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Expanding the EITC Would Benefit Veterans and Service Members in Every State

By Emily Horton and Chuck Marr

The Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC) — pro-work tax credits for low- and moderate-income working households — boost the economic security of millions of veteran and military households. Roughly 2 million veteran and military households earn the EITC, the low-income component of the CTC, or both, an analysis of Census and IRS data shows. Congress could strengthen the EITC for more than 600,000 veterans and active duty service members by closing the large gap in the credit for adults not raising children and non-custodial parents.

Pro-Work Tax Credits Benefit Millions of Veteran and Military Households

Pro-work tax credits boost the economic security of millions of veteran and military households. Some 2 million veteran and military households earn the EITC, the low-income component of the CTC, or both, according to an analysis of Census and IRS data. In about 1.7 million of these households, a member of the household is a veteran; in the rest, a member of the household is currently serving in the military.

For many veteran and military households, these credits make a major difference to their economic security. For example, the federal EITC and CTC together keep roughly 140,000 veteran and military households from falling below the poverty line and lessen the severity of poverty for another 420,000 such families, based on the federal government's Supplemental Poverty Measure (SPM).¹ (The SPM, unlike the official poverty measure, counts tax credits as income.)

¹ These poverty figures use 2014 Census Bureau data. The SPM poverty line for a couple with two children was \$25,460 in 2014. The poverty-reduction figures cited here include the entire CTC, both its low-income (that is, refundable) and non-refundable portions. Refundable credits like the EITC and the low-income portion of the CTC help families whose incomes are so low that they owe little or no federal income tax.

Hole in EITC for Workers Not Raising Children Affects Many Veterans and Service Members

Workers who don't claim dependent children for tax purposes are eligible for little or no EITC; that's partly why they're the only group that the federal tax code actually taxes into poverty.² Providing a more adequate EITC to these workers — including many low-income veterans and service members not raising children in the home — would boost their incomes and help offset their federal taxes, among other important benefits.³

More than 600,000 veterans and active duty service members would receive a new or larger EITC under President Obama's and House Speaker Paul Ryan's nearly identical proposals to strengthen the EITC for childless workers and non-custodial parents. Their proposals would lower the eligibility age for the EITC for workers not raising children in the home to 21 and raise the maximum credit for these workers to roughly \$1,000. These changes would make significant progress toward meeting the core principle that no American worker should be taxed into poverty, though they wouldn't fully reach that goal.

More than 700,000 veterans and active duty service members would benefit from more robust proposals by Senate Finance Committee member Sherrod Brown and House Ways and Means Committee member Richard Neal. Their proposals would essentially ensure that the federal tax code doesn't tax childless wage-earners aged 21-64 into poverty by providing an EITC that fully offsets these workers' payroll and income taxes.

These bipartisan proposals to expand the EITC for low-wage workers who aren't raising children in the home would extend its success to a diverse group of workers, including thousands of veterans and active duty service members, in every state.⁴ Table 1 below shows the number of veterans and service members benefitting from each proposal by state. (See the appendix for additional notes on our methodology.)

These figures show the effect of extending the *federal* EITC. But 26 states plus the District of Columbia also offer state EITCs that build on the success of the federal tax credit, typically set as a percentage of the federal EITC.⁵

² Chuck Marr and Bryann DaSilva, "Childless Adults Are Lone Group Taxed Into Poverty," Center on Budget and Policy Priorities, April 19, 2016, <http://www.cbpp.org/research/federal-tax/childless-adults-are-lone-group-taxed-into-poverty>.

³ Chuck Marr *et al.*, "Strengthening the EITC for Childless Workers Would Promote Work and Reduce Poverty," Center on Budget and Policy Priorities, April 11, 2016, <http://www.cbpp.org/research/federal-tax/strengthening-the-etc-for-childless-workers-would-promote-work-and-reduce>.

⁴ For more on how these proposals would benefit workers in each state, see our state fact sheets on the Earned Income and Child Tax Credits, <http://www.cbpp.org/research/federal-tax/state-fact-sheets-the-earned-income-and-child-tax-credits>.

⁵ For more on state EITCs, see Erica Williams and Michael Leachman, "States Can Adopt or Expand Earned Income Tax Credits to Build a Stronger Future Economy," updated January 19, 2016, <http://www.cbpp.org/research/state-budget-and-tax/states-can-adopt-or-expand-earned-income-tax-credits-to-build-a>.

TABLE 1

State-by-State Impact of Proposed EITC Expansions on Veterans and Active Duty Military Workers Not Raising Children in the Home, 2017

	Veterans and military workers helped under Obama, Ryan ^a plans	Veterans and military workers helped under Brown, Neal plans
United States	600,000	700,000
Alabama	12,000	15,000
Alaska	3,000	3,000
Arizona	14,000	15,000
Arkansas	8,000	9,000
California	45,000	51,000
Colorado	12,000	14,000
Connecticut	4,000	5,000
Delaware	2,000	2,000
District of Columbia	*	*
Florida	52,000	59,000
Georgia	24,000	28,000
Hawaii	3,000	4,000
Idaho	5,000	5,000
Illinois	21,000	24,000
Indiana	15,000	17,000
Iowa	7,000	8,000
Kansas	6,000	7,000
Kentucky	11,000	12,000
Louisiana	10,000	11,000
Maine	5,000	6,000
Maryland	8,000	9,000
Massachusetts	9,000	10,000
Michigan	25,000	27,000
Minnesota	11,000	11,000
Mississippi	8,000	9,000
Missouri	15,000	17,000
Montana	4,000	4,000
Nebraska	5,000	5,000
Nevada	6,000	7,000
New Hampshire	4,000	4,000
New Jersey	9,000	9,000

