system by filing an eligibility certificate (Form W-5) with his or her employer. The option was little used and eliminated by P.L. 111-226.

[22] For more information, see IRS Statistics of Income, Table 2.5 at http://www.irs.gov/uac/SOI-Tax-Stats—Individual-Statistical-Tables-by-Size-of-Adjusted-Gross-Income.

[23] These taxes include the regular income tax and alternative income tax, as well as self-employment taxes. Less common taxes, like unreported Social Security and Medicare taxes and certain taxes on IRAs, are also included. For a historical example of these taxes, see lines 57 through 62 on the 2016 IRS Form 1040, https://www.irs.gov/pub/irs-pdf/f1040.pdf.

[24] Congress has allowed taxpayers to elect to use older income in computing their EITC (and the refundable portion of the child tax credit, known as the additional child tax credit or ACTC). For a discussion, see "EITC/CTC Credit

based on a taxpayer's earned income and family composition in 2020, will be paid in 2021.[25] If the taxpayer is owed a refund, and that filer's return includes an EITC, that refund will be made on or after February 15.[26]

Interaction with Other Tax Provisions

On the tax return, the EITC is calculated after total tax liability and all nonrefundable credits. Nonrefundable tax credits, which are taken against (reduce) income tax liability, include the Lifetime Learning credit,[27] the child and dependent care credit,[28] a savings credit,[29] and the nonrefundable portions of both the child credit[30] and the American Opportunity tax credit (AOTC).[31] If an EITC-eligible family has any tax liability and receives one or more of these credits, the total amount of their EITC will remain unchanged, but the amount they receive as the *refundable portion* of the credit (i.e., the amount which exceeds income tax liability) will change. Specifically, if nonrefundable tax credits can reduce a family's tax liability, a greater amount of their EITC will be received as the refundable portion, and less will offset their tax liability.

Computation Look-Back" in CRS Report R45864, *Tax Policy and Disaster Recovery*, by Molly F. Sherlock and Jennifer Teefy.

[25] The Protecting Americans from Tax Hikes (PATH) Act (Division Q of P.L. 114-113) prevents a taxpayer from claiming the EITC for any year in which the filer did not have a Social Security number (SSN) on or before the due date of the tax return for that year. This provision prevents a filer who obtains an SSN from retroactively claiming the EITC for any prior open tax years (generally three years) when the filer did not have an SSN at the time those years' returns were due.

[26] This was effective beginning with returns filed in 2017 (i.e., 2016 income tax returns). §201 of the Protecting Americans from Tax Hikes (PATH) Act (Division Q of P.L. 114-113).

[27] CRS Report R41967, *Higher Education Tax Benefits: Brief Overview and Budgetary Effects*, by Margot L. Crandall-Hollick.

[28] See CRS Report R44993, *Child and Dependent Care Tax Benefits: How They Work and Who Receives Them*, by Margot L. Crandall-Hollick.

[29] See CRS In Focus IF11159, *The Retirement Savings Contribution Credit*, by Molly F. Sherlock.

[30] For more information on the nonrefundable (and refundable) portion of the child tax credit, see CRS Report R41873, *The Child Tax Credit: Current Law*, by Margot L. Crandall-Hollick.

[31] See CRS Report R42561, *The American Opportunity Tax Credit: Overview, Analysis, and Policy Options*, by Margot L. Crandall-Hollick.

EITC Participation Rates

According to the IRS, 78% of eligible EITC recipients received the credit for 2016 (i.e., on their 2016 income tax return), with substantial variation by number of qualifying children.[32] According to data from the IRS Taxpayer Advocate, for 2016 an estimated 65% of eligible EITC recipients with no qualifying children claimed the EITC, compared to an estimated 86% participation for those with one child, 85% participation for those with two children, and 82% participation for those with three children.[33] Estimates by state can be found in **Table A-4**.

Eligible individuals may not claim the EITC for a variety of reasons. The IRS notes that nonparticipants are more likely to be workers who are "living in rural areas, self-employed, receiving certain disability pensions or have children with disabilities, without a qualifying child, not proficient in English, grandparents raising their grandchildren, or recently divorced, unemployed, or experienced other changes to their marital, financial or parental status."[34] In addition, eligible workers who do not (and are not required to) file a federal income tax return due to their low incomes, will not receive the credit.

Note that data on EITC receipt summarized in this report are from the IRS Statistics of Income (SOI), which generally provides information on credit receipt (after compliance measures like audits in a given year). Hence, EITC receipt data include eligible and ineligible recipients. For more information, see CRS Report R43873, *The Earned Income Tax Credit (EITC): Administrative and Compliance Challenges*, by Margot L. Crandall-Hollick.

For taxpayers whose income places them in the "phaseout range" of the credit, reducing their income (all else being unchanged) will result in a larger EITC. (As illustrated in **Figure 2**, reducing income when a taxpayer is in the phaseout range results in the taxpayer increasing the amount of the credit they receive.) A variety of forms of income can be excluded from both AGI and earned income, reducing a taxpayer's AGI or earned income for purposes of calculating the credit. For example, pretax contributions to savings accounts for retirement or medical expenses are not included in either AGI or earned income. Hence, by making these contributions, EITC claimants whose precontribution income places them in the credit's phaseout range will reduce their AGI or earned income for purposes of calculating the EITC and thus receive a larger credit.[35]

In contrast, for taxpayers whose earned income places them in the credit's "phase-in range", reducing their earned income (all else unchanged) will result in a smaller EITC. (As previously noted, the credit phases in over a range of earned income, whereas it phases out based on adjusted gross income or earned income, whichever is greater.) As illustrated in **Figure 2**, reducing income when a taxpayer is in the phase-in range results in the taxpayer reducing the amount of the credit they receive. Generally, nontaxable income cannot be included in earned income for purposes of calculating the EITC. However, as previously discussed, servicemembers may elect to include their nontaxable combat pay as earned income, for purposes of calculating the EITC. Generally, servicemembers whose income (excluding their combat pay) places them in the phase-in range will elect to include their combat pay in earned income for purposes of calculating the EITC in order to receive a larger credit.

[32] Center for Administrative Records Research and Applications, U.S. Census Bureau in collaboration with IRS. Data can be found at https://www.eitc.irs.gov/eitc-central/participation-rate/eitc-participation-rate-by-states.

[33] National Taxpayer Advocate, *Earned Income Tax Credit*, Special Report to Congress, Volume 3. Figure A.7.

[34] Internal Revenue Service, "About EITC: Who are we missing?" June 29, 2020, https://www.eitc.irs.gov/eitc-central/about-eitc/about-eitc.

[35] In contrast, if the precontribution income places them in the plateau or the phase-in range, decreasing their earned income by making certain pretax savings contributions may either have no impact or result in a smaller credit.

Treatment of the EITC for Need-Tested Benefit Programs

By law, the EITC cannot be counted as income in determining eligibility for, or the amount of, any federally funded public benefit program, including Supplemental Nutrition Assistance Program (SNAP) food assistance, low-income housing, Medicaid, Supplemental Security Income (SSI), and Temporary Assistance for Needy Families (TANF).[36] An EITC that is saved by the filer does not count against the resource limits of any federally funded public benefit program for 12 months after the refund is received.

Data on EITC Receipt

The EITC was first enacted in 1975 as a temporary measure meant to encourage economic growth in the face of the 1974 recession and rising food and energy prices. It was also originally intended to "assist in encouraging people to obtain employment, reducing the unemployment rate, and reducing the welfare rolls."[37] Over time the list of EITC objectives has grown to include poverty reduction. Today the EITC is the largest need-tested, antipoverty program that provides cash benefits. This section first provides a historical overview of the growth of the EITC from 1975 to 2017; it then examines information on EITC receipt for 2017.

