

---

June 15, 2015

## 14 Million Millennials Benefit From Pro-Work Tax Credits But 6 Million Will Lose Out if Congress Fails to Save Key Provisions

By Bryann DaSilva, Arloc Sherman, and Chye-Ching Huang

Roughly 14 million millennial workers (workers ages 18-34) earn the Earned Income Tax Credit (EITC) or low-income component of the Child Tax Credit (CTC), two tax credits for low- and moderate-income working households. Research shows that the EITC and CTC encourage and reward work. A growing body of research also suggests that children in families receiving the credits have improved health, perform better in school, are likelier to attend college, and can be expected to work and earn more as adults.<sup>1</sup> Policymakers concerned with helping millennials succeed should make permanent critical EITC and CTC provisions set to expire at the end of 2017 and plug a glaring hole in the EITC for childless adults and non-custodial parents.

- **Working-family tax credits make a major difference to the economic security of millions of millennials and their families.** Some 13.9 million working millennials — more than one in five — receive the EITC, the low-income portion of the CTC, or both.
- **Millions of millennial workers will lose some or all of their credits if lawmakers fail to act.** Key EITC and CTC provisions are set to expire at the end of 2017. If lawmakers don't save these provisions by making them permanent, 6.3 million millennial workers will lose some or all of their credits.
- **Closing the large gap in the EITC for childless adults and non-custodial parents is also critical for millennials.** The federal tax system taxes 4.1 millennial “childless workers” (workers who don't claim dependent children for tax purposes) into or deeper into poverty, in part because childless workers receive little or no EITC. President Obama and House Ways and Means Committee Chairman Paul Ryan have offered nearly identical proposals to boost the EITC for childless workers, including making workers aged 21 to 25 eligible; 8.6 millennial workers would benefit. In fact, the President's proposal would *disproportionately* help millennial workers, who make up 34 percent of all workers but 57 percent of the workers who would benefit.

---

<sup>1</sup> Chuck Marr *et al.*, “Earned Income Tax Credit Promotes Work, Encourages Children's Success at School, Research Finds,” Center on Budget and Policy Priorities, updated April 3, 2015, <http://bit.ly/1EMX1xb>.

## EITC and CTC Make Major Difference to Millennials' Economic Security

Many millennial workers — now about a third of the labor force — have faced a challenging start to their working lives due to the severe recession and slow recovery. For young workers struggling to make ends meet, the income boost from the EITC and CTC helps them meet basic needs and get on a sound economic footing as they build their careers. Some 13.3 million households headed by a millennial worker receive the EITC, low-income portion of the CTC, or both. These households receive an average of about \$2,200 per household from the EITC and about \$1,300 from the low-income CTC. In these 13.3 million households, one or both of the credits reach:<sup>2</sup>

- 13.9 million millennial workers, or more than one-fifth of all millennial workers (see Table 1 for state-specific data);
- 37.1 million people, including 20.7 million children; and
- 11.3 million millennial parents.<sup>3</sup>

TABLE 1

### Millennial Workers Earning EITC or Low-Income CTC, 2012

<b>50 States + DC</b>	<b>13,900,000</b>
Alabama	269,000
Alaska	27,000
Arizona	279,000
Arkansas	173,000
California	1,683,000
Colorado	210,000
Connecticut	106,000
Delaware	37,000
Dist. of Columbia	30,000
Florida	846,000
Georgia	610,000
Hawaii	54,000
Idaho	79,000
Illinois	573,000
Indiana	297,000
Iowa	117,000
Kansas	141,000
Kentucky	195,000
Louisiana	242,000
Maine	44,000
Maryland	232,000

<sup>2</sup> “Households” are tax filing units for these estimates. “Workers” are those who report working any weeks in the year. A household headed by a millennial worker is one where either the filer or their spouse is a millennial worker. Estimates of tax units receiving the credits from CBPP analysis of Census Bureau’s March 2010-2014 Current Population Surveys, IRS Statistics of Income data for 2012, and additional 2012 IRS data compiled by the Brookings Institution Metropolitan Policy Program. These figures are for the federal credits; twenty-five states plus the District of Columbia also offer [a state EITC](#), typically set at a percentage of the federal EITC.

