

Federal EITC Enhancements Help More Than One in Three Young Workers

BY AIDAN DAVIS

The federal Earned Income Tax Credit (EITC) has benefited low- and moderate-income workers for nearly a half century. The credit is one of the nation's most significant and effective anti-poverty programs, helping workers meet their basic needs in the short run while also bolstering their long-run economic security.

Yet, throughout its history, the EITC has left too many people behind. Workers without children in the home—a group that includes noncustodial parents whose children live most of the year with another parent—receive little benefit from the existing federal EITC. Their maximum credit is substantially smaller than for those with children, and the income levels at which they are eligible are set much lower. Workers without children who are younger than 25 or older than 64 receive no benefit from the federal EITC. It excludes young childless workers just getting a foothold in the job market and older adults working well beyond the traditional retirement age.

More than one in three young adults would benefit from this change. The bulk of the beneficiaries (57 percent, or nearly 2.9 million people) would be white, as white individuals make up the majority of the U.S. population. But the benefits of this change would reach a diverse group of young adults. Nearly a million young Hispanic individuals would benefit, for example, and would receive an overall boost in their income of \$765 million in 2022. Similarly, almost 600,000 young Black people would benefit and would see their incomes lifted by more than \$470 million in 2022.

This policy change would bolster young adults' economic security. This policy would be a helpful component of a larger strategy to promote economic mobility and prosperity among people from historically marginalized communities and among young people more broadly.

The American Rescue Plan (ARP) of 2021 temporarily remedied these flaws by expanding the value of the credit for low-income people without dependents and allowing workers 19 through 24, and over age 64, to claim the EITC for the first time. Although these enhancements expired at the end of calendar year 2021, the Build Back Better Act that passed the House last year would reinstate, and make permanent, the following reforms:

- Eliminate a restriction that prevented younger workers without dependent children living in the home from accessing the EITC if they are below age 25 (this cutoff was reduced to age 19)
- Eliminate a restriction that prevented older workers without dependent children from accessing the EITC if they are above age 64
- Boost the size of the EITC for all workers without dependent children to make it more comparable to larger credits already received by workers with children (increasing the maximum 2022 credit from \$560 to just over \$1,500)
- Increase the income cap for working adults without children in the home, allowing more low-paid childless workers to qualify

Young workers without children in the home would receive a combined boost of nearly \$4 billion in EITC benefits in 2022 under these reforms. More than one in three young adults—or more than 5 million people—would regain access to the EITC, with an average benefit of \$820. That’s 37 percent of the childless young adult population (aged 19-24) who would see a meaningful income boost in 2022 if policymakers extend the EITC enhancements.

In some ways, the federal EITC enhancements under consideration are playing catch-up with progress at the state level, particularly for young adults. Seven states, for example, have permanently lowered the minimum eligibility age for claiming their state EITCs. California, Maine, Maryland, New Mexico, and New Jersey include 18- to 24-year-old workers without children in the home. Colorado recently included 19- to 24-year-old workers and Minnesota extends its credit to those 21 to 24 years of age.

The following tables use ITEP’s microsimulation tax model to demonstrate how many young adults aged 19-24 would benefit from making permanent the federal ARP enhancements in each state. In this analysis, we assume that the expanded EITC will compel more young adults to file on their own (versus as dependents). Access to the EITC is particularly important for this population given that young adults face the highest poverty rates of any age group in the U.S. This legislation presents an opportunity to reinstate the EITC for a population who would benefit greatly from the additional economic security it provides. This analysis is also useful to help identify the potential number of young adult workers who would benefit from a one-year expansion when they file their 2021 taxes this tax filing season.

The benefits for this age group are presented by state and by average and total amount of EITC received. [Find an interactive map with these data here.](#)



The benefits for this age group are presented by state, by race and ethnicity, and by average and total amount of EITC received.

