

Earned Income Tax Credit Research & Learning Webinar

September 26, 2024



Program

Introduction:

Holly Hankinson
WF Advocacy Director

Research Overview:

Dr. Travis Speice
WF Applied Research Director

Featured Guests:

Dr. Alexandra Haralampoudis
Prenatal-to-3 Policy Impact Center

Matthew Long
United Way of Greater Cincinnati

Q&A

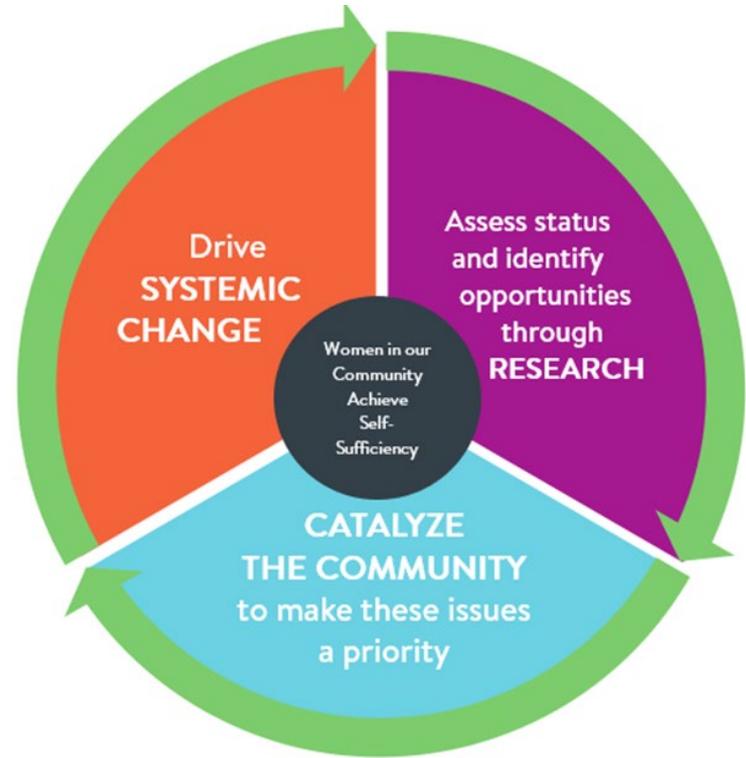


WOMEN'S FUND
of the **GREATER CINCINNATI FDN.**



WOMEN'S FUND
of the **GREATER CINCINNATI FDN.**

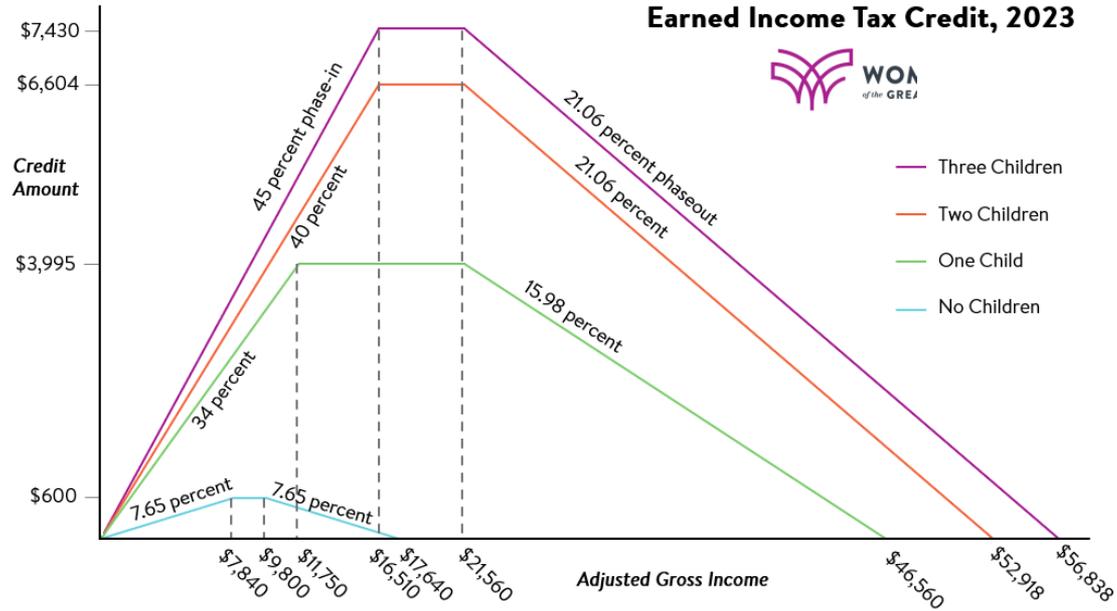
We are designing a community where all women can participate, prosper and reach their full potential.



What is the EITC?