<sup>3</sup> “Millennial parents” here include millennial filers or spouses in a tax filing unit with dependent children.

TABLE 1

**Millennial Workers Earning EITC or Low-Income CTC, 2012**

<b>50 States + DC</b>	<b>13,900,000</b>
Massachusetts	167,000
Michigan	393,000
Minnesota	192,000
Mississippi	194,000
Missouri	291,000
Montana	45,000
Nebraska	82,000
Nevada	132,000
New Hampshire	36,000
New Jersey	258,000
New Mexico	116,000
New York	813,000
North Carolina	486,000
North Dakota	26,000
Ohio	479,000
Oklahoma	185,000
Oregon	156,000
Pennsylvania	425,000
Rhode Island	38,000
South Carolina	255,000
South Dakota	38,000
Tennessee	354,000
Texas	1,412,000
Utah	146,000
Vermont	20,000
Virginia	291,000
Washington	262,000
West Virginia	71,000
Wisconsin	212,000
Wyoming	24,000

Source: CBPP estimates based on data from IRS, unpublished data from the Brookings Metropolitan Policy Program, and CBPP analysis of the Census Bureau's March 2010-March 2014 Current Population Survey.

The EITC and CTC also reduce poverty significantly among millennials and their families. Under the federal government's Supplemental Poverty Measure, which (unlike the official poverty measure) counts tax credits as income, the EITC and CTC together:

- keep 1.8 million millennials out of poverty and lift 6.1 million others closer to the poverty line;
  - keep 1.2 million millennial parents out of poverty and lift 2.8 million closer to the poverty line;
- and

- keep 1.9 million children of millennials out of poverty and lift 4.2 million others closer to the poverty line.<sup>4</sup>

## Millions of Millennials Face Cuts in Credits if Lawmakers Fail to Act

Congress must act to save key provision of the EITC and CTC before they expire.<sup>5</sup> The stakes for millennials are high: 5.9 million households headed by a millennial worker stand to lose all or part of their EITC, CTC, or both. If these provisions expire at the end of 2017:

**Not one penny of the \$14,500 in earnings of a full-time, minimum-wage worker would count toward the CTC.** The earnings needed to qualify for even a tiny CTC would jump from \$3,000 to \$14,700. The earnings needed to qualify for the *full* CTC would rise from \$16,330 to more than \$28,000 for a married couple with two children. A single mother with two children who works full time at the minimum wage (and earns \$14,500) would lose her entire CTC of \$1,725, for example.

**Many married couples would face higher marriage penalties and cuts to their EITC.** Currently, to reduce marriage penalties, the income level at which the EITC begins to phase out is set \$5,000 higher for married couples than for single filers. After 2017, it would only be \$3,000 higher than for single parents, which would shrink the EITC for many low-income married filers and increase the marriage penalty for many two-earner families.

**Larger families would face a cut in their EITC.** After 2017, the maximum EITC for families with more than two children would fall by over \$700, to the level of the maximum EITC for families with two children.

The blow for millennials would be hard. The 5.9 million households headed by a millennial that would lose some or all of their EITC or CTC include:

- 6.3 million millennial workers (see Table 2 for state-specific data);
- 6.7 million millennial parents; and
- 12.0 million children of millennials.

Letting the provisions expire would also push 4.3 million millennials into or deeper into poverty. Policymakers can avoid this outcome by making these key provisions permanent.

---

<sup>4</sup> Poverty figures are annual averages for 2009 to 2013. CBPP analysis of Census Bureau's March 2010-2014 Current Population Surveys and 2009-2013 Supplemental Poverty Measure public use files. 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 (though such families may owe other taxes such as excise taxes, payroll taxes and state and local taxes). For anti-poverty effects, millennial parents and children of millennials are counted even in the rare cases where a millennial parent does not claim a child (for example, if a grandparent claims the child as a dependent).

<sup>5</sup> Chuck Marr, Bryann DaSilva, and Arloc Sherman, "Letting Key Provisions of Working-Family Tax Credits Expire Would Push 16 Million People Into or Deeper Into Poverty," Center on Budget and Policy Priorities, February 20, 2015, <http://bit.ly/1QPYrwi>.

