

Expansions of the Earned Income Tax Credit and Child Tax Credit Would Benefit Millions of Asian Americans



The Earned Income Tax Credit (EITC) and Child Tax Credit go to millions of low- and moderate-income working families each year. Studies show that the EITC increases employment, raises incomes, and reduces poverty. Research also links income from these tax credits to a series of gains for children – better infant health, improved school performance, higher college enrollment, and increases in earnings in adulthood. As a result, the tax credits appear to reduce poverty not only in the near term but also in the next generation.

A number of legislative proposals would make the EITC or the Child Tax Credit – including its refundable component – more effective. For example, the Working Families Tax Relief Act – introduced by Senators Sherrod Brown, Michael Bennet, Richard Durbin, and Ron Wyden and 42 co-sponsors in the Senate and by Representatives Dan Kildee and Dwight Evans in the House – would *both* make the Child Tax Credit fully refundable (so it reaches children in the poorest families) *and* boost the EITC. That legislation would:

- Boost the incomes of an estimated 46 million households – including 2 million Asian American households.
- Substantially expand both the EITC for families with children *and* the EITC for workers not raising a child at home. The expansions include broadening the age range of workers eligible for the credit from 25-64 today to 19-67, a provision that would support young workers, especially those who lack a college degree.

The Working Families Tax Relief Act would have large anti-poverty effects. It would:

- Reduce the *overall* poverty rate (using the Supplemental Poverty Measure, which analysts favor) from 14 percent to 12 percent – a 15-percent reduction.
- Reduce the *Asian American* poverty rate from 14 percent to 13 percent, an 8-percent reduction.
- Lower the *overall* child poverty rate from 15 percent to 11 percent, a 28-percent reduction.
- And shrink the *Asian American* child poverty rate from 12 percent to 11 percent, a 15-percent reduction.

A related bill from the Ways and Means Committee – the Economic Mobility Act – also contains some of these provisions, though on a temporary basis; it would expand the EITC for childless workers and enlarge the Child Tax Credit, including making it fully refundable, for the next two years. Its expansion of the EITC would raise the after-tax incomes of 16 million childless adults, of whom about 700,000 are Asian Americans, while its Child Tax Credit changes would benefit more than 42 million children under age 17 – including 2 million Asian American children.

TABLE 1

Asian American Households Benefiting from the Working Families Tax Relief Act, by State

State	Number of Asian American Households
Total U.S.	2,216,000
Alabama	7,600
Alaska	7,600
Arizona	27,000
Arkansas	5,400
California	670,000
Colorado	23,000
Connecticut	19,000
Delaware	4,400
Dist. of Columbia	2,200

TABLE 1

Asian American Households Benefiting from the Working Families Tax Relief Act, by State

State	Number of Asian American Households
Florida	76,000
Georgia	52,000
Hawaii	59,000
Idaho	2,800
Illinois	84,000
Indiana	19,000
Iowa	11,000
Kansas	13,000
Kentucky	9,500
Louisiana	12,000
Maine	2,000
Maryland	43,000
Massachusetts	54,000
Michigan	35,000
Minnesota	42,000
Mississippi	3,900
Missouri	16,000
Montana	1,600
Nebraska	6,700
Nevada	32,000
New Hampshire	4,800
New Jersey	92,000
New Mexico	4,200
New York	243,000
North Carolina	41,000
North Dakota	1,400
Ohio	31,000
Oklahoma	11,000
Oregon	22,000
Pennsylvania	56,000
Rhode Island	5,200
South Carolina	11,000
South Dakota	2,200
Tennessee	16,000
Texas	162,000
Utah	10,000
Vermont	1,700
Virginia	62,000
Washington	74,000
West Virginia	2,000
Wisconsin	22,000
Wyoming	500

Source: CBPP estimates based on 2015-2017 American Community Survey data and March 2018 Current Population Survey data.