How the EITC Works



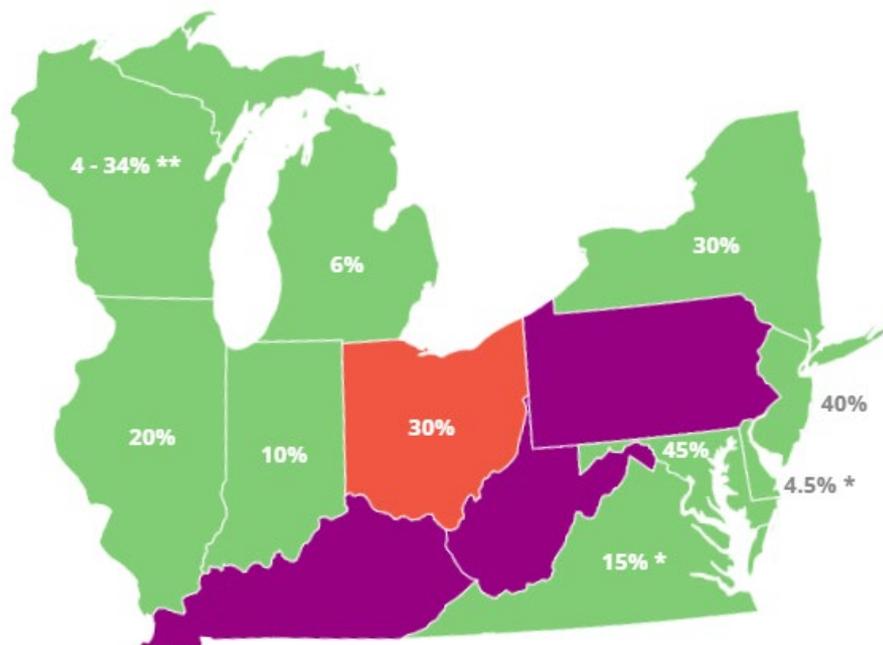
Source: Urban-Brookings Tax Policy Center (2023). Internal Revenue Procedure 2022-44, Internal Revenue Service.

Notes: Assuming all income is from earnings, these amounts apply to single or head-of-household filers. For married couples filing jointly, the EITC phase-out starts at an income \$6,560 higher (\$6,570 for those without custodial children).



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State EITC Credits as percentage of federal credit, tax year 2023



■ Refundable EITC ■ Nonrefundable EITC ■ No EITC

Data Source: State tax codes and forms

* or 20% nonrefundable
** depending on number of children



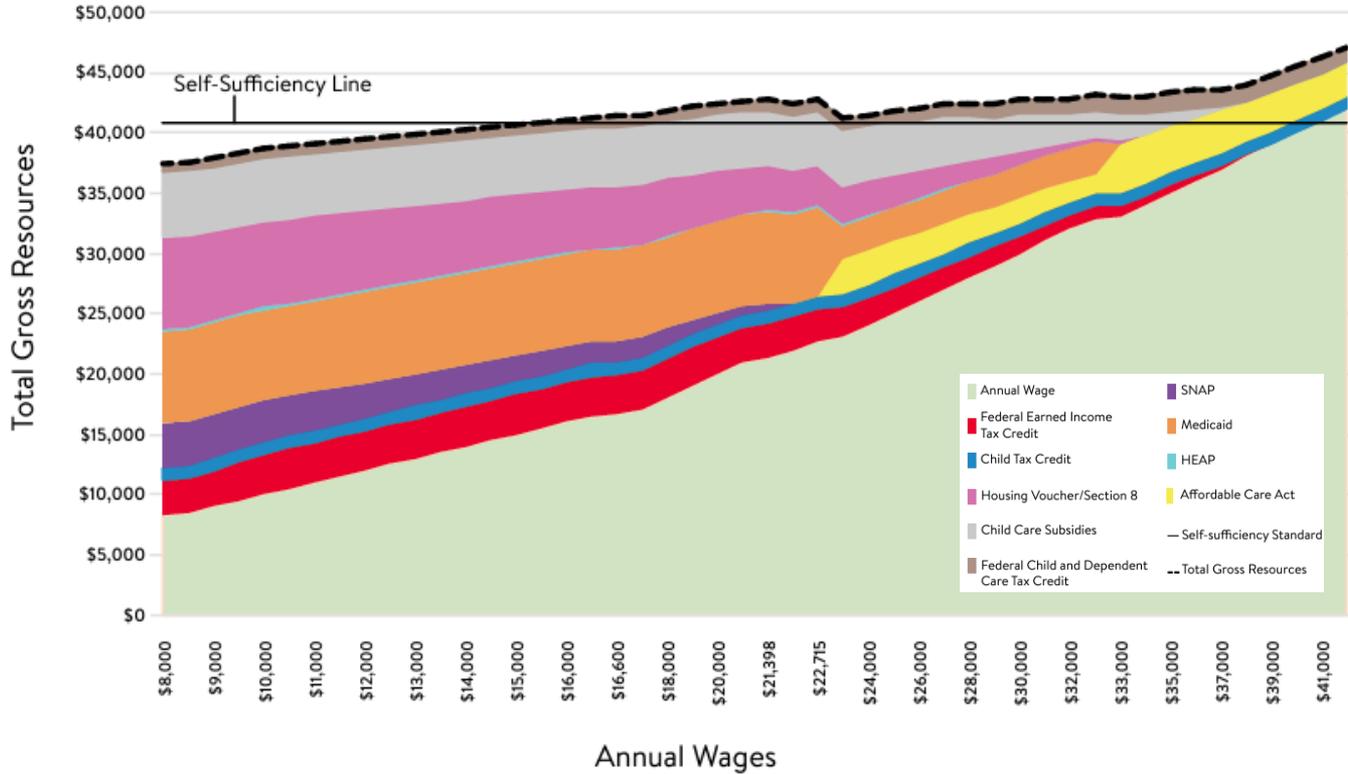
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Benefit/Cost Analysis of a Refundable State EITC