TABLE 2

### Millennial Workers Losing All or Part of EITC or CTC if Key Provisions Expire at End of 2017

<b>50 States + DC</b>	<b>6,300,000</b>
Alabama	148,000
Alaska	12,000
Arizona	125,000
Arkansas	92,000
California	642,000
Colorado	94,000
Connecticut	31,000
Delaware	17,000
Dist. of Columbia	11,000
Florida	390,000
Georgia	351,000
Hawaii	23,000
Idaho	34,000
Illinois	226,000
Indiana	136,000
Iowa	48,000
Kansas	59,000
Kentucky	95,000
Louisiana	116,000
Maine	17,000
Maryland	79,000
Massachusetts	69,000
Michigan	195,000
Minnesota	62,000
Mississippi	104,000
Missouri	149,000
Montana	18,000
Nebraska	32,000
Nevada	50,000
New Hampshire	11,000
New Jersey	90,000
New Mexico	61,000
New York	323,000
North Carolina	269,000
North Dakota	10,000
Ohio	208,000
Oklahoma	110,000
Oregon	65,000
Pennsylvania	175,000
Rhode Island	14,000
South Carolina	148,000
South Dakota	17,000

TABLE 2

## Millennial Workers Losing All or Part of EITC or CTC if Key Provisions Expire at End of 2017

<b>50 States + DC</b>	<b>6,300,000</b>
Tennessee	190,000
Texas	755,000
Utah	67,000
Vermont	8,000
Virginia	127,000
Washington	123,000
West Virginia	38,000
Wisconsin	79,000
Wyoming	9,000

Source: CBPP analysis based on Citizens for Tax Justice state-by-state estimates of the number of families that will lose all or part of their credits (“Making the EITC and CTC Expansions Permanent Would Benefit 13 Million Working Families,” February 20, 2015) and CBPP analysis of Census Bureau data to determine what share of such tax filers in each state are families with millennial workers. The Census figures use five years of data from the Current Population Survey (2009 to 2013). State figures are rounded to the nearest thousand; national total is rounded to the nearest 100,000.

## Plugging Hole in EITC for Childless Workers Would Help Millions of Millennials

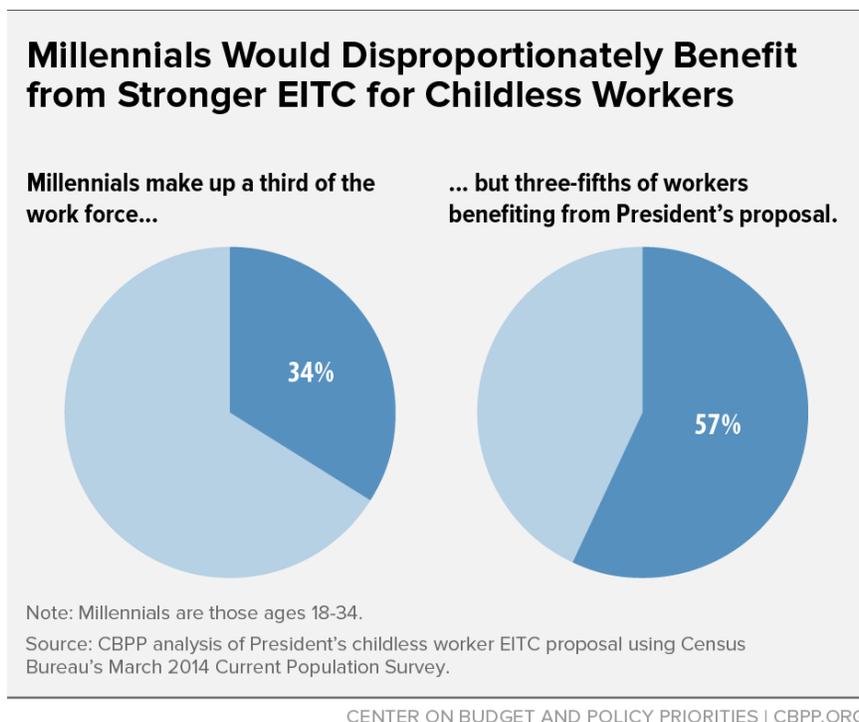
Many “childless workers” — adults without children and non-custodial parents — receive little or no EITC. Childless workers under age 25 are wholly ineligible for the credit, so low-income young people just starting out receive none of the EITC’s proven benefits. Also, the maximum credit for childless workers is just under \$500, and most workers receive far less — just \$270 on average in 2012. Partly because of this small or nonexistent EITC, childless workers are the sole group that the federal tax system taxes into (or deeper into) poverty. Federal income and payroll taxes pushed 4.1 million millennial childless workers below — or further below — the poverty line in 2013.<sup>6</sup>