Trends in EITC Receipt from 1975 to 2017

When originally enacted by the Tax Reduction Act of 1975 (P.L. 94-12), the EITC was a temporary refundable tax credit in effect for 1975. For that year, 6.2 million taxpayers received $1.25 billion from the EITC (in constant 2017 dollars, this equals $5.7 billion). The credit was extended several more times on a temporary basis and made permanent by the Revenue Act of 1978 (P.L. 95-600). Legislation enacted in 1986 (P.L. 99-514), 1990 (P.L. 101-508), 1993 (P.L. 103-66), 2001 (P.L. 107-16), and 2009 (P.L. 111-5) increased the amount of the credit by changing the credit formula. For more information on the legislative history of the EITC, see CRS Report R44825, *The Earned Income Tax Credit (EITC): A Brief Legislative History*, by Margot L. Crandall-Hollick.

Before 1990, the credit amount was calculated as a percentage of earned income ("the credit rate") up until the earned income amount. The credit then remained at its maximum level before gradually decreasing in value as earned income increased. Legislative changes to the credit made during this time generally increased the amount of the credit in a variety of ways, including increasing the credit rate, increasing the earned income amount, increasing the phaseout amount threshold, and decreasing the phaseout rate.

Beginning in 1990 and more substantially in 1993, the credit formula was revised such that the credit amount varied based on earned income and, to a certain extent, the number of qualifying children. This essentially increased the credit by family size. In addition, in 1993, Congress made workers *without* qualifying children eligible for the EITC for the first time, although the credit was smaller than the credit for claimants *with* qualifying children.

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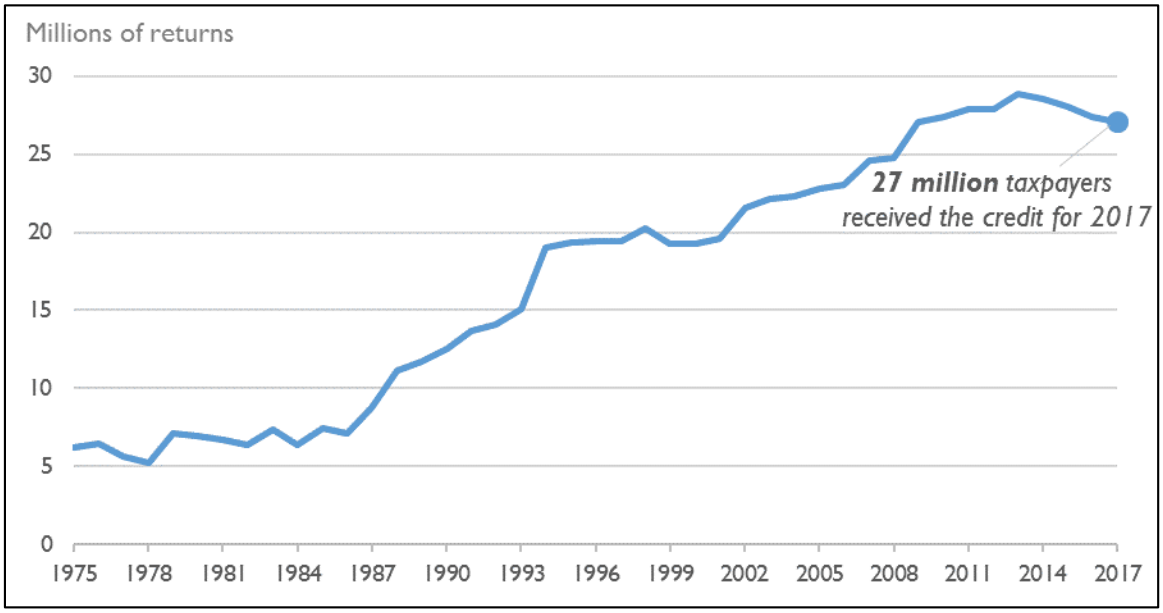
[36] The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (P.L. 111-312) included a provision which made tax refunds, including those resulting from the EITC, disregarded in the administration of federal programs and federally assisted programs. At the end of 2012, this provision was made permanent by the American Taxpayer Relief Act of 2012 (P.L. 112-240). See IRC §6409.

[37] U.S. Congress, Senate Committee on Finance, *Tax Reduction Act of 1975*, Report to Accompany H.R. 2166, 94th Cong., 1st sess., March 17, 1975, S.Rept. 94-36, p. 33.

In 2001, the credit formula was revised again so that it also varied based in part on marital status. As a result of this change, often referred to as "marriage penalty relief," certain married taxpayers would receive a larger credit than unmarried taxpayers with the same number of children. In 2009, the marriage penalty relief was expanded further and a larger credit was created for families with three or more children. These 2009 changes were extended several times and made permanent by P.L. 114-113.

Figure 3 shows the number of taxpayers receiving the EITC for 1975 to 2017. **Figure 4** shows the amount of the EITC received, with dollar amounts adjusted for inflation to represent 2017 dollars. The figures show the effects of the legislative expansions of the EITC, with the credit experiencing growth in the late 1980s through the mid-1990s and then again in the 2000s. As shown on **Figure 4**, throughout the history of the EITC, a relatively small share of the credit reduces regular federal income tax liability. The majority of credit dollars exceed taxes owed, and are hence received as the refundable portion of the credit.

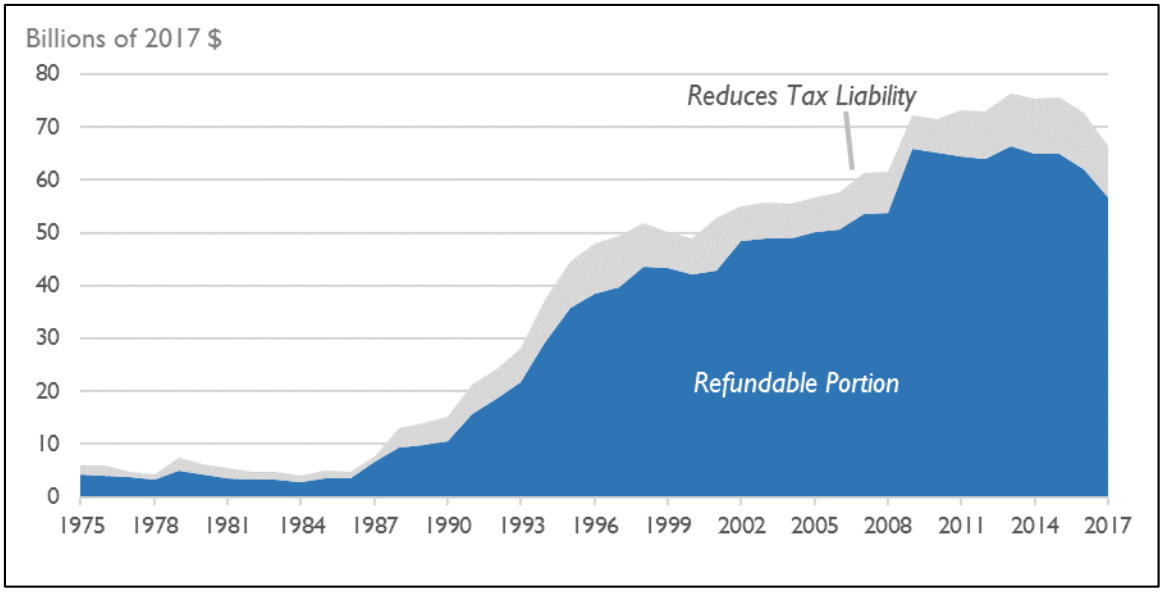
Figure 3. Number of Tax Returns with the EITC, 1975-2017



Source: Congressional Research Service. For pre-2003 data, U.S. Congress, House Committee on Ways and Means, 2004 Green Book, *Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means*, 108th Congress, 2nd session, WMCP 108-6, March 2004, pp. 13-41. For 2003 and later data, Internal Revenue Service, *Statistics of Income, SOI Tax Stats-Individual Statistical Tables by Size of Adjusted Gross Income,* Table 2.5.