Dr. Travis Speice, Applied Research Director



Overview & Background



Benefits of Refundable EITC

- Benefits for Families
- Benefits for Children
- Benefits for the State



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Benefits of Refundable EITC

Families

- Financial Wellbeing
- Physical Health
- Familial Strength



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Benefits of Refundable EITC

Children

- Childhood Poverty
- Health & Social Benefits
- Educational Effects



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Benefits of Refundable EITC

State

- Employment
- Poverty
- Public Assistance
- Cost Effective



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Costs of Refundable EITC

- Budget
- Public Benefits

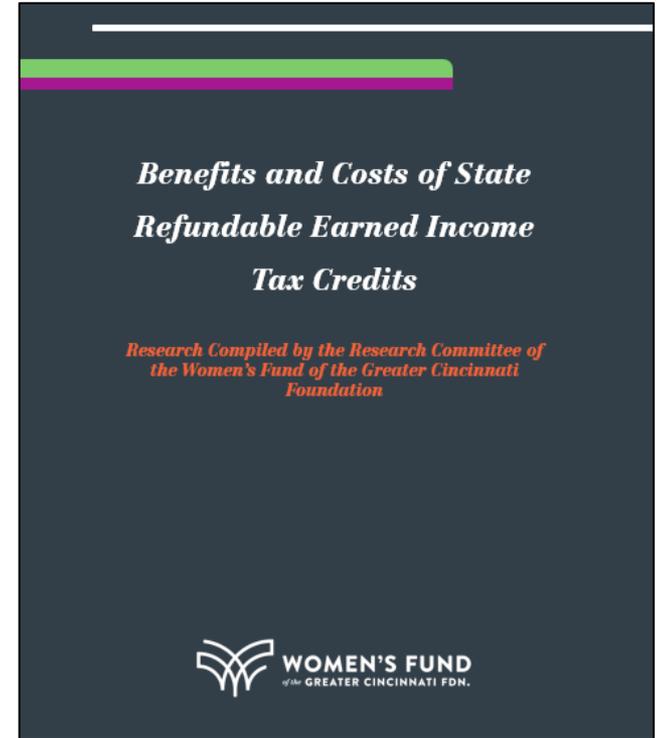


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Final Thoughts

- Anti-Poverty
- Strengthens Workforce
- Household Income
- Educational Attainment
- Health Benefits
- Public Assistance

www.cincinnatiwomensfund.org



Guest Spotlight:

**Alexandra
Haralampoudis, Ph. D.**

Director of Data & Analytics

prenatal-to-3
policy IMPACT CENTER
RESEARCH FOR ACTION AND OUTCOMES



September 26, 2024

State Earned Income Tax Credits: *Policy Landscape, Benefits & Simulations*

Research for Action and Outcomes

ALEX HARALAMPOUDIS, PH.D.

Director of Data & Analytics, Prenatal-to-3 Policy Impact Center
Vanderbilt University, Peabody College of Education and Human Development



Who We Are

We are a nonpartisan research center at Vanderbilt University.

What We Do

We aim to accelerate states' equitable implementation of evidence-based policies that help all children thrive from the start.

Prenatal-to-3 Policy Goals



Access to Needed Services



Parental Health and Emotional Wellbeing



Parents' Ability to Work and Provide Care



Nurturing and Responsive Child-Parent Relationships



Sufficient Household Resources



Nurturing and Responsive Child Care in Safe Settings



Healthy and Equitable Births

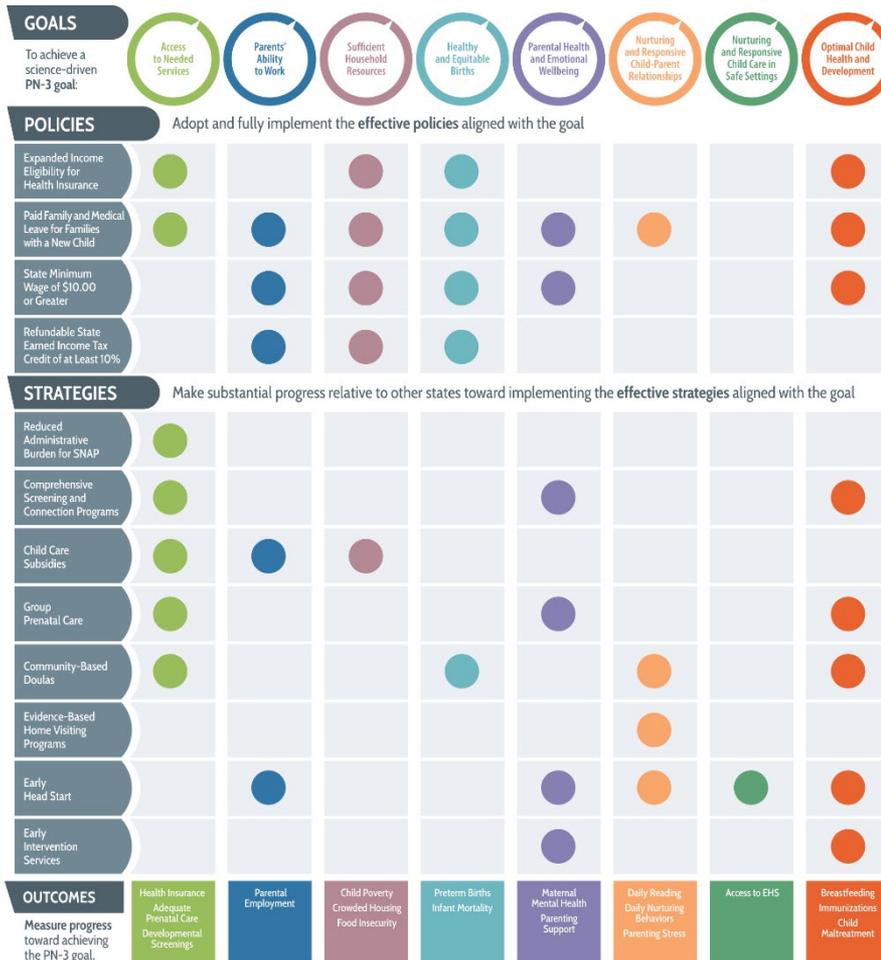


Optimal Child Health and Development

Prenatal-to-3 State Policy Roadmap

pn3policy.org/roadmap

The alignment of policy goals, evidence-based policies and strategies, and outcomes that illustrate the wellbeing of children and families



GOALS

To achieve a science-driven PN-3 goal:



POLICIES

Adopt and fully implement the **effective policies** aligned with the goal

Expanded Income Eligibility for Health Insurance	●		●	●				●
Paid Family and Medical Leave for Families with a New Child	●	●	●	●	●	●		●
State Minimum Wage of \$10.00 or Greater		●	●	●	●			●
Refundable State Earned Income Tax Credit of at Least 10%		●	●	●				

OUTCOMES

Measure progress toward achieving the PN-3 goal.



