

POLICY



STATE EARNED INCOME TAX CREDIT

A refundable state earned income tax credit of at least 10 percent of the federal credit is one of the five most effective policies a state can implement to ensure children get off to a healthy start and thrive, and that promote greater equity in child wellbeing.

The state earned income tax credit (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 (providing a refund to households even in the absence of tax liability).

The most rigorous research studies show that a state earned income tax credit:

IMPACT OF STATE EARNED INCOME TAX CREDIT	EVIDENCE OF IMPACT
Promotes healthy births	<ul style="list-style-type: none"> State EITCs led to increases in birthweight of between 16 grams to 104 grams, depending on the generosity level
Reduces racial disparities in birth outcomes	<ul style="list-style-type: none"> 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)
Increases a family's economic security	<ul style="list-style-type: none"> 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 State EITCs boosted mothers' annual wages by 32%
Boosts maternal labor force attachment	<ul style="list-style-type: none"> A 10% state EITC supplement increased employment among single mothers by 2.1 percentage points compared to single women with no children

► Go to pn3policy.org/clearinghouse for the comprehensive evidence review on state earned income tax credit.

pn3policy.org

The prenatal period to age 3 is the most sensitive and rapid period of growth for the brain and body. State policy choices have a substantial impact on the wellbeing of infants, toddlers, and their parents, and on promoting equity among children. See the Prenatal-to-3 State Policy Roadmap at pn3policy.org/roadmap for more information on the most effective policies and strategies states can implement to help children thrive from the start.

Has Your State Adopted and Fully Implemented a Refundable EITC of at Least 10% of the Federal EITC?

Progress	Detail	# of States
Yes	10 Yes, and the state EITC has become more generous since it was initially enacted.	12
	9	
	8 Yes, but the generosity of the state EITC has not changed since it was initially enacted.	5
	7 Yes, but the state's refundable EITC has become less generous since it was initially enacted.	1
Some Progress	6 No, but the state does have a refundable EITC that is below 10% of the federal EITC.	5
	5 No, but the state does have a nonrefundable EITC.	6
	4 No, but the state does have a tax break for low-income residents that is similar to an EITC.	3
No	3 No, but there has been considerable legislative initiative to establish a state EITC.	2
	2	
	1 No, and there has been little legislative initiative around establishing a state EITC.	8
Regressive	0 No, and the state does not have an income tax.	9

