



POLICY

STATE EARNED INCOME TAX CREDIT

A refundable state EITC of at least 10% of the federal EITC is an effective state POLICY to impact:



A refundable state EITC of at least 10% of the federal EITC:

- promotes healthy births;
- reduces racial disparities in birth outcomes; and
- has mixed impacts on employment and family income.

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states have adopted and fully implemented a refundable EITC of at least 10% of the federal EITC for all eligible families with any children under age 3.

WHAT IS AN EARNED INCOME TAX CREDIT (EITC)?

The Federal EITC Is a Refundable Tax Credit for Low-Income Workers

Households with at least one working adult can receive the federal EITC either as a reduction in taxes owed or as a refund if the household has no tax liability. The amount of the federal EITC increases as a percentage of income until a plateau income range is reached, then the credit amount decreases slowly as income continues to rise.

The State EITC Is an Additional Credit Based on a Percentage of the Federal EITC

The state EITC is a tax credit for low-income workers, typically calculated as a percentage of the federal EITC. The value and administration of the state EITC is determined by each state, including whether the state credit is refundable or nonrefundable. States typically finance their state EITCs through state income and sales taxes and general fund dollars.

Strong Causal Studies Show That a Refundable State EITC of at Least 10% of the Federal EITC Impacts Three Prenatal-to-3 Policy Goals

Examples of Impact:

Parents' Ability to Work

- A 10% state EITC supplement increased employment among single mothers by 2.1 percentage points compared to single women with no children (GG)
- Living in a state with an EITC boosted the likelihood of mothers' employment (for at least one week per year) by 19% (B)
- A \$100 increase in the maximum federal and state credits reduced annual labor force exit among single women by 2.5 percentage points (U)

Sufficient Household Resources

- States with a refundable EITC had child poverty rates that were 40% lower overall than states without a refundable state credit (A)
- State EITCs boosted mothers' annual wages by 32% (B)
- A \$1,000 increase in the state and federal credit amount led to a \$2,000 increase in annual pretax family earnings during ages 0 to 5 (HH)

Healthy and Equitable Births

- State EITC led to increases in birthweight of between 16 grams to 104 grams, depending on the generosity level (B, CC)
- In states with generous, refundable credits, Black mothers saw the greatest reductions in low birthweight (up to 3,760 fewer babies born low birthweight annually) (II)
- Increasing the maximum federal and state EITC by \$1,000 during childhood decreased the likelihood of giving birth before age 20 by 2% (BB)

Note. Results are based on comprehensive reviews of the evidence. The letters in parentheses in the table above correspond to a strong causal study in the comprehensive evidence review of the state EITC. Each strong causal study reviewed has been assigned a letter. A complete list of causal studies, as well as more details about our standards of evidence and review method, can be found in the Prenatal-to-3 Policy Clearinghouse at pn3policy.org.