

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 refundable EITCs of at least 10% of the federal credit, Black mothers with a high school education or less saw greater reductions in low birthweight rates for their infants (1.4 percentage points) compared to White mothers with a high school education or less (0.7 percentage points)
Increases a family's economic security	<ul style="list-style-type: none"> A \$1,000 increase in average federal and state EITC benefits led to an increase of \$2,400 in the pre-tax earnings of households with infants and toddlers, and poverty was reduced by 5 percentage points State EITCs boosted mothers' annual wages by 32%
Boosts maternal labor force attachment	<ul style="list-style-type: none"> A state EITC set at 10% of the federal credit 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.