Note: For a tabular display of this information, see **Table A-1**.

Figure 4. Total EITC Dollars, 1975-2017



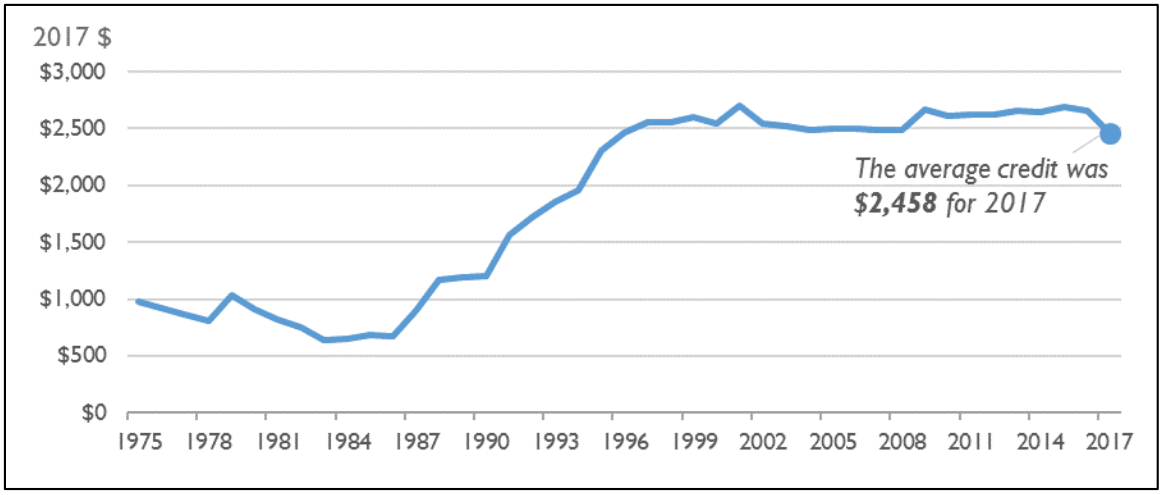
Source: Congressional Research Service. For pre-2003 data, U.S. Congress, House Committee on Ways and Means, 2004 Green Book, *Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means*, 108th Congress, 2nd session, WMCP 108-6, March 2004, pp. 13-41. For 2003 and later data, Internal Revenue Service, *Statistics of Income, SOI Tax Stats-Individual Statistical Tables by Size of Adjusted Gross Income,* Table 2.5.

Notes: Constant 2017 dollars were computed using the Consumer Price Index for all Urban Consumers (CPI-U). For a tabular display of this information, see **Table A-1**.

The growth in the total amount of EITC dollars in the late 1980s to the mid-1990s was due to increases not only in the number of taxpayers eligible for the credit, but also in the average credit amount. **Figure 5** shows the average EITC for 1975 to 2017, in inflation-adjusted (2017) dollars. Before the 1986 Tax Reform Act (P.L. 99-514), EITC thresholds were not indexed for inflation, and the average credit lost value each year. However, the 1986 act increased the credit's monetary parameters for prior inflation and adjusted the threshold amounts and maximum credits annually for inflation in future years. The credit formula was also revised in 1990 and then again in 1993 such that the amount of the credit depended to a certain extent on family size. These changes resulted in an increasing average credit between the late 1980s and late 1990s. Since then, the average credit has largely maintained its real value. However, increases in the average credit amount in 2001 and 2009 were likely due to legislative changes that included larger credits for some married claimants and for families with three or more children.[38] The average EITC for 2017 was $2,458.

[38] The increase in the value of the credit in 2009 is likely due to the changes made by the American Recovery and Reinvestment Act of 2009 (ARRA, P.L. 111-5) which expanded the credit for families with three or more children and increased marriage penalty relief.

Figure 5. Average EITC, 1975-2017



Source: Congressional Research Service. For pre-2003 data, U.S. Congress, House Committee on Ways and Means, 2004 Green Book, *Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means*, 108th Congress, 2nd session, WMCP 108-6, March 2004, pp. 13-41. For 2003 and later data, Internal Revenue Service, *Statistics of Income, SOI Tax Stats-Individual Statistical Tables by Size of Adjusted Gross Income,* Table 2.5.

Notes: Constant 2017 dollars were computed using the Consumer Price Index for all Urban Consumers (CPI-U). For a tabular display of this information, see **Table A-1**.

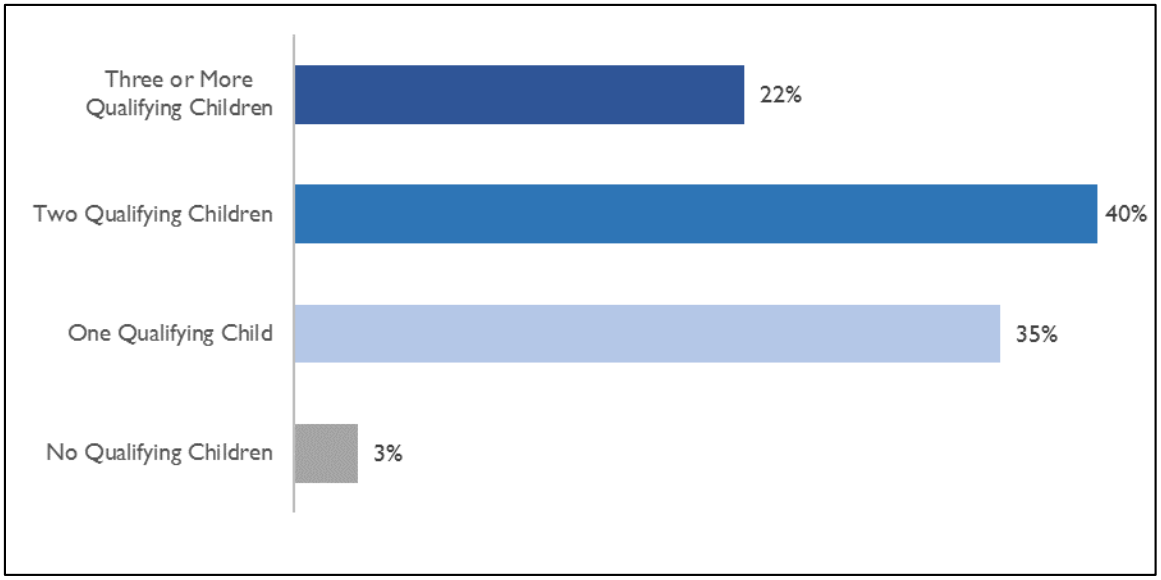
EITC Receipt for 2017

For 2017, 27 million taxpayers received $66.4 billion from the EITC.

By Number of Qualifying Children

Most EITC recipients, and those who received the most EITC dollars, were families with children. **Figure 6** shows total EITC dollars for 2017 by number of qualifying children. For 2017, 3% of all EITC dollars were received by taxpayers with no qualifying children and 97% were received by taxpayers with qualifying children: 35% were received by taxpayers with one qualifying child, 40% were received by taxpayers with two qualifying children, and 22% were received by taxpayers with three or more qualifying children.