State Earned Income Tax Credit

How Does State Earned Income Tax Credit Impact PN-3 Outcomes?



- With each additional \$1,000 in average EITC benefits (federal plus state), unmarried mothers with children under age 3 were 9 percentage points more likely to work (C)
- A state EITC set at 10% of the federal credit increased employment among single mothers by 2.1 percentage points compared to single women with no children (GG)
- Living in a state with an EITC increased the likelihood of mothers' employment (for at least one week per year) by 19% (B)



- State EITCs increased mothers' annual wages by 32% (B)
- A \$1,000 increase in average federal and state EITC benefits led to an increase of \$2,400 in the pre-tax earnings of households with infants and toddlers, and poverty was reduced by 5 percentage points (C)
- A rigorous simulation found that if all states adopted the policy of the most generous EITC state, then child poverty would be reduced by 1.2 percentage points (KK)



- The state EITC led to increases in birthweight of between 16 and 104 grams, depending on the credit's generosity level (B, CC)
- In states with refundable EITCs of at least 10% of the federal credit, Black mothers with a high school education or less saw greater reductions in low birthweight rates for their infants (1.4 percentage points) compared to White mothers with a high school education or less (0.7 percentage points) (II)

Evidence Review

View the evidence review and snapshot online:
pn3policy.org/policy-clearinghouse/state-earned-income-tax-credit/

PRENATAL-TO-3 POLICY CLEARINGHOUSE
EVIDENCE REVIEW
ER 05D.0923

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State Earned Income Tax Credit

Evidence Review Findings: Effective / Roadmap Policy

A refundable state earned income tax credit (EITC) of at least 10 percent of the federal credit is associated with the greatest effects for single parents' workforce participation, especially in states where the credit is more well established in the state. States that have state EITCs also have higher labor force participation by women, especially for low- and moderate-income workers and their families. The review also finds that states that provide a lump-sum income benefit, which is not a refundable credit, do not appear to determine whether to offer an EITC in addition to the federal credit. States with existing tax liability, and decide whether to offer state EITCs at 10 percent of the federal credit. The review shows that state EITCs at 10 percent of the federal credit improve families' economic, social, and health outcomes. The review also identifies the conditions necessary for state EITCs to be represented by our eight policy options. The review shows that EITCs are indicated with a filled circle, indicating effectiveness from strong causal evidence.

PRENATAL-TO-3 POLICY CLEARINGHOUSE
EVIDENCE REVIEW SNAPSHOT

February 2024

Summary of the Rigorous Research on State Earned Income Tax Credits

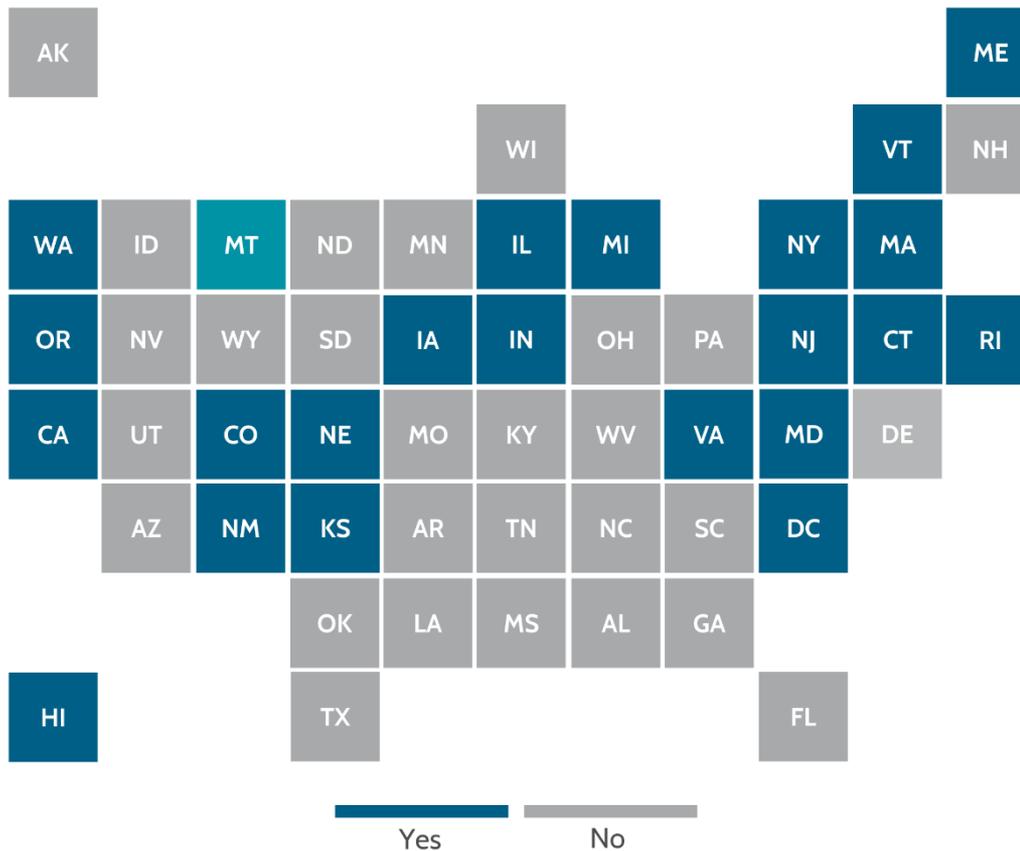
A state EITC is a supplement to the federal EITC, which is a refundable tax credit designed to reduce poverty by helping workers with low to moderate incomes keep more of their wages. Households with at least one working adult can receive the federal credit as a reduction in tax liability or as a refund if the household has no tax liability or the credit amount exceeds total taxes owed. States determine whether to offer an EITC in addition to the federal credit, and set the generosity of the credit (typically a percentage of the federal credit), determine whether the credit is refundable or only reduces existing tax liability, and decide eligibility within constraints of federal law. State EITCs are typically financed through general fund dollars. The general fund is the primary state fund for ongoing expenses, mainly composed of revenue from income, sales, and other taxes.

