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Saving Key Provisions of Pro-Work Tax Credits Would Help Wide Range of Low-Wage Workers

By Chuck Marr, Vincent Palacios, and Bryann DaSilva

When federal policymakers return after Labor Day, they should show their support for the millions of Americans working for relatively low wages by saving key provisions of the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC) scheduled to expire at the end of 2017.[1] The expected push this fall to permanently extend several corporate tax breaks should not take precedence over saving critical components of these pro-work tax credits, on which many construction workers, child care providers, retail salespeople, nursing home aides, and other workers earning modest wages rely. (See attached spreadsheet for state-by-state figures of selected occupations). Policymakers should also fill the glaring hole in the EITC for childless adults and non-custodial parents, which would help a similarly broad range of workers.

Many of the workers we come across daily — while grabbing a cup of coffee, passing a construction site, dropping a child off at daycare, shopping for back-to-school clothes, or visiting a parent in a nursing home — don't make much money. The median wage is $10.64 per hour for building, grounds cleaning, and maintenance workers, $9.20 for food preparation and service workers, $14.20 for transportation and warehousing workers (including truck drivers), and $12.71 for health care support staff, such as home health aides.[2] The EITC and the CTC reward work for these and other low- and moderate-income workers, helping them make ends meet and provide the basics for their children.

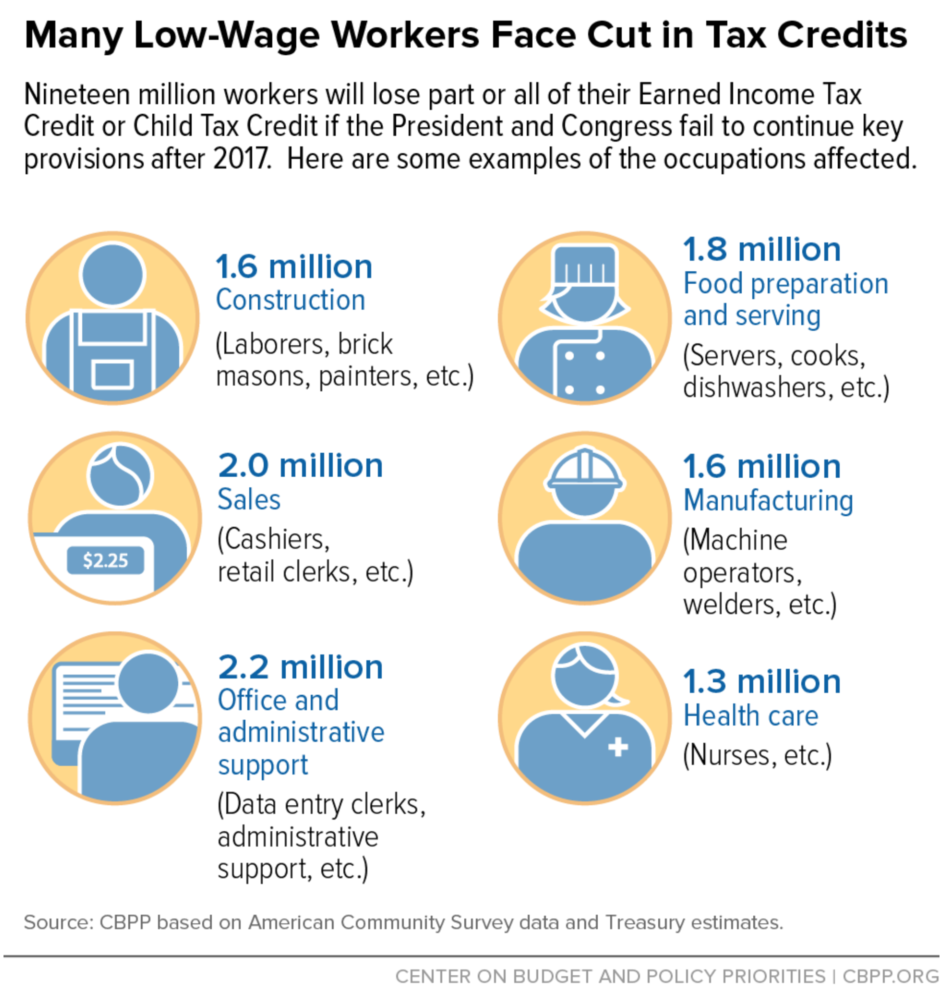
These tax credits have long enjoyed bipartisan support because of their policy success; they encourage work and reduce poverty. In fact, the EITC "may ultimately be judged one of the most successful labor market innovations in U.S. history," according to the University of California's Hilary Hoynes.[3] Moreover, recent exciting research suggests that the tax credits' benefits extend to

[1] For more detail on the provisions set to expire, see 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.

[2] Bureau of Labor Statistics data retrieved through the Occupational Employment Statistics Query System. Data for May 2014, extracted on August 11, 2015.

[3] Hilary Hoynes, "A Revolution in Poverty Policy: The Earned Income Tax Credit and the Well-Being of American Families," *Pathways,* Summer 2014, pp. 23-27, http://web.stanford.edu/group/scspi/_media/pdf/pathways/summer_2014/Pathways_Summer_2014.pdf.

the next generation. Studies suggest children in families who receive income boosts from the EITC and CTC tend to be healthier, do better in school, and be more likely to go to college and to work more as adults, relative to other low-income children whose families do not receive this extra help.[4]



Saving Key EITC and CTC Provisions

Several key provisions of these successful tax credits, however, will expire at the end of 2017 unless policymakers act. If they expire:

- **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

[4] 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/1NupNqR.

from $3,000 to $14,600. The earnings needed to qualify for the *full* CTC would rise from $16,330 to nearly $28,000 for a married couple with two children. A single home health aide with two children who works full time at the minimum wage (and earns $14,500) would lose his entire CTC of $1,725, for example.