Figure 6. Distribution of Total EITC Dollars by Number of Qualifying Children, 2017



Source: Congressional Research Service, based on data from the Internal Revenue Service, *Statistics of Income, SOI Tax Stats-Individual Statistical Tables by Size of Adjusted Gross Income,* Table 2.5.

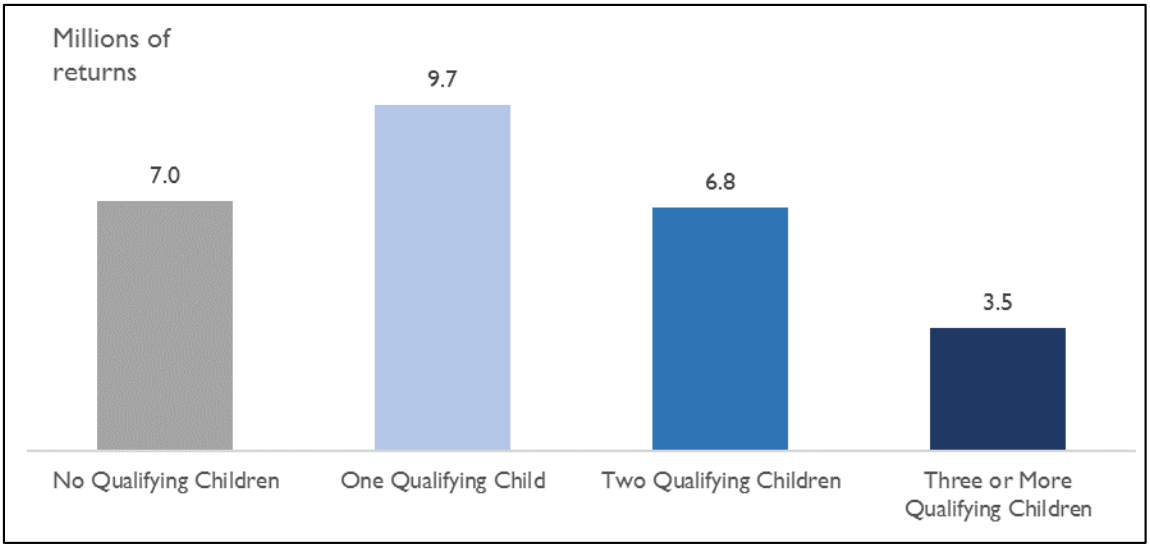
Notes: Total EITC for 2017 was $66.4 billion.

Though childless taxpayers received 3% of all EITC dollars for 2017, they accounted for more than a quarter (26%) of all EITC recipients. Thus, their small share of total EITC dollars reflects, in part, the lower credit amount available to childless filers.

Figure 7 shows the number of returns with the EITC for 2017 by number of qualifying children. **Figure 8** shows the average EITC for 2017 by number of qualifying children. The average EITC for 2017 increased with the number of qualifying children:

- The EITC was received by 7.0 million taxpayers with no qualifying children, with an average credit of $299.
- The EITC was received by 9.7 million filers with one qualifying child, with an average credit of $2,389.
- The EITC was received by 6.8 million filers with two qualifying children, with an average credit of $3,858.
- The EITC was received by 3.5 million filers with three or more qualifying children, with an average credit of $4,252.

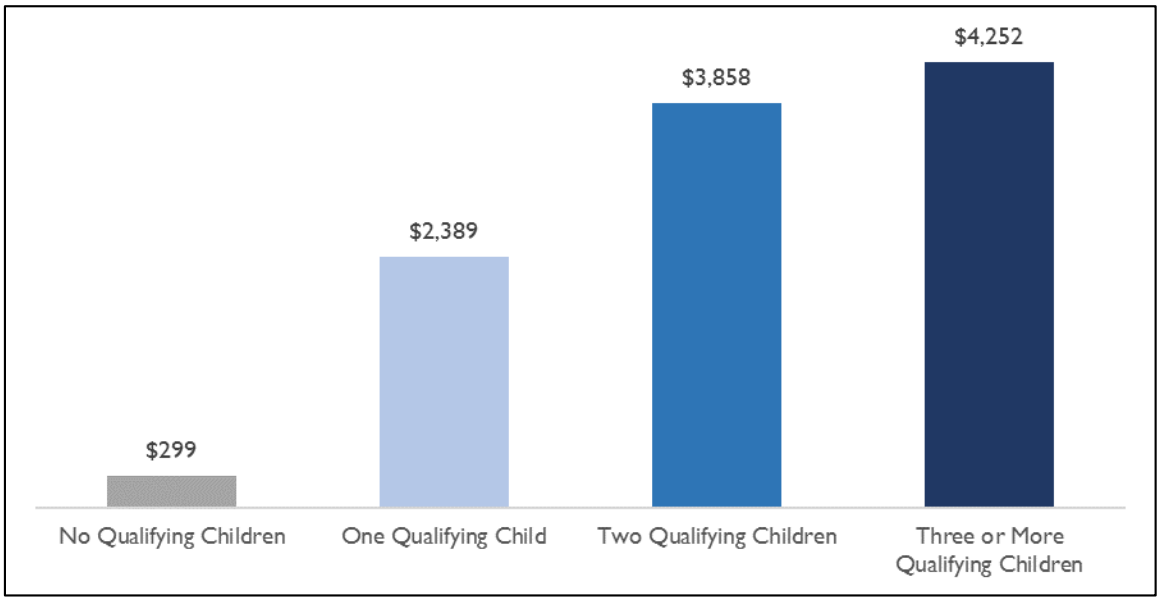
Figure 7. Number of Tax Returns with the EITC by Number of Qualifying Children, 2017



Source: Congressional Research Service, based on data from the Internal Revenue Service, *Statistics of Income, SOI Tax Stats-Individual Statistical Tables by Size of Adjusted Gross Income,* Table 2.5.

Notes: Detail does not add to total because of rounding. For detail on returns with the EITC by AGI and number of qualifying children, see **Table A-2**.

Figure 8. Average EITC by Number of Qualifying Children, 2017



Source: Congressional Research Service, based on data from the Internal Revenue Service, *Statistics of Income, SOI Tax Stats-Individual Statistical Tables by Size of Adjusted Gross Income,* Table 2.5.

Note: For detail on returns with the EITC by AGI and number of qualifying children, see **Table A-2**.

By Income Level

Though the EITC is targeted toward lower-income earners, taxpayers with children may receive the EITC even with income well above the poverty level. (The federal poverty level for a family