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State-by-State Impact of Proposed EITC Expansions on Veterans and Active Duty Military Workers Not Raising Children in the Home, 2017

	Veterans and military workers helped under Obama, Ryan ^a plans	Veterans and military workers helped under Brown, Neal plans
New Mexico	5,000	6,000
New York	24,000	27,000
North Carolina	21,000	25,000
North Dakota	2,000	2,000
Ohio	26,000	31,000
Oklahoma	10,000	11,000
Oregon	9,000	11,000
Pennsylvania	30,000	32,000
Rhode Island	2,000	2,000
South Carolina	13,000	15,000
South Dakota	3,000	3,000
Tennessee	16,000	18,000
Texas	45,000	52,000
Utah	4,000	5,000
Vermont	2,000	2,000
Virginia	18,000	21,000
Washington	17,000	19,000
West Virginia	4,000	5,000
Wisconsin	13,000	15,000
Wyoming	2,000	2,000

Notes: State figures rounded to the nearest 1,000; national figures rounded to the nearest 100,000. "Workers" refers to qualifying tax filers, or spouses, with one or more weeks of work during the tax year. Estimates from CBPP analysis of data from U.S. Department of Treasury, Census Bureau's March 2015 Current Population Survey (CPS), and American Community Survey (ACS) from 2012-2014.

^a Numbers helped by the Ryan plan may be slightly smaller than listed for some groups because the Ryan proposal does not extend eligibility to workers age 65 and 66, as the Obama plan does.

* Insufficient sample size in survey data to estimate impacts.

Appendix: Methodology

The estimates in this analysis use a combination of IRS and Census Bureau data and Treasury estimates.

Estimates of veteran and military households receiving the EITC and/or refundable CTC. IRS data (including IRS state data on the overlap between the EITC and refundable CTC compiled by the Brookings Metropolitan Policy Program) show that, in total, about 31.9 million households (filing units) received either the EITC or the low-income portion of the CTC in 2013.⁶ Census data from the March 2015 Current Population Survey (CPS) indicate that, nationally, 6.2 percent of such households have a member who is a veteran or serving in the military.⁷ Multiplying the 31.9 million total from IRS data by this 6.2 percent yields the number of veteran and military households receiving these credits nationally (2.0 million).⁸

Estimates of the number of veterans and service members that would benefit from proposal to fix the gap in the EITC for workers not raising children in the home. Treasury Office of Tax Analysis estimates show that in 2017, the President's proposal for a more adequate EITC for workers not raising children in the home would help 13.0 million such workers in the 50 states and Washington, D.C. Census data from the March 2015 CPS indicate that 4.8 percent of such workers are veterans or active duty service members. Multiplying the 13.0 million total from the Treasury estimate by this 4.8 percent yields the estimated number of veterans and service members who would benefit nationally, 600,000.⁹ Census data indicate that the number of veterans and service members helped by the Brown-Neal plan would be roughly 14 percent larger than the number helped by the

⁶ Published IRS figures show that 28.5 million tax filers claimed the EITC in tax year 2013 (<https://www.irs.gov/pub/irs-soi/13in54cmcsv.xlsx>). In addition, according to IRS data compiled by the Brookings Institution's Metropolitan Policy Program (<https://www.brookings.edu/interactives/earned-income-tax-credit-eitc-interactive-and-resources/>), approximately another 3.4 million tax filers claimed the low-income (refundable) portion of the CTC in 2013, not counting those who also claimed the EITC, for a total of about 31.9 million families who claimed either credit.

⁷ Taxes and tax credits in the CPS are estimated by the Census Bureau based on income and other information provided by CPS respondents.

⁸ The Census data undercount the total number of households receiving the EITC and CTC. For this reason, we start with the actual number of households receiving the credit in IRS records and use Census data to estimate the share of participating families that are armed-forces families. If we used only the Census data, the results would be similar but somewhat lower. In some respects, our estimates are low. They leave out some armed-forces members and their families that we could not reliably identify from the Census data, such as families with a member of the military who is serving overseas, stationed in barracks, or living in a household without any civilians (such service members are not included in CPS counts of armed-forces members). Moreover, we do not count families where the only current or former service member is a dependent living at home. For example, a recently discharged veteran with service-related disabilities living with his or her parents and working some hours during the year would most likely count as a tax dependent for these calculations and would therefore not be included in our tally.

⁹ Numbers helped by the Ryan plan may be slightly smaller than listed for some groups because the Ryan proposal does not extend eligibility to workers age 65 and 66, as the Obama plan does.

Obama plan, yielding an estimate of 700,000 veterans and military personnel benefitting nationally from the Brown-Neal proposals.

We allocate this national total by state based on the estimated distribution of veterans and service members benefitting from these proposals in American Community Survey (ACS) data for 2012 to 2014.¹⁰

State figures are rounded to the nearest thousand; the national total is rounded to the nearest 100,000.

¹⁰ We estimate families' taxes and tax credits in the ACS based on income and other information provided by ACS respondents. The estimates use three years of data from the ACS to improve reliability.