Fixing these shortcomings of the EITC for childless workers could boost employment rates because the EITC has been shown to raise labor force participation among parents. Researchers believe that a stronger EITC could do the same for childless workers, including many younger and less-skilled workers. Employment rates have fallen significantly over the past two decades for both men and women who have no schooling beyond high school and are not raising children in their homes. The declines have been particularly steep among young adults — those aged 20-24, who are currently excluded from the childless workers’ EITC.<sup>7</sup>

<sup>6</sup> CBPP analysis of Census Bureau’s March 2014 Current Population Survey and 2013 SPM public use file. In 2013, the federal tax system pushed 8.1 million childless workers into or deeper into poverty. For an analysis using estimates for 2012, see Chuck Marr *et al.*, “Lone Group Taxed Into Poverty Should Receive a Larger EITC,” Center on Budget and Policy Priorities, updated April 14, 2014, <http://bit.ly/1e6TuDk>.

<sup>7</sup> Chuck Marr, Chye-Ching Huang, “Strengthening the EITC for Childless Workers Would Promote Work and Reduce Poverty,” February 20, 2015, Center on Budget and Policy Priorities, <http://bit.ly/1Fc61uc>.

FIGURE 1



Increasing employment rates among less educated childless adults could have important benefits beyond raising these workers' incomes and helping offset their federal taxes. Researchers have noted the connection between higher employment rates and increased income, increased financial stability, lower incarceration rates, and higher marriage rates. For that reason, several leading analysts have argued that a large boost for the childless workers' EITC could help lower incarceration and boost marriage rates among young, disadvantaged men. For example, John Karl Scholz, an economist and former Treasury official who is one of the nation's foremost authorities on the EITC, strongly recommends a more ample EITC for childless workers, explaining: "increasing the return to work for childless workers will lower unemployment rates and achieve the dual social benefits of reducing incarceration rates and increasing marriage rates."<sup>8</sup>

Promisingly, the President and House Ways and Means Committee Chairman Paul Ryan have proposed nearly identical EITC expansions for childless workers. For example, the EITC for a single childless worker making poverty-level wages (roughly \$12,600 in 2015) would rise from about \$170 under current law to about \$840 in 2015 under both proposals. The President's proposal would help 8.6 million millennial workers, lifting 4.5 million millennials out of poverty or closer to the poverty line.<sup>9</sup> In fact, millennial workers would benefit disproportionately: they make up 34 percent of all workers but 57 percent of the workers who would benefit from the President's proposal.

<sup>8</sup> John Karl Scholz, "Employment-Based Tax Credits for Low-Skilled Workers," The Hamilton Project, December 2007, [http://www.hamiltonproject.org/papers/employment-based\\_tax\\_credits\\_for\\_low-skilled\\_workers/](http://www.hamiltonproject.org/papers/employment-based_tax_credits_for_low-skilled_workers/).

<sup>9</sup> CBPP analysis of President's proposal using Census Bureau's March 2014 Current Population Survey and 2013 SPM public use file. Chairman Ryan's proposal is nearly identical, but unlike the President's proposal, would not raise the age at which a worker could receive the EITC to allow workers aged 65 and 66 to claim it. Recent congressional proposals to expand the EITC for childless workers would have even bigger anti-poverty effects, since their expansions are larger than the Obama and Ryan proposals.