EMERGING EVIDENCE FOR IMPACTS ON CHILD AND

**State Earned
Income Tax
Credit**

23

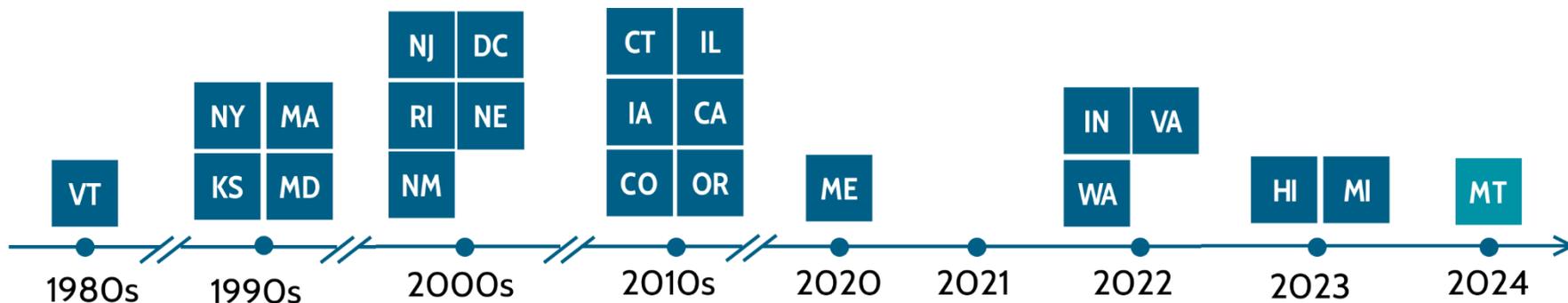
states have implemented a refundable EITC of at least 10% of the federal EITC.



-  State has newly implemented the policy since October 1, 2023
-  State has enacted legislation and will implement the policy after October 1, 2024

Source: As of October 2024. State income tax statutes.

Implementation of a Refundable State EITC of at Least 10% of the Federal Credit

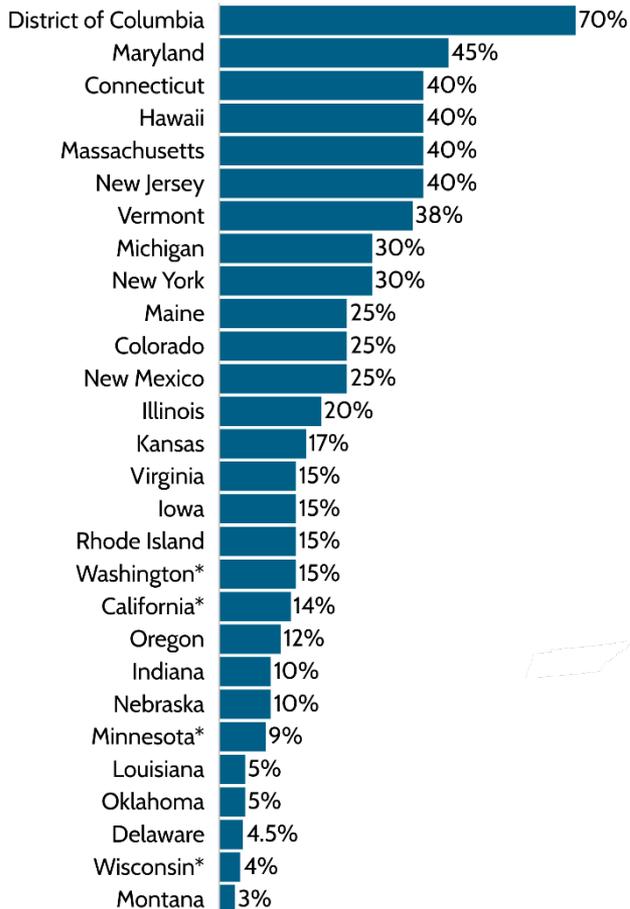


■ State fully implemented a refundable state EITC worth at least 10% of the federal EITC by October 1 of a given tax year (TY).

