

Rescue Plan's Expansions of Earned Income Tax Credit, Child Tax Credit Will Benefit Rural Residents



Rural communities — both nationally and in most states — will benefit disproportionately from the American Rescue Plan's temporary expansions of the Earned Income Tax Credit (EITC) and Child Tax Credit. However, the expansions will expire after this year if Congress does not extend them.

The EITC and Child Tax Credit are powerful anti-poverty tools, especially in rural (non-metro) communities, but prior to the Rescue Plan they had two major flaws. The EITC for workers not raising children in the home was extremely small; as a result, 5.8 million workers aged 19-65 without children (excluding full-time students under 24) were taxed into or deeper into poverty. And 27 million children — including roughly half of Black and Latino children and nearly half of children living in rural areas — received less than the full \$2,000-per-child Child Tax Credit because their parents earned too little, even as middle- and higher-income families received the full amount.

The American Rescue Plan addressed both of these flaws on a temporary basis. For tax year 2021, it raised the maximum EITC for workers without children from roughly \$540 to roughly \$1,500 and raised the income cap to qualify from about \$16,000 to about \$21,000. It also expanded the age range of eligible workers without children to include younger adults aged 19-24 (excluding those under 24 attending school at least part time), as well as people aged 65 and over. The Plan also made the full Child Tax Credit available to children in families with low earnings or who lack earnings in a given year and increased the maximum credit to \$3,000 per child (\$3,600 for children under 6). It also extended the credit to 17-year-olds. The increase in the maximum credit begins to phase out once incomes exceed \$112,500 for heads of households and \$150,000 for married couples.

Twenty-one percent of workers without children who live in rural areas will benefit from the Rescue Plan's EITC expansion, compared to 17 percent of those in metro areas. (See Table 1.) And 94 percent of children who live in rural areas will benefit from its Child Tax Credit expansion, compared to 89 percent of those in metro areas. (See Table 2.) These expansions are critical to households in both rural and metro areas and should be made permanent.

TABLE 1

Workers Without Children Benefiting From EITC Expansion in American Rescue Plan

	Workers without children in rural areas benefiting	Of workers without children living in rural areas, percent benefiting	Of workers without children living in metro areas, percent benefiting
National (42-state) total*	2,653,000	21%	17%
Alabama	62,000	22%	21%
Alaska	15,000	17%	14%
Arizona	19,000	26%	19%
Arkansas	71,000	25%	20%
California	57,000	23%	17%
Colorado	42,000	17%	15%
Connecticut	8,000	11%	14%
Florida	48,000	25%	20%
Georgia	102,000	23%	18%
Hawai'i	16,000	18%	14%
Idaho	37,000	23%	20%
Illinois	84,000	20%	15%
Indiana	80,000	18%	18%
Iowa	72,000	17%	16%
Kansas	59,000	20%	17%

TABLE 1

Workers Without Children Benefiting From EITC Expansion in American Rescue Plan

	Workers without children in rural areas benefiting	Of workers without children living in rural areas, percent benefiting	Of workers without children living in metro areas, percent benefiting
Kentucky	108,000	25%	19%
Louisiana	48,000	27%	21%
Maine	38,000	21%	16%
Michigan	117,000	23%	18%
Minnesota	70,000	17%	14%
Mississippi	85,000	23%	22%
Missouri	98,000	23%	17%
Montana	50,000	21%	22%
Nebraska	38,000	17%	16%
Nevada	16,000	19%	18%
New Hampshire	29,000	16%	12%
New Mexico	44,000	26%	22%
New York	79,000	19%	15%
North Carolina	139,000	23%	18%
Ohio	134,000	19%	18%
Oklahoma	75,000	23%	20%
Oregon	41,000	22%	18%
Pennsylvania	88,000	20%	16%
South Carolina	47,000	24%	20%
Tennessee	89,000	23%	18%
Texas	178,000	23%	18%
Utah	15,000	20%	17%
Vermont	25,000	17%	15%
Virginia	64,000	21%	14%
Washington	44,000	21%	14%
West Virginia	39,000	23%	20%
Wisconsin	86,000	17%	15%

* Estimates exclude Delaware, the District of Columbia, New Jersey, and Rhode Island because they consist entirely of metropolitan areas, and Massachusetts, Maryland, North Dakota, South Dakota, and Wyoming due to lack of reliable data on metro/non-metro residence. If the eight missing states and D.C. were included, the national total for metro and non-metro areas combined would be roughly 17.4 million workers without children. Workers without children are defined in this table as adults aged 19 and older (excluding students under age 24 attending school at least part time) who worked at least one week of the year.

