

The Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC) help low-income working parents make ends meet. Only working parents are eligible.

IN PENNSYLVANIA:

- 670,000 working moms rely on these tax credits.
- 930,000 working households rely on the EITC.
- 616,000 working households rely on the CTC.¹

The EITC and CTC Effectively Reduce Child Poverty & Promote Work

In 2011, the EITC and CTC lifted nearly 5 million children out of poverty—and more than 9 million people overall.² In 2009, Congress made temporary improvements to these tax credits, and that played a big role. The improvements lifted 1.5 million people, and 800,000 children, out of poverty.

In Pennsylvania, the EITC and CTC lifted 118,000 children out of poverty annually between 2009 and 2011.

These credits, and the recent improvements, promote work and reduce the need for welfare. To benefit from the EITC and CTC, a family must be working. Research has shown that EITC increases employment and reduces poverty among families with children, particularly single-mother families.

The EITC and CTC help families working hard in low-wage jobs meet basic needs, such as paying the rent and putting food on the table. A single mother who works full time at minimum wage earns about \$14,500 per year—about \$4,000 below the poverty line for a family of three. The EITC and CTC help bridge that gap, extending a “hand up” to families who are working hard to provide for their children.

In Congress:

U.S. Senators recently introduced the *Working Families Tax Relief Act*, which makes permanent the 2009 enhancements to the Earned Income Tax Credit and the Child Tax Credit. The legislation will allow more moms to take advantage of the EITC by simplifying it and lowering the eligibility age.

Please join us in thanking Senator Bob Casey, a member of the Senate Finance Committee, for supporting this important legislation.

¹ This figure counts the refundable portion of the CTC only. Total CTC claims are higher.

² Center on Budget and Policy Priorities, “Tax Credits for Lower Income Working Families Help 21 Million Mothers”, May 9, 2013. http://www.cbpp.org/files/5-9-13tax-fact_sheet.pdf

Cutting the EITC or CTC would increase poverty, harm mothers and hurt America's economy.

- For example, a single mother with two children who works full time at minimum wage and earns \$14,500 per year would lose almost her entire Child Tax Credit if the 2009 improvements expire; her credit would fall from \$1,725 to just \$165. For a family struggling to afford basic needs like food and rent, a \$1,560 hit would be very difficult.
- A married couple with two children earning \$25,000 per year would see its Earned Income Tax Credit fall by more than \$400—and would lose an additional \$260 in the Child Tax Credit—if the 2009 improvements expire.
- 11 million families would lose an average of \$854 from the expiration of the Child Tax Credits improvements, while 76 million families would lose an average of \$532 if the Earned Income Tax Credit improvements expire, according to Urban-Brookings Tax Policy Center estimates.

Key Takeaways for Pennsylvania Moms

The EITC and CTC provide high “bang for the buck” support for our still-struggling economy. These credits give a significant boost to local economies. Cutting them while the economy remains weak would reduce consumer spending, causing businesses to lose valued customers.

The EITC and CTC benefit small businesses. These tax credits have enjoyed support from the business community because they help low-wage employees cover work-related costs such as transportation and child care.

The EITC and CTC effectively lift working families out of poverty. As Congress debates reforms to the tax code, we should remind lawmakers that these tax credits strengthen our economy while allowing millions of families to work towards the middle class.

The EITC and CTC should not be weakened as Congress debates tax reform. Instead, the improvements made to both tax credits in 2009 should be made permanent.

The Pennsylvania Budget and Policy Center is a non-partisan policy research project that provides independent, credible analysis on state tax, budget and related policy matters, with attention to the impact of current or proposed policies on working families. Learn more at <http://pennbpc.org>.