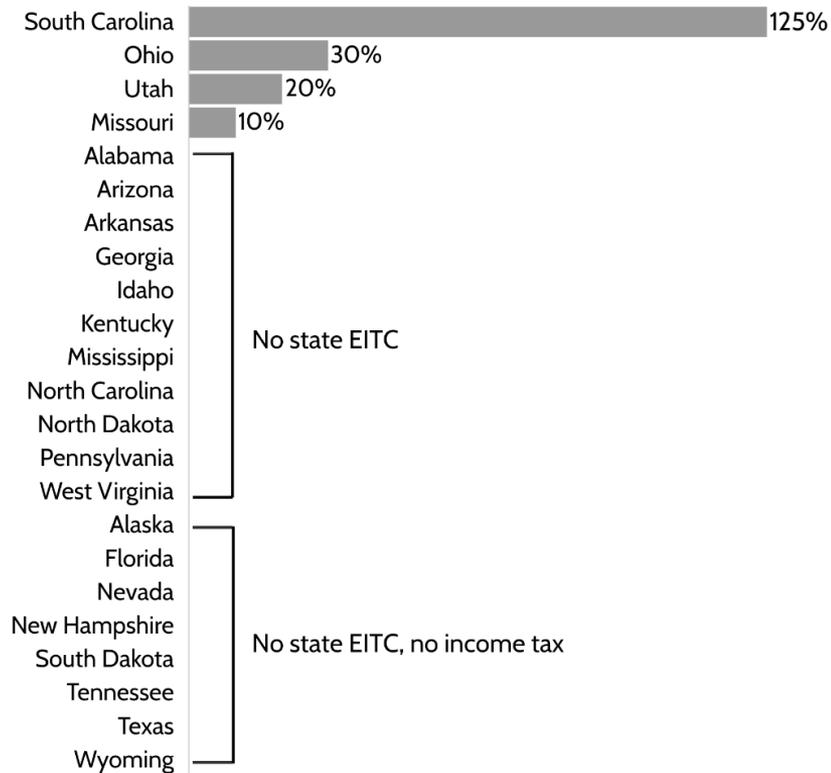
■ State has fully implemented a refundable state EITC worth at least 10% of the federal EITC since October 1, 2023.

State Earned Income Tax Credit

Variation Across States in EITC Generosity and Refundability



As of Tax Year 2024, MT is 10%

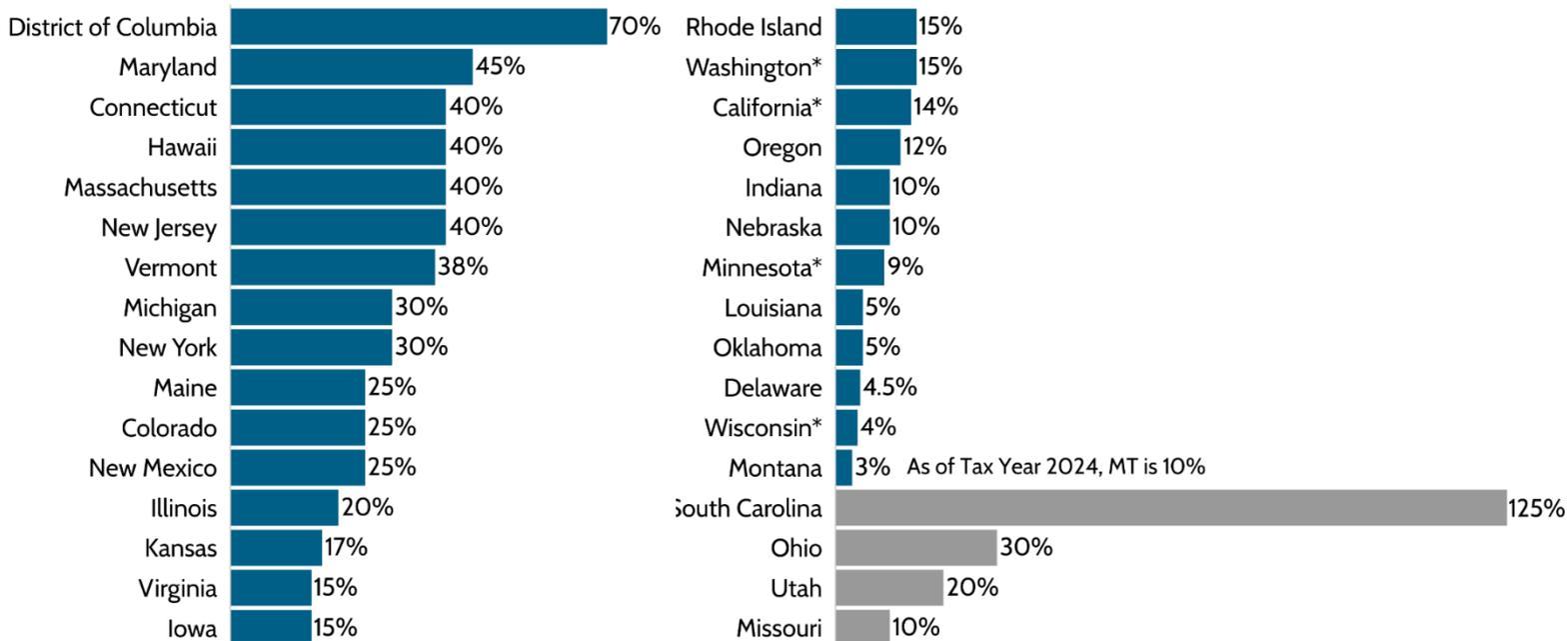


■ Refundable credit ■ Nonrefundable credit

% = value of the state EITC as a percentage of federal EITC

State Earned Income Tax Credit

Variation Across States in EITC Generosity and Refundability



■ Refundable credit ■ Nonrefundable credit

% = value of the credit as a percentage of the federal credit

AL, AZ, GA, ID, KY, MS, NC, ND, PA, and WV have no state EITC.

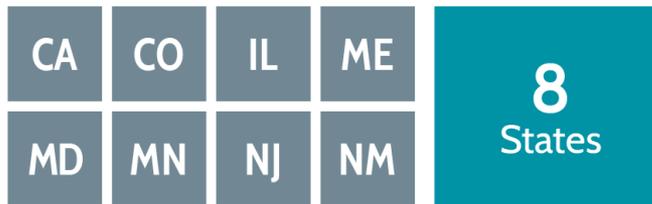
AK, FL, NV, NH, SD, TN, TX, and WY have no state EITC and no state income tax.

