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Women of Color Especially Benefit From Working Family Tax Credits

By Chuck Marr and Yixuan Huang

The Earned Income Tax Credit (EITC) and the Child Tax Credit push back against racial income disparities, as we explained in a recent report.¹ These tax credits are especially important to women of color, but the tax credits can and should do more to boost these families' incomes and longer-term prospects.

The EITC is a federal tax credit for low- and moderate-income working people. A recipient's EITC amount depends on their income, marital status, and number of children. Working people receive the credit beginning with their first dollar of earned income; the amount of the credit rises with earned income until it reaches a maximum level and then begins to phase out at higher income levels. The EITC is "refundable," which means that if it exceeds a low-wage worker's income tax liability, the IRS will refund the balance.²

In 2019, the EITC boosted the incomes of 9 million women of color, who disproportionately benefit from the tax credit. That's largely because people of color are far likelier than white people to work in low-paid occupations, work part-time or part-year instead of full-time and year-round, and have lower wages within a given occupation, trends that reflect both the legacy of severe discrimination and continued structural barriers to opportunity. As Table 1 shows, for example, 21 percent of Black women receive the EITC, more than double the 9 percent share of white women who receive it. Women of color also tend to receive a larger average EITC than white women.³

¹ Chye-Ching Huang and Roderick Taylor, "How the Federal Tax Code Can Better Advance Racial Equity," Center on Budget and Policy Priorities, July 25, 2019, <https://www.cbpp.org/research/federal-tax/how-the-federal-tax-code-can-better-advance-racial-equity>.

² "Policy Basics: The Earned Income Tax Credit," Center on Budget and Policy Priorities, updated June 21, 2019, <https://www.cbpp.org/research/federal-tax/policy-basics-the-earned-income-tax-credit>.

³ We estimated individuals' taxes based on data such as earnings, marital status, and Census Bureau estimates of adjusted gross income, from the March 2018 Current Population Survey. Our estimates account for current-law restrictions on certain immigrant families, or immigrant children claiming the credits, who are undocumented.

TABLE 1

Women (Filers and Spouses) Benefiting From EITC

| | Women Benefiting from the EITC | Average EITC Benefit | Share of Women in Racial and Ethnic Group Receiving the EITC |
|--|--------------------------------|----------------------|--|
| White, non-Latina | 7,380,000 | \$1,600 | 9% |
| Latina | 4,040,000 | \$2,100 | 21% |
| Black, non-Latina | 3,260,000 | \$2,200 | 21% |
| Asian and Pacific Islander, non-Latina | 970,000 | \$1,400 | 12% |
| Native Americans, non-Latina | 220,000 | \$2,300 | 23% |
| Other, non-Latina | 270,000 | \$2,100 | 17% |
| Total | 16,140,000 | \$1,900 | 13% |

Source: CBPP estimates based on March 2018 Current Population Survey data.

The Child Tax Credit generally is delivered to a broad swath of families including those with incomes as high as \$400,000. It includes a refundable component, which is especially important to the 7 million women of color whose families benefit from it. The refundable portion of the credit starts when one earns \$2,500 and is phased in at a rate of 15 cents for each dollar of earnings above \$2,500, with a maximum credit of \$1,400 per child (compared to a maximum credit of \$2,000 per child in the *non*-refundable component of the credit, which flows to families with more income).⁴ Underscoring the importance of the *refundable* component of the CTC to women of color, one-fifth of Latina women receive it, compared to 6 percent of white women. (See Table 2.)

TABLE 2

Women (Filers and Spouses) Benefiting From Refundable Child Tax Credit

| | Women Benefiting From Refundable Child Tax Credit | Average Refundable Child Tax Credit Benefit | Share of Women in Racial and Ethnic Group Receiving the Refundable Child Tax Credit |
|--|---|---|---|
| White, non-Latina | 5,030,000 | \$1,900 | 6% |
| Latina | 4,040,000 | \$2,000 | 21% |
| Black, non-Latina | 2,200,000 | \$1,800 | 14% |
| Asian and Pacific Islander, non-Latina | 670,000 | \$1,800 | 8% |
| Native Americans, non-Latina | 160,000 | \$2,100 | 16% |
| Other, non-Latina | 180,000 | \$1,800 | 12% |
| Total | 12,280,000 | \$1,900 | 10% |

Source: CBPP estimates based on March 2018 Current Population Survey data.

To understand the difference these tax credits make to families, consider a single African American mother with a 5-year-old daughter who earns about \$15,000 a year caring for elderly people in a nursing home in suburban Detroit. She receives a combined \$4,930 from the EITC and Child Tax Credit. These tax credits provide income that could help her fix the car she uses to drive

⁴ “Policy Basics: The Child Tax Credit,” Center on Budget and Policy Priorities, updated April 8, 2019, <https://www.cbpp.org/research/federal-tax/policy-basics-the-child-tax-credit>.

to work, buy the clothes her daughter wears to school, and improve her daughter’s chances of going to college.

The EITC and Child Tax Credit reduce poverty, boost family incomes, and improve the life prospects of millions of children. But they can and should do more. To start with, many children in the lowest-income families receive less than the maximum \$2,000 Child Tax Credit — or no credit at all.

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 cosponsors 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 substantially both for families with children and for workers not raising children in their homes.⁵

This legislation would benefit over 16 million women of color, including more than one-third of Black, Latina, and Native American women. (See Table 3.) The mother in the example above would receive a \$1,600 higher Child Tax Credit and a \$880 increase in her EITC, for a combined income boost of \$2,480 for her and her daughter. Various other bills introduced on Capitol Hill would expand either the Child Tax Credit or the EITC, in many cases substantially.

TABLE 3

Women (Filers and Spouses) Benefiting From the Working Families Tax Relief Act

| | Women Receiving an Increase in EITC or Child Tax Credit | Average Tax Credit Increase | Share of Women in Racial and Ethnic Group Receiving a Tax Credit Increase |
|--|---|-----------------------------|---|
| White, non-Latina | 17,310,000 | \$1,200 | 22% |
| Latina | 7,820,000 | \$1,500 | 41% |
| Black, non-Latina | 5,770,000 | \$1,900 | 38% |
| Asian and Pacific Islander, non-Latina | 2,090,000 | \$900 | 26% |
| Native Americans, non-Latina | 390,000 | \$1,900 | 41% |
| Other, non-Latina | 560,000 | \$1,600 | 36% |
| Total | 33,950,000 | \$1,400 | 28% |

Source: CBPP estimates based on March 2018 Current Population Survey data.

⁵ Chuck Marr *et al.*, “Working Families Tax Relief Act Would Raise Incomes of 46 Million Households, Reduce Child Poverty,” Center on Budget and Policy Priorities, April 10, 2019, <https://www.cbpp.org/research/federal-tax/working-families-tax-relief-act-would-raise-incomes-of-46-million-households>.