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This analysis has been updated.
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Working-Family Tax Credits Help Over 1 Million Veteran and Armed-Forces Families Credits Keep More Than 150,000 Such Families out of Poverty

By Arloc Sherman and Bryann DaSilva

About one in four former or current armed-forces families with children — 1.4 million families — receive either the Earned Income Tax Credit (EITC) or the low-income component of the Child Tax Credit (CTC), two tax credits for low- and moderate-income working families, according to an analysis of Census and IRS data. In about 290,000 of these families, a parent is currently serving in the armed forces; in the rest, a parent is a veteran.

The 1.4 million families contain about 3 million children under age 18 and received, on average, about \$1,050 per household from the low-income portion of the Child Tax Credit in 2012 and \$2,300 from the EITC. The EITC and CTC encourage and reward work, and there is growing evidence that income from these credits leads to improved school performance, higher college enrollment, and increased work effort and earnings in adulthood.¹

Table 1 provides state-by-state estimates. The number of veteran and armed-forces families receiving the credits ranges from roughly 2,000 in North Dakota and Vermont to more than 100,000 in Texas and Florida. In eight states (Alaska, Kansas, Montana, Tennessee, Virginia, Washington, West Virginia, and Wyoming), former and current armed-forces families made up more than 10 percent of families with children receiving either the EITC or the low-income component of the CTC. Former and current armed-forces families make up 6.1 percent of the families receiving these tax credits nationwide.

In 2014, a married couple with two children may qualify for the EITC if it makes less than about \$49,200; it may qualify for the low-income portion of the CTC if it makes less than about \$48,500. (Families with incomes somewhat above this level can still qualify for a CTC to offset the income taxes they otherwise would owe.) The income thresholds are lower for smaller families. For many veteran and armed-forces families, these credits make a major difference to their economic security:

- The EITC and CTC together kept more than 150,000 veteran and armed-forces families — with more than 300,000 children and 600,000 total family members — from falling below the poverty line, based on the federal government’s Supplemental Poverty Measure (SPM).² (The SPM, unlike the official poverty measure, counts tax credits as income.)

- These credits reduced the severity of poverty for about another 800,000 members of veteran and armed-forces families.

The figures in this analysis come from a combination of IRS and Census Bureau data. IRS data show that, in total, about 24 million families with children received either the EITC or the low-income portion of the CTC in 2012.³ Census data for 2009 through 2013 indicate that, nationally, 6.1 percent of such families have a parent who is a veteran or on active duty.⁴ (Multiplying the 24 million total from IRS data by this percentage yields the number of families assisted.⁵)

Table 1	
Estimated Number of Veteran and Armed-Forces Families with Children That Receive the EITC or Low-Income Component of the Child Tax Credit	
U.S. Total	1,400,000
Alabama	35,000
Alaska	7,000
Arizona	35,000
Arkansas	15,000
California	93,000
Colorado	25,000
Connecticut	9,000
Delaware	5,000
Florida	113,000
Georgia	89,000
Hawaii	9,000
Idaho	6,000
Illinois	47,000
Indiana	35,000
Iowa	11,000
Kansas	20,000
Kentucky	30,000
Louisiana	24,000
Maine	7,000
Maryland	21,000
Massachusetts	6,000
Michigan	37,000
Minnesota	10,000
Mississippi	16,000
Missouri	26,000
Montana	8,000
Nebraska	9,000
Nevada	13,000
New Hampshire	5,000
New Jersey	19,000
New Mexico	10,000
New York	44,000
North Carolina	69,000
North Dakota	2,000
Ohio	44,000
Oklahoma	27,000
Oregon	16,000
Pennsylvania	35,000

Table 1 (continued)

Estimated Number of Veteran and Armed-Forces Families with Children That Receive the EITC or Low-Income Component of the Child Tax Credit

Rhode Island	3,000
South Carolina	24,000
South Dakota	4,000
Tennessee	70,000
Texas	127,000
Utah	11,000
Vermont	2,000
Virginia	53,000
Washington	50,000
West Virginia	13,000
Wisconsin	24,000
Wyoming	3,000

Source: CBPP analysis of IRS data (including state data on the overlap between the Earned Income Tax Credit and Child Tax Credit compiled by the Brookings Metropolitan Policy Program) on the total number of EITC and Child Tax Credit tax filers with children in tax year 2012; and CBPP analysis of Census Bureau data to determine the share of such tax filers in each state that were armed-forces families. The Census figures use five years of data from the Current Population Survey (2009 to 2013) to improve reliability. State figures are rounded to the nearest thousand; national total is rounded to the nearest 100,000.

¹ Chuck Marr, Chye-Ching Huang, and Arloc Sherman, “Earned Income Tax Credit Promotes Work, Encourages Children’s Success at School, Research Finds,” Center on Budget and Policy Priorities, revised April 15, 2014, <http://www.cbpp.org/cms/?fa=view&id=3793>.

² These poverty figures are a five-year average for 2009 through 2013 using Census Bureau data. The SPM poverty line for a couple with two children was \$25,144 in 2013. 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.

³ Published IRS figures show that 20.3 million tax filers with one or more qualifying children claimed the EITC in tax year 2012. In addition, according to unpublished IRS data compiled by the Brookings Institution’s Metropolitan Policy Program, approximately another 3.5 million tax filers claimed the low-income (refundable) portion of the CTC in 2012, not counting those who also claimed the EITC, for a total of about 23.8 million families with children who claimed either credit.

⁴ The 6.1 percent estimate is from a Center on Budget and Policy Priorities analysis of the latest five years of data (for 2009 through 2013) from the Census Bureau’s Current Population Survey (CPS). We use five years of data to improve the reliability of the estimates. Taxes and tax credits in the CPS are estimated by the Census Bureau based on income and other information provided by CPS respondents.

⁵ The Census data undercount the total number of families receiving the EITC and CTC. For this reason, we start with the actual number of families receiving the credit in IRS records and use Census data to estimate the portion of participating families that are armed-forces families. If we used only the Census data, the results would be similar but a bit lower.

In some respects, our estimates are low. They leave out some veteran and armed-forces families that we could not reliably identify from the Census data, such as families with a member of the armed forces who is serving overseas or stationed in barracks (this member is therefore not covered in the survey). Moreover, because we focus on parents, we do not count families where the only current or former service member is a dependent living at home. For example, recently discharged veterans with service-related disabilities count as dependents for the purpose of the Census EITC and CTC but are not included in our tally.