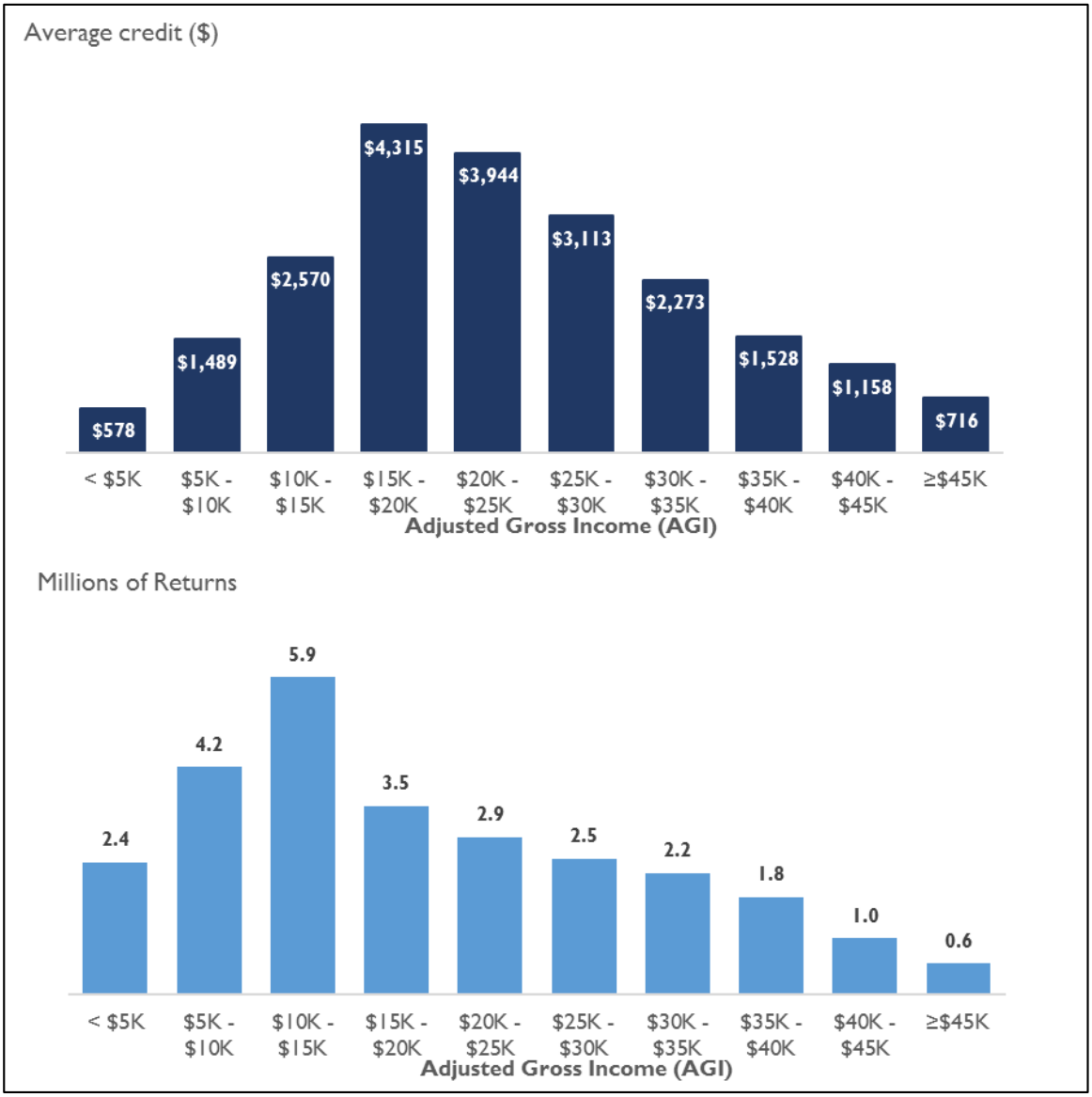
of three is $21,720 in 2020; it was $20,420 in 2017.) However, the largest EITC benefits are focused on low-income earners near the poverty line, with those with greater earned income receiving reduced benefits.

Figure 9 shows the number of tax returns with the EITC for 2017 by adjusted gross income (AGI) level. **Figure 9** shows that the $10,000-$14,999 AGI bracket accounted for the greatest number of 2017 tax returns that included the EITC—5.9 million. For 2017, close to half (47%) of all returns with the EITC had AGIs below $15,000. For context, a full-time full-year worker earning the federal minimum wage would have an AGI of $15,080.[39]

Figure 9 also shows the average EITC by AGI category. Average EITC benefits first increase with AGI, then decline. This outcome reflects the formula for determining the EITC, which provides an increasing credit up to a maximum amount, then ultimately a reduced credit as it is phased out above a certain income threshold (see **Table 1** and **Figure 2**). It also reflects a difference in the mix of family types receiving the EITC in the various AGI categories. For example, nearly three-quarters (73%) of all EITC recipients with AGIs of less than $5,000 had no qualifying children. All EITC recipients with AGIs above $25,000 for 2017 had qualifying children, and hence were eligible for a larger maximum EITC benefit than filers without children. For detail on returns with the EITC by AGI and number of qualifying children, see **Table A-2**.

[39] 40 hours per week for 52 weeks a year at $7.25 per hour.

Figure 9. Number of Tax Returns with the EITC and Average EITC by Adjusted Gross Income (AGI), 2017



Source: Congressional Research Service, based on data from the Internal Revenue Service, *Statistics of Income, SOI Tax Stats-Individual Statistical Tables by Size of Adjusted Gross Income,* Table 2.5.

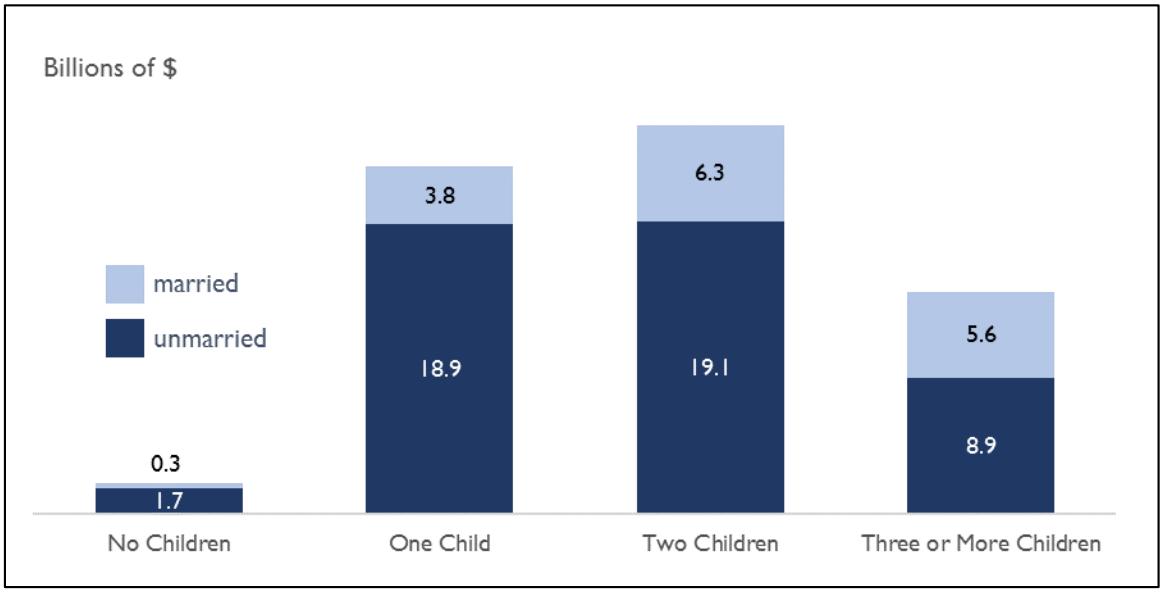
Notes: For detail on returns with the EITC by AGI and number of qualifying children, see **Table A-2**. The AGI categories are defined such that the lower bound is inclusive but upper bound is not inclusive. Hence AGI "$5K-$10K" includes taxpayers with AGI $5,000 or more to under $10,000.

By Filing and Marital Status

The IRS's National Taxpayer Advocate (NTA) provided data on EITC receipt by filing status in a special 2019 report to Congress (the IRS does not routinely provide data on EITC receipt by filing status in the Statistics of Income annual data releases). According to the NTA report, for 2017, unmarried taxpayers (head of household and single filing statuses) received approximately three-quarters of all EITC dollars, with over half (59%) received by unmarried taxpayers with one

or two qualifying children. **Figure 10** shows estimates of the distribution of total EITC dollars by filing status and number of qualifying children for 2017.