State Earned Income Tax Credit

Variation in Expanded EITC Eligibility Across States

Tax Year 2023
As of May 15, 2023

Younger Tax Filers



ITIN Holders



Other Groups



State Policy Lever Checklist

View the checklist online:

<https://pn3policy.org/state-policy-lever-checklist-eitc/>

March 2023

State Earned Income Tax Credit

State earned income tax credits (EITCs) vary in terms of value, refundability, and eligibility for the credit. Below is a list of policy considerations for state leaders to help maximize the effectiveness of a state EITC. **States should consider the implications of these policy choices and their collective impact on equitable access to the EITC among eligible families in their state.**

We use the following symbol to highlight where policy choices can promote greater equity.

A state EITC is an effective policy to increase parents' workforce participation, improve household economic security, and even promote healthier and more equitable births. The most rigorous research to date finds that a **refundable state EITC of at least 10% of the federal credit** is necessary to promote positive outcomes.

Has your state fully implemented a refundable state EITC of at least 10% of the federal credit?

YES / NOT YET

This checklist covers the following components of a state EITC:

PAGE 2

PROGRAM CHARACTERISTICS

- Value of credit
- Refundability

PAGE 3

ELIGIBILITY

- Who is covered

PAGE 3

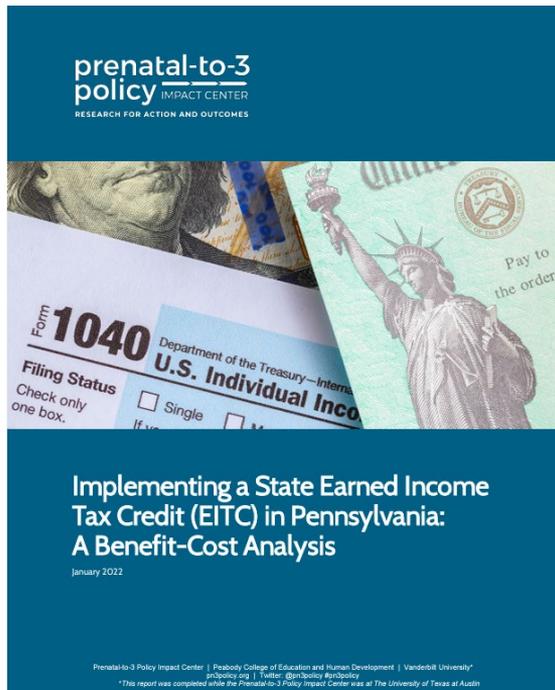
ADMINISTRATION AND FUNDING

- Funding mechanism
- Application

To learn more about how states vary in their implementation of earned income tax credits, please view our state EITC variation table online.



Benefit-Cost Analysis of a Refundable EITC in Pennsylvania



10% refundable



715,700 households benefit

\$197 annual benefit per household

\$81 M additional cost

\$562 M total benefits (including cost avoidance)

7 to 1 benefit-to-cost ratio

25% refundable



873,900 households benefit

\$594 annual benefit per household

\$366 M additional cost

\$1.2 B total benefits (including cost avoidance)

3 to 1 benefit-to-cost ratio

The Policy Impact Calculator



Earnings from the state minimum wage and paid family leave benefits



Out-of-pocket child care expenses after receiving a child care subsidy



Nutrition benefits



Federal and state income taxes and credits

Policy Impact Calculator: Assumptions

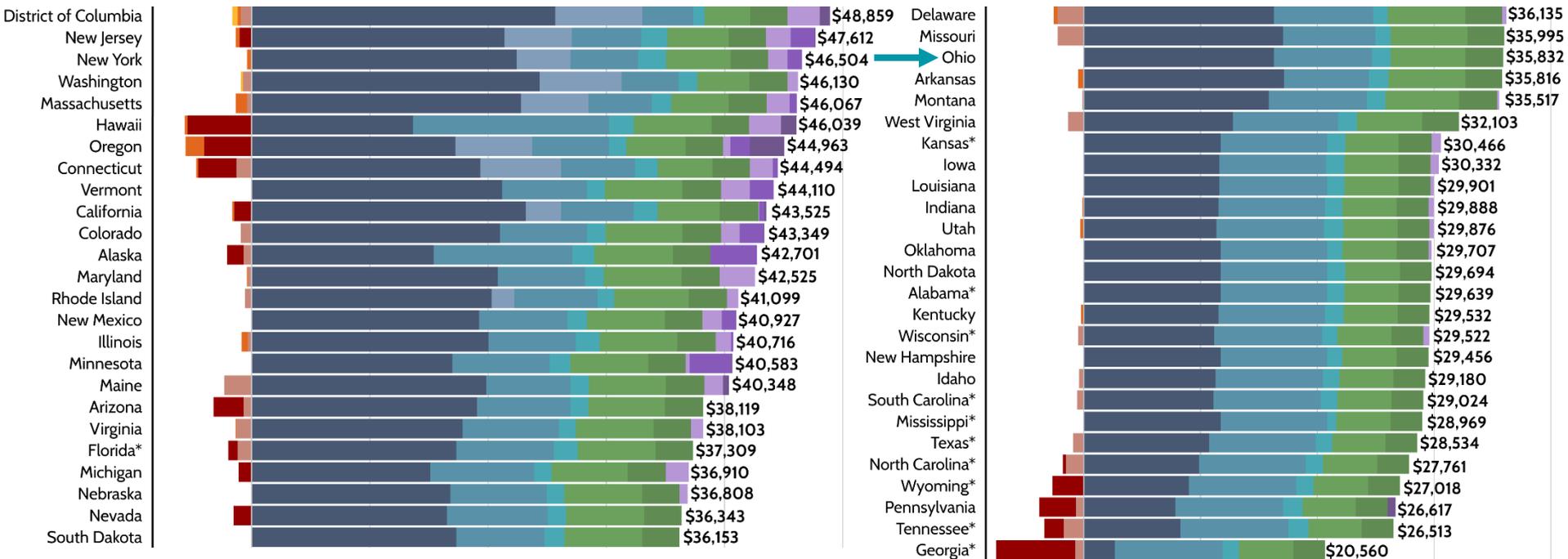


Lina

- ▶ Single mother with an infant and toddler
- ▶ She works full time all year, and earns the state's minimum wage
- ▶ She receives the benefits she is eligible for and files her taxes
- ▶ She takes 12 weeks of leave following her infant's birth
- ▶ She sends her children to center-based care that charges the 75th percentile of the market rate