Source: CBPP estimates based on U.S. Census Bureau's 2016-2018 American Community Survey (ACS) and March 2019 Current Population Survey (CPS), using 2021 tax parameters and incomes adjusted for inflation to 2021 dollars. We started with a CPS-based estimate of workers without children who will benefit and allocated it to states and metro/non-metro areas using the ACS (column 2); to calculate the percentages in columns 3 and 4, we calculated national numerators and denominators using the CPS and allocated each by state using the ACS. For each of 982 local geographic areas identified in the Census files, we used data from the Missouri Census Data Center on whether the area was metropolitan, non-metropolitan, or a mix; and, if mixed, what share of the population was non-metro under the Office of Management and Budget's 2015 area definitions.

TABLE 2

Children Under 18 Benefiting From Child Tax Credit Expansion in American Rescue Plan

	Children in rural areas benefiting	Of children living in rural areas, percent benefiting	Of children living in metro areas, percent benefiting
National (42-state) total*	9,315,000	94%	89%
Alabama	247,000	95%	92%
Alaska	59,000	92%	88%
Arizona	85,000	97%	92%
Arkansas	248,000	95%	92%
California	153,000	93%	86%
Colorado	136,000	93%	87%
Connecticut	28,000	84%	81%
Florida	138,000	94%	91%
Georgia	388,000	95%	89%
Hawai'i	55,000	93%	90%
Idaho	139,000	94%	92%
Illinois	293,000	93%	87%
Indiana	323,000	94%	91%
Iowa	272,000	93%	90%
Kansas	213,000	95%	90%
Kentucky	386,000	94%	90%
Louisiana	176,000	94%	92%
Maine	94,000	92%	89%
Michigan	341,000	93%	90%
Minnesota	264,000	92%	85%
Mississippi	362,000	95%	94%
Missouri	333,000	95%	89%
Montana	136,000	92%	91%
Nebraska	150,000	94%	90%
Nevada	55,000	95%	92%
New Hampshire	80,000	89%	83%
New Mexico	159,000	95%	93%
New York	253,000	93%	85%
North Carolina	451,000	94%	89%
Ohio	501,000	94%	90%
Oklahoma	291,000	95%	92%
Oregon	134,000	94%	88%
Pennsylvania	270,000	94%	88%
South Carolina	157,000	96%	92%
Tennessee	311,000	95%	91%
Texas	709,000	95%	90%
Utah	91,000	94%	92%
Vermont	68,000	90%	88%
Virginia	198,000	94%	83%
Washington	145,000	94%	86%
West Virginia	134,000	94%	92%
Wisconsin	291,000	93%	89%

* Estimates exclude Delaware, the District of Columbia, New Jersey, and Rhode Island because they consist entirely of metropolitan areas, and Massachusetts, Maryland, North Dakota, South Dakota, and Wyoming due to lack of reliable data on metro/non-metro residence. If the eight missing states and D.C. were included, the national total for metro and non-metro areas combined would be roughly 65.6 million children.

Source: CBPP estimates based on U.S. Census Bureau's 2016-2018 American Community Survey (ACS) and March 2019 Current Population Survey (CPS), using 2021 tax parameters and incomes adjusted for inflation to 2021 dollars. We started with a CPS-based estimate of children benefiting and allocated it to states and metro/non-metro areas using the ACS (column 2); to calculate the percentages in columns 3 and 4, we calculated national numerators and denominators using the CPS and allocated each by state using the ACS. For each of 982 local geographic areas identified in the Census files, we used data from the Missouri Census Data Center on whether the area was metropolitan, non-metropolitan, or a mix; and, if mixed, what share of the population was non-metro under the Office of Management and Budget's 2015 area definitions.