Figure 10. Distribution of Total EITC Dollars by Marital Status and Number of Qualifying Children, 2017



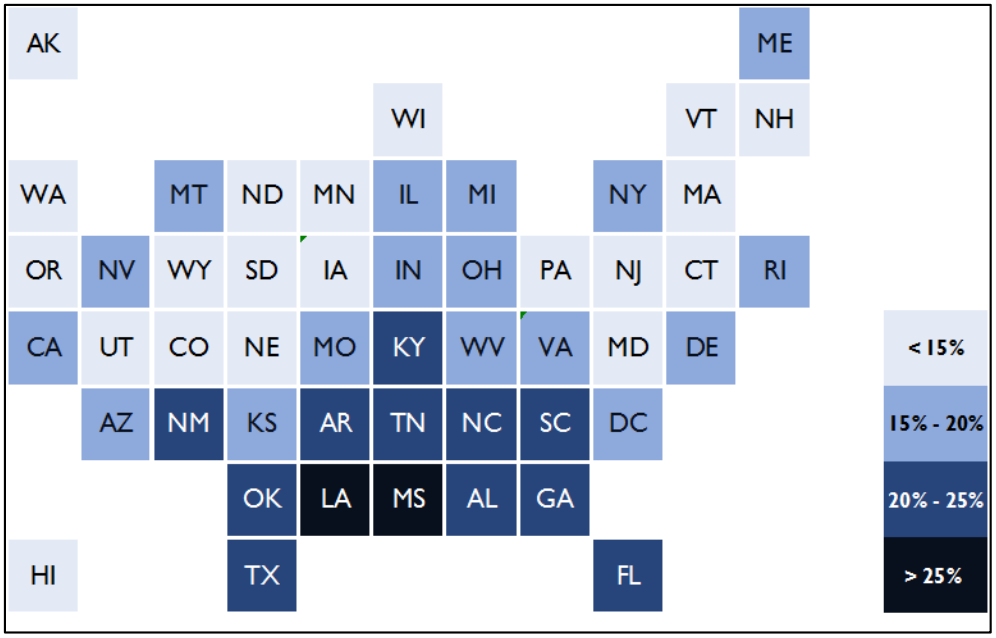
Source: National Taxpayer Advocate, *Earned Income Tax Credit*, Special Report to Congress, Volume 3. Table A.5.

By Region

For 2017, 18% of all taxpayers received the EITC. However, the share of taxpayers receiving the EITC varies considerably by state. For 2017, the state with the highest percentage of returns receiving the EITC was Mississippi, with 30% of all filers receiving the credit. In contrast, 11% of all taxpayers in New Hampshire received the EITC for that year.

Figure 11 provides a map showing the percentage of all 2017 federal income tax returns that included an EITC for each state. In addition to considerable state variation, the map shows that there is a regional pattern to EITC receipt. A greater share of taxpayers in certain southern states received the EITC than those in other regions of the country. The EITC was received on the smallest percentage of returns in New England, as well as some states in the northern Midwest.

Figure 11. Percentage of Tax Returns with the EITC by State, 2017



Source: Congressional Research Service, based on data from the Internal Revenue Service, *Statistics of Income, SOI Tax Stats*-Historic Table 2, (Total File, All States) at https://www.irs.gov/statistics/soi-tax-stats-historic-table-2.

Notes: For details on EITC returns by state, see Table A-3.

Appendix. Additional Tables

Table A-1. EITC Receipt, 1975-2017

Year	Tax Returns with EITC (millions)	In millions of nominal dollars			In millions of constant 2017 dollars		
		Total EITC	Total Refundable Portion	Average EITC	Total EITC	Total Refundable Portion	Average EITC
1975	6.215	$1,250	$900	$201	5,695	4,101	916
1976	6.473	1,295	890	200	5,579	3,834	862
1977	5.627	1,127	880	200	4,559	3,559	809
1978	5.192	1,048	801	202	3,940	3,011	759
1979	7.135	2,052	1,395	288	6,928	4,710	972
1980	6.954	1,986	1,370	286	5,908	4,075	851
1981	6.717	1,912	1,278	285	5,156	3,446	769
1982	6.395	1,775	1,222	278	4,509	3,104	706
1983	7.368	1,795	1,289	244	4,418	3,172	600
1984	6.376	1,638	1,162	257	3,864	2,741	606
1985	7.432	2,088	1,499	281	4,757	3,415	640
1986	7.156	2,009	1,479	281	4,493	3,308	628
1987	8.738	3,391	2,930	388	7,317	6,322	837
1988	11.148	5,896	4,257	529	12,217	8,821	1,096
1989	11.696	6,595	4,636	564	13,037	9,164	1,115
1990	12.542	7,542	5,266	601	14,145	9,876	1,127
1991	13.665	11,105	8,183	813	19,986	14,727	1,463
1992	14.097	13,028	9,959	924	22,761	17,400	1,614
1993	15.117	15,537	12,028	1,028	26,356	20,403	1,744
1994	19.017	21,105	16,598	1,110	34,907	27,453	1,836
1995	19.334	25,956	20,829	1,343	41,748	33,501	2,160
1996	19.464	28,825	23,157	1,481	45,032	36,177	2,314
1997	19.391	30,389	24,396	1,567	46,411	37,258	2,393
1998	20.273	32,340	27,175	1,595	48,633	40,866	2,399
1999	19.259	31,901	27,604	1,656	46,936	40,614	2,436
2000	19.277	32,296	27,803	1,675	45,972	39,576	2,384
2001	19.593	35,784	29,043	1,826	49,528	40,198	2,527
2002	21.574	37,786	33,258	1,751	51,485	45,315	2,386
2003	22.112	39,186	34,508	1,772	52,203	45,971	2,361
2004	22.270	40,024	35,299	1,797	51,936	45,805	2,332

Year	Tax Returns with EITC (millions)	In millions of nominal dollars			In millions of constant 2017 dollars		
		Total EITC	Total Refundable Portion	Average EITC	Total EITC	Total Refundable Portion	Average EITC
2005	22.752	42,410	37,465	1,864	53,229	47,022	2,339
2006	23.042	44,388	39,072	1,926	53,970	47,507	2,342
2007	24.584	48,540	42,508	1,974	57,384	50,253	2,334
2008	24.756	50,669	44,260	2,047	57,686	50,390	2,330
2009	27.041	59,240	53,985	2,191	67,685	61,681	2,503
2010	27.368	59,562	54,256	2,176	66,955	60,990	2,446
2011	27.912	62,906	55,350	2,254	68,550	60,316	2,456
2012	27.848	64,129	56,190	2,303	68,466	59,990	2,459
2013	28.822	68,084	59,145	2,362	71,639	62,233	2,485
2014	28.538	68,339	58,889	2,395	70,759	60,975	2,480
2015	28.082	68,525	58,795	2,440	70,868	60,805	2,523
2016	27.385	66,723	57,054	2,436	68,144	58,269	2,488
2017	27.030	66,443	56,751	2,458	66,443	56,751	2,458

Source: Congressional Research Service. For pre-2003 data, U.S. Congress, House Committee on Ways and Means, 2004 Green Book, *Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means*, 108th Congress, 2nd session, WMCP 108-6, March 2004, pp. 13-41. For 2003 and later data, Internal Revenue Service, *Statistics of Income, SOI Tax Stats-Individual Statistical Tables by Size of Adjusted Gross Income,* Table 2.5.

Note: Constant 2017 dollars were computed using the annual average (not-seasonally adjusted) Consumer Price Index for all Urban Consumers (CPI-U) from the Bureau of Labor Statistics.