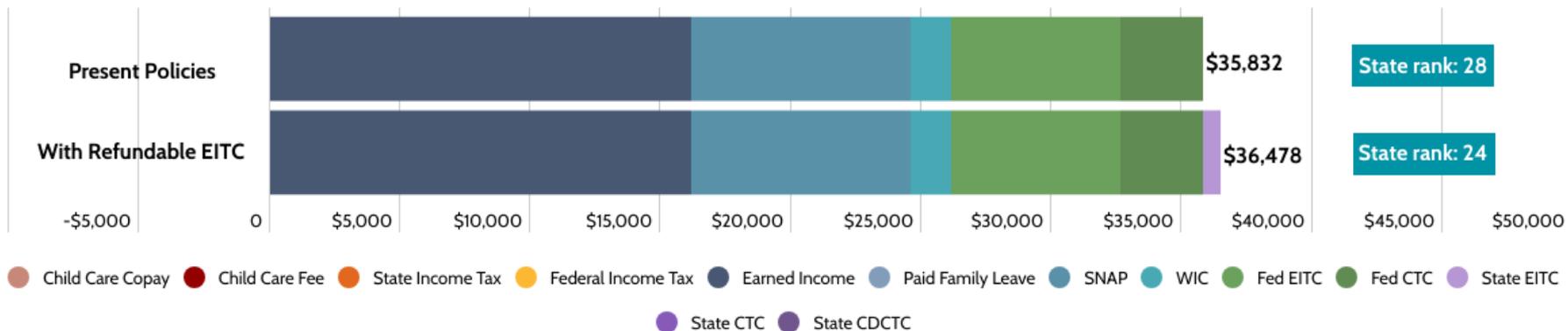
The Impact of State Policy Choices on Family Resources Across States

Total Annual Resources = Annual Minimum Wage Earnings + PFL + Net Federal and State Benefits - Out-of-Pocket Child Care Expenses



● Child Care Copay
 ● Child Care Fee
 ● State Income Tax
 ● Federal Income Tax
 ● Earned Income (After OOP Child Care Costs)
 ● Paid Family Leave
 ● SNAP
 ● WIC
 ● Fed EITC
 ● Fed CTC
 ● State EITC
 ● State CTC
 ● State CDCTC
 *State has not expanded eligibility for Medicaid under the ACA

The Impact of State Policy Choices on Family Resources in Ohio



To the extent possible, data reflect state policies as of October 1, 2023 & tax year 2023. All earnings, benefits (both federal and state), and child care costs are based on a family of three comprised of a single parent working a full-time, minimum wage job for 9 months with 12 weeks of maternity leave. The family includes two children (an infant and a toddler) in full-time, center-based child care. EITC refundable credit simulated at 10% of the federal. For detailed source notes and additional information see our [Policy Impact Calculator](#) and [Methods and Sources](#).

JOIN US FOR THE

2024 Prenatal-to-3 Research to Policy Summit



Tuesday, October 22



1 pm CT



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Guest Spotlight:

Matthew Long

Senior Manager



UNITED WAY
Greater Cincinnati



United We Thrive



Free Tax Prep & EITC

United Way of Greater Cincinnati

9/24/2024



Free Tax Prep

Free Tax Prep is a United Way initiative that provides free tax preparation and filing services for low- to moderate-income taxpayers. It is part of the federally funded Volunteer Income Tax Assistance (VITA) program. Free Tax Prep relies on IRS-certified volunteers who ensure taxpayers get the credits they deserve, which helps families achieve economic well-being. Free Tax Prep operates throughout our region at sites sponsored by United Way's community and corporate partners.

***MyFreeTaxes.com (MFT)** is a free, secure and mobile-optimized tax self-preparation website available to individuals and families with income under \$73,000. Since 2009, 1.3 million taxpayers nationwide have filed using MyFreeTaxes.com, returning approximately \$1.5 billion to families and communities through tax refunds, and saving individuals and families approximately \$200 million in tax filing fees.*



Paris and Mikey, a couple with five children, planned to file their taxes separately until they sat down with a volunteer tax preparer.

The volunteer examined how the couple's filing status would affect their eligibility for credits, and explained that by filing a joint return, they could claim the Earned Income Tax Credit (EITC).

"It made a really, really big difference," Paris said.

"A \$5,000 difference."

For Paris and Mikey's family — and many others in the region — such a refund is essential. "It's very important," Paris said, "because it can help with bills — gas, food, basic necessities. We have a large family, so it'll help a lot."



EITC in Ohio

- Paris and Mikey's story shows how the **federal refundable** EITC can benefit families, but the story is not the same for Ohio's state EITC. Ohio is one of four states with a nonrefundable EITC.
- **Refundability** puts money directly into the pockets of families with low wages. Ohio's EITC lacks this element, which limits the EITC's effectiveness in supplementing family incomes. Only a small portion of Ohio's families in the lowest wage brackets are aided by the current state EITC.
- A **refundable** credit can make our tax system more equitable and financially empower Ohio households. This ensures Ohioans can support their families while also boosting local economies through increased spending.



Q & A