- **Many married couples would face higher marriage penalties and cuts to their EITC.** Currently, to reduce the marriage tax penalty, 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, which would cut the EITC for many low-income married couples 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.

An estimated total of 19 million workers are at risk of cuts in their standard of living, representing a wide cross-section of occupations. Table 1 illustrates the range of workers who stand to lose some or all of their tax credits (this is a non-exhaustive list).

TABLE 1

Selected Workers Losing Some or All of EITC or CTC if Key Provisions Expire at End of 2017

Occupation group	Examples	Estimated number affected
Office and administrative support	Data entry clerks, administrative assistants	2,247,000
Sales	Cashiers, retail clerks	2,078,000
Food preparation and serving	Waiters and waitresses, cooks, dishwashers	1,849,000
Building and grounds cleaning and maintenance	Custodians, ground maintenance workers	1,651,000
Manufacturing	Machine operators, welders, textile workers	1,620,000
Transportation and warehousing	Truck drivers, tractor operators, freight and stock movers, packers	1,601,000
Construction	Laborers, brick masons, painters	1,550,000
Health care	Home health aides	1,345,000
Personal care and service	Child care workers, barbers	1,137,000
Teachers and other education, training, and library occupations	Teaching assistants, preschool teachers	728,000
Installation, maintenance, and repair	Service technicians	653,000
Agriculture, forestry, fishing, and hunting	Farm and fishing workers, loggers	285,000

TABLE 1

Selected Workers Losing Some or All of EITC or CTC if Key Provisions Expire at End of 2017

Occupation group	Examples	Estimated number affected
Protective services	Security guards, correctional officers	215,000
Oil, gas, and mining	Drill operators, blasters, miners	31,000

Source: CBPP estimates based on 2011-2013 American Community Survey data using major occupation categories by state, and Treasury estimates of total numbers of families affected in each state in 2015. Estimates rounded to nearest 1,000.

Filling the Hole in the EITC for Childless Workers

Many childless workers — workers who can't claim dependent children for the EITC — receive little or no EITC, and childless workers under age 25 are completely ineligible for the credit. The maximum EITC for childless workers is just under $500 and most receive far less — just $270 on average in 2012. Partly because their EITC is small or nonexistent, childless workers are the sole group that the federal tax system taxes into (or deeper into) poverty.[5]

The President and House Ways and Means Committee Chairman Paul Ryan (R-WI) have proposed nearly identical plans to help fix these shortcomings by filling the glaring hole in the EITC for childless workers. For example, their plans would boost the EITC for a single childless worker making poverty-level wages (roughly $12,600 in 2015) from about $170 under current law to about $840 in 2015.[6] Some 13.5 million people working in a broad range of occupations would benefit from the proposals;[7] Table 2 provides some examples.

TABLE 2

Workers in Range of Jobs Would Benefit from Expanding Earned Income Tax Credit for Childless Workers

Occupations	Workers benefitting
Cashiers	700,000
Retail salespersons	600,000
Waiters and waitresses	600,000
Cooks	600,000
Custodians and building cleaners	500,000

[5] 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.

[6] Chuck Marr and Chye-Ching Huang, "Strengthening the EITC for Childless Workers Would Promote Work and Reduce Poverty," Center on Budget and Policy Priorities, February 20, 2015, http://bit.ly/1Fc61uc.

[7] Executive Office of the President and U.S. Treasury Department, "The President's Proposal to Expand the Earned Income Tax Credit," March 3, 2014, http://1.usa.gov/OX9XNJ.

TABLE 2

Workers in Range of Jobs Would Benefit from Expanding Earned Income Tax Credit for Childless Workers

Occupations	Workers benefitting
Laborers and freight, stock, and material movers	400,000
Stock clerks and order filers	300,000
Nursing, psychiatric, and home health aides	300,000
Maids and housekeeping cleaners	300,000
Personal and home health care aides	300,000
Grounds maintenance workers	300,000
Construction laborers	300,000
Truck drivers	300,000
Child care workers	200,000
Food preparation workers	200,000

Note: Figures rounded to the nearest 100,000.
Source: Council of Economic Advisers

Conclusion

Policymakers can help millions of Americans working for relatively low wages by saving key provisions of the EITC and CTC scheduled to expire at the end of 2017 and by boosting the tiny EITC for childless adults and non-custodial parents.

Technical Note: Estimating Workers Losing Some or All of EITC or CTC if Key Provisions Expire at End of 2017

For each state, we start with Treasury Department estimates of the number of families who would lose some or all of their tax credits if these key EITC and CTC provisions expire. We multiply this number by the average number of workers in such families, which we derive from Census data. Finally, we apply the state's percentage of such workers in major Census occupation categories, calculated with Census data. This yields the estimated number of workers (tax filers and spouses) who would lose all or part of their tax credits.

Our Census estimates are computed using American Community Survey Public Use Microdata Sample (PUMS) data from 2011 to 2013. We use multiple years of data to improve reliability. With PUMS data, we create a simplified tax model that estimates the EITC and CTC for each tax filing unit and identifies which tax units would lose out if the provisions expire. All income figures and tax parameters are in 2013 inflation-adjusted dollars.