Table A-2. Average EITC, Number of Tax Returns with the EITC, and Total EITC by Qualifying Children and Adjusted Gross Income, 2017

AGI	Total	No Qualifying Children	One Qualifying Child	Two Qualifying Children	Three or More Qualifying Children
			Average EITC		
Less than $5,000	$578	$218	$1,307	$1,831	$2,104
$5,000 to $9,999	$1,489	$448	$2,768	$3,148	$3,529
$10,000 to $14,999	$2,570	$220	$3,352	$5,145	$5,773
$15,000 to $19,999	$4,315	$237	$3,323	$5,503	$6,223
$20,000 to $24,999	$3,944	$21	$2,810	$4,926	$5,732
$25,000 to $29,999	$3,113	$0	$2,060	$3,998	$4,839
$30,000 to $34,999	$2,273	$0	$1,307	$2,986	$3,821
$35,000 to $39,999	$1,528	$0	$590	$2,025	$2,896
$40,000 to $44,999	$1,158	$0	$433	$940	$1,840

AGI	Total	No Qualifying Children	One Qualifying Child	Two Qualifying Children	Three or More Qualifying Children
$45,000 and higher	$716	$0	$0	$57	$845
All	$2,458	$299	$2,389	$3,858	$4,252
Tax Returns with the EITC					
Less than $5,000	2,434,636	1,768,403	426,105	152,614	87,516
$5,000 to $9,999	4,200,389	2,439,235	1,195,376	385,740	180,037
$10,000 to $14,999	5,858,169	2,503,103	1,709,121	1,153,711	492,235
$15,000 to $19,999	3,481,700	268,717	1,431,240	1,224,905	556,836
$20,000 to $24,999	2,907,136	30,057	1,456,056	956,105	464,917
$25,000 to $29,999	2,502,237	0	1,304,794	823,503	373,940
$30,000 to $34,999	2,235,089	0	1,131,201	738,156	365,732
$35,000 to $39,999	1,805,853	0	826,320	648,476	331,058
$40,000 to $44,999	1,034,860	0	227,907	723,135	300,379
$45,000 and higher	570,315	0	0	29,597	324,156
Total	27,030,382	7,009,515	9,708,119	6,835,943	3,476,805
Total EITC ($ in Thousands)					
Less than $5,000	1,406,095	385,478	557,056	279,449	184,112
$5,000 to $9,999	6,252,615	1,093,740	3,309,007	1,214,477	635,392
$10,000 to $14,999	15,056,458	549,888	5,729,348	5,935,538	2,841,684
$15,000 to $19,999	15,025,074	63,668	4,755,886	6,740,389	3,465,132
$20,000 to $24,999	11,466,936	629	4,092,009	4,709,506	2,664,793
$25,000 to $29,999	7,789,700	0	2,688,047	3,292,297	1,809,356
$30,000 to $34,999	5,079,586	0	1,477,932	2,204,299	1,397,354
$35,000 to $39,999	2,759,677	0	487,734	1,313,174	958,768
$40,000 to $44,999	1,198,386	0	98,794	679,714	552,720
$45,000 and higher	408,285	0	0	1,673	273,769
Total	66,442,810	2,093,402	23,195,812	26,370,516	14,783,080

Source: Congressional Research Service, based on data from the Internal Revenue Service, *Statistics of Income, SOI Tax Stats-Individual Statistical Tables by Size of Adjusted Gross Income,* Table 2.5.

Table A-3. EITC Receipt by State, 2017

State or Area	Total Tax Returns	Tax Returns with EITC	Percentage of Total Tax Returns with EITC	Total EITC (millions)	Average EITC	Percent Received as Refundable Portion
United States	152,455,900	26,838,260	17.6%	$65,334	$2,434	85.5%
Alabama	2,059,880	495,230	24.0%	$1,378	$2,783	88.5%
Alaska	349,060	48,370	13.9%	$102	$2,117	88.4%
Arizona	3,023,250	587,710	19.4%	$1,505	$2,562	86.7%
Arkansas	1,233,060	295,680	24.0%	$783	$2,647	87.7%
California	18,099,190	3,043,380	16.8%	$6,995	$2,299	82.2%
Colorado	2,714,380	357,180	13.2%	$772	$2,162	84.1%
Connecticut	1,766,090	224,930	12.7%	$493	$2,193	86.1%
Delaware	464,070	74,940	16.1%	$177	$2,361	89.4%
District of Columbia	348,320	52,440	15.1%	$121	$2,304	87.1%
Florida	10,181,210	2,215,860	21.8%	$5,431	$2,451	83.4%
Georgia	4,542,520	1,085,610	23.9%	$2,973	$2,739	85.7%
Hawaii	692,790	100,550	14.5%	$216	$2,143	87.3%
Idaho	763,980	132,360	17.3%	$303	$2,291	85.3%
Illinois	6,129,420	978,740	16.0%	$2,419	$2,472	85.5%
Indiana	3,135,470	532,490	17.0%	$1,281	$2,406	87.7%
Iowa	1,457,800	204,320	14.0%	$465	$2,276	87.6%
Kansas	1,332,610	206,630	15.5%	$488	$2,360	87.9%
Kentucky	1,919,980	393,420	20.5%	$957	$2,431	87.3%
Louisiana	1,969,670	511,540	26.0%	$1,447	$2,829	87.4%
Maine	659,930	100,710	15.3%	$208	$2,069	84.4%
Maryland	2,986,140	415,000	13.9%	$955	$2,301	84.6%
Massachusetts	3,457,190	400,490	11.6%	$836	$2,086	86.0%
Michigan	4,762,900	784,650	16.5%	$1,944	$2,478	86.1%
Minnesota	2,772,370	334,270	12.1%	$728	$2,177	86.5%
Mississippi	1,235,430	373,560	30.2%	$1,073	$2,872	88.0%
Missouri	2,811,860	501,960	17.9%	$1,216	$2,422	87.7%
Montana	506,480	79,030	15.6%	$168	$2,130	86.0%
Nebraska	905,980	132,350	14.6%	$311	$2,346	87.4%
Nevada	1,417,820	264,580	18.7%	$637	$2,406	86.5%
New Hampshire	707,220	74,760	10.6%	$146	$1,952	84.4%
New Jersey	4,437,890	613,510	13.8%	$1,419	$2,313	84.0%
New Mexico	922,350	210,550	22.8%	$516	$2,451	89.3%
New York	9,694,910	1,724,470	17.8%	$3,995	$2,317	83.2%

State or Area	Total Tax Returns	Tax Returns with EITC	Percentage of Total Tax Returns with EITC	Total EITC (millions)	Average EITC	Percent Received as Refundable Portion
North Carolina	4,577,930	932,590	20.4%	$2,311	$2,478	86.6%
North Dakota	362,960	44,320	12.2%	$95	$2,135	87.5%
Ohio	5,620,590	931,330	16.6%	$2,262	$2,429	88.0%
Oklahoma	1,630,030	339,720	20.8%	$859	$2,529	86.7%
Oregon	1,938,620	275,810	14.2%	$577	$2,091	86.2%
Pennsylvania	6,236,760	930,520	14.9%	$2,096	$2,253	88.1%
Rhode Island	536,640	82,980	15.5%	$189	$2,274	87.0%
South Carolina	2,240,570	488,320	21.8%	$1,244	$2,548	87.9%
South Dakota	419,370	61,420	14.6%	$137	$2,225	88.5%
Tennessee	3,035,970	633,590	20.9%	$1,600	$2,526	85.8%
Texas	12,520,960	2,707,110	21.6%	$7,328	$2,707	84.1%
Utah	1,325,780	190,360	14.4%	$437	$2,295	86.4%
Vermont	328,250	43,550	13.3%	$84	$1,932	83.5%
Virginia	3,961,000	610,040	15.4%	$1,417	$2,323	86.1%
Washington	3,568,430	434,900	12.2%	$935	$2,151	86.7%
West Virginia	766,720	149,900	19.6%	$351	$2,340	90.1%
Wisconsin	2,866,730	372,820	13.0%	$830	$2,227	87.9%
Wyoming	271,480	37,070	13.7%	$79	$2,129	87.3%
Other Areas	785,930	20,650	2.6%	$44	$2,114	95.7%

Source: Congressional Research Service, based on data from the Internal Revenue Service, *Statistics of Income, SOI Tax Stats*- Historic Table 2, (Total File, All States) at https://www.irs.gov/statistics/soi-tax-stats-historic-table-2.

Note: Totals in this table differ slightly from total shown in **Table A-2**. While the figures in **Table A-2** and **Table A-3** are both based on data from the IRS, the data in **Table A-3** include "substitutes for returns" in which the IRS constructs tax returns for certain nonfilers. "Other Areas" includes, for example, returns filed from Army Post Office and Fleet Post Office addresses by members of the armed forces stationed overseas; returns filed by other U.S. citizens abroad; and returns filed by residents of Puerto Rico with income from sources outside Puerto Rico or with income earned as U.S. government employees.

Table A-4. EITC Participation Rates by State, 2009-2016

	Participation rate							
State	2016	2015	2014	2013	2012	2011	2010	2009
Alabama	79.8%	82.0%	82.1%	81.9%	82.1%	81.0%	79.9%	82.1%
Alaska	71.9%	72.8%	76.7%	78.5%	75.6%	81.2%	76.2%	71.0%
Arizona	76.7%	76.5%	77.4%	77.0%	76.6%	75.7%	74.5%	76.9%
Arkansas	80.0%	80.0%	80.6%	81.6%	81.6%	80.8%	80.9%	81.7%
California	73.8%	74.7%	75.8%	75.4%	74.3%	73.1%	71.0%	78.6%

State	Participation rate							
	2016	2015	2014	2013	2012	2011	2010	2009
Colorado	74.5%	73.8%	74.5%	73.9%	73.5%	74.9%	71.6%	75.5%
Connecticut	78.6%	79.2%	78.6%	78.9%	81.3%	77.7%	77.1%	79.6%
Delaware	74.0%	78.5%	79.4%	82.3%	82.0%	83.6%	77.9%	79.8%
District of Columbia	71.0%	82.0%	71.9%	72.2%	75.2%	76.1%	74.0%	75.0%
Florida	81.7%	82.0%	82.1%	83.4%	82.8%	82.6%	81.0%	81.0%
Georgia	79.9%	80.9%	81.2%	80.8%	80.8%	79.1%	79.0%	81.2%
Hawaii	81.7%	80.9%	82.5%	84.9%	80.2%	79.9%	81.1%	81.8%
Idaho	78.5%	78.5%	81.2%	80.1%	83.2%	78.3%	83.2%	80.1%
Illinois	78.5%	78.3%	79.0%	79.2%	78.5%	77.5%	77.7%	81.5%
Indiana	79.5%	81.8%	80.5%	82.8%	80.7%	80.7%	81.0%	83.0%
Iowa	79.3%	78.7%	79.2%	79.6%	79.1%	78.7%	79.3%	80.8%
Kansas	74.9%	77.3%	77.1%	79.8%	78.3%	79.2%	78.2%	78.0%
Kentucky	81.5%	82.0%	80.5%	81.1%	82.7%	81.9%	79.6%	81.4%
Louisiana	80.4%	79.2%	80.2%	80.5%	81.7%	81.4%	80.0%	80.4%
Maine	77.9%	79.5%	81.0%	77.9%	81.5%	80.4%	79.3%	81.4%
Maryland	78.3%	78.8%	77.6%	78.7%	78.3%	79.4%	76.4%	80.0%
Massachusetts	79.4%	80.8%	80.0%	79.8%	79.7%	78.1%	77.0%	78.0%
Michigan	80.4%	80.9%	80.9%	82.0%	81.6%	81.9%	80.4%	81.0%
Minnesota	78.9%	78.9%	78.7%	80.6%	79.7%	79.4%	78.0%	79.3%
Mississippi	82.4%	84.8%	84.1%	84.7%	84.5%	84.3%	85.2%	83.1%
Missouri	78.4%	80.7%	80.3%	80.0%	80.9%	81.0%	79.9%	80.2%
Montana	78.7%	77.4%	76.0%	76.5%	78.4%	80.3%	77.3%	74.6%
Nebraska	82.4%	76.9%	79.9%	78.1%	80.2%	77.6%	79.0%	83.3%
Nevada	74.6%	75.3%	76.3%	75.4%	73.7%	73.6%	71.5%	76.9%
New Hampshire	74.6%	80.6%	78.4%	79.9%	79.3%	81.5%	77.4%	80.3%
New Jersey	77.5%	78.8%	78.6%	77.2%	79.1%	77.8%	75.7%	79.7%
New Mexico	78.2%	75.3%	80.8%	82.1%	81.1%	81.8%	75.7%	81.4%
New York	81.7%	82.5%	82.4%	82.9%	82.8%	82.5%	79.7%	82.6%
North Carolina	79.9%	80.2%	80.0%	81.0%	81.0%	77.2%	76.9%	79.9%
North Dakota	78.2%	82.9%	83.0%	80.4%	76.1%	82.4%	82.3%	80.4%
Ohio	81.3%	82.3%	82.6%	82.0%	81.6%	82.5%	81.4%	82.0%
Oklahoma	74.2%	76.7%	76.1%	77.5%	78.1%	78.4%	75.8%	78.2%
Oregon	73.4%	75.5%	72.5%	74.4%	73.4%	72.6%	71.0%	74.7%
Pennsylvania	80.9%	82.4%	82.0%	82.6%	82.2%	81.7%	81.9%	81.7%
Rhode Island	85.8%	84.3%	82.8%	81.3%	81.2%	84.9%	81.0%	83.1%
South Carolina	78.4%	79.6%	80.9%	81.9%	84.5%	82.0%	80.3%	81.1%

	Participation rate							
State	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
South Dakota	82.8%	77.2%	82.5%	84.6%	81.1%	83.0%	84.2%	77.8%
Tennessee	81.4%	81.8%	80.9%	83.2%	83.0%	82.0%	80.1%	81.2%
Texas	77.8%	78.5%	79.1%	79.5%	79.1%	78.3%	76.8%	80.9%
Utah	75.0%	74.9%	75.2%	76.3%	77.3%	75.3%	75.0%	78.2%
Vermont	84.0%	80.3%	80.7%	81.9%	80.6%	79.0%	82.9%	82.6%
Virginia	78.7%	79.5%	80.5%	81.1%	80.7%	79.8%	79.0%	79.5%
Washington	74.8%	75.3%	76.9%	78.0%	76.8%	76.4%	73.1%	76.5%
West Virginia	80.9%	82.2%	83.2%	82.6%	81.1%	83.4%	83.1%	80.0%
Wisconsin	79.6%	79.1%	80.0%	78.8%	78.4%	79.9%	78.3%	81.7%
Wyoming	74.6%	76.9%	79.8%	78.1%	78.6%	77.7%	76.3%	73.6%

Source: IRS-ACS Match- Center for Administrative Records Research and Applications, U.S. Census Bureau in collaboration with IRS. Data can be found at https://www.eitc.irs.gov/eitc-central/participation-rate/eitc-participation-rate-by-states.

Notes: The IRS data used in these estimates based on the year of the tax return. In other words, 2016 data reflects tax data from 2016 income tax returns, generally filed in 2017. The national EITC participation rate is estimated using the Census Bureau's Current Population Survey (CPS) and hence not directly comparable to these state estimates which are based on the American Community Survey (ACS).

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