EITC Expansion Helps a Diverse Group of Young Workers Without Children

Race/Ethnicity	Number of Young Adults Benefitting	Young Adults Benefitting as a share of Young Adult Population	Share of Young Adults Benefitting by Race/Ethnicity	Total Tax Change, 1000S
White	2,886,000	35%	57%	-\$2,257,800
Black	594,000	42%	12%	-\$473,200
Hispanic	960,000	37%	19%	-\$765,200
Asian	355,000	42%	7%	-\$278,800
American Indian	34,000	44%	1%	-\$25,400
Other	194,000	-	4%	-\$151,800
ALL	5,017,000	37%	100%	-\$3,952,000

Source: Analysis by ITEP's microsimulation model

Note: Racial groups include only non-Hispanic tax units. Hispanic tax units may be of any race. All tax units are assigned to groups based only on the race of the tax unit head. The race of the tax unit head is estimated based on the racial composition of similar sub-household groups using the Census Bureau's American Community Survey (ACS). Whereas the Census allows for respondents to identify as "some other race alone," our application of the "other" grouping is broader. In most states, we combine this group with other non-Hispanic racial groups where sample size limitations prevent us from producing summary statistics. The American Indian category includes alone, Alaska native alone, or American Indian and Alaska Natives. Shares do not always add up to 100 due to rounding.

Impact of ARPA EITC Expansion on Young Workers (19-24) Without Children in the Home

	Number of Young Adults Benefitting	Young Adults Benefitting as Share of Young Adult Population	Total Tax Change 1000s	Avg Benefit for Those Receiving the Credit
U.S. Total	5,017,000	37%	-\$3,952,000	\$ -820
Alabama	43,000	21%	-\$25,100	\$ -600
Alaska	14,000	39%	-\$10,400	\$ -760
Arizona	129,000	36%	-\$95,500	\$ -750
Arkansas	55,000	41%	-\$32,600	\$ -740
California	662,000	39%	-\$477,200	\$ -770
Colorado	102,000	37%	\$81,600	\$ -830
Connecticut	51,000	37%	-\$38,600	\$ -760
Delaware	14,000	39%	-\$10,100	\$ -750
District of Columbia	8,000	27%	-\$6,200	\$ -810

	Number of Young Adults Benefitting	Young Adults Benefitting as Share of Young Adult Population	Total Tax Change 1000s	Avg Benefit for Those Receiving the Credit
Florida	262,000	32%	-\$231,200	\$ -930
Georgia	145,000	33%	-\$106,300	\$ -750
Hawaii	16,000	30%	-\$12,300	\$ -750
Idaho	19,000	21%	-\$17,800	\$ -940
Illinois	160,000	35%	-\$137,300	\$ -870
Indiana	165,000	47%	-\$93,900	\$ -690
Iowa	46,000	28%	-\$37,500	\$ -830
Kansas	71,000	47%	-\$65,500	\$ -1,010
Kentucky	83,000	43%	-\$61,900	\$ -810
Louisiana	79,000	53%	-\$54,100	\$ -780
Maine	15,000	24%	-\$11,600	\$ -790
Maryland	94,000	42%	-\$76,100	\$ -810
Massachusetts	77,000	29%	-\$58,700	\$ -770
Michigan	195,000	46%	-\$150,600	\$ -780
Minnesota	99,000	42%	-\$74,400	\$ -750
Mississippi	30,000	29%	-\$26,800	\$ -940
Missouri	114,000	45%	-\$101,000	\$ -890
Montana	18,000	30%	-\$14,200	\$ -800
Nebraska	45,000	55%	-\$40,700	\$ -910
Nevada	64,000	49%	-\$54,000	\$ -860
New Hampshire	18,000	29%	-\$11,300	\$ -640
New Jersey	94,000	35%	-\$79,000	\$ -840
New Mexico	50,000	60%	-\$45,300	\$ -910
New York	247,000	34%	-\$211,200	\$ -880
North Carolina	189,000	41%	-\$142,200	\$ -800
North Dakota	8,000	19%	-\$6,800	\$ -820
Ohio	154,000	32%	-\$123,900	\$ -810
Oklahoma	60,000	34%	-\$47,500	\$ -830
Oregon	86,000	42%	-\$60,500	\$ -820
Pennsylvania	143,000	30%	-\$130,300	\$ -960
Rhode Island	12,000	26%	-\$8,500	\$ -740
South Carolina	64,000	33%	-\$56,000	\$ -920
South Dakota	12,000	24%	-\$7,800	\$ -730
Tennessee	135,000	44%	-\$103,400	\$ -780



	Number of Young Adults Benefitting	Young Adults Benefitting as Share of Young Adult Population	Total Tax Change 1000s	Avg Benefit for Those Receiving the Credit
Texas	469,000	38%	-\$399,600	\$ -870
Utah	60,000	31%	-\$42,500	\$ -720
Vermont	6,000	18%	-\$6,000	\$ -1,060
Virginia	122,000	35%	-\$104,800	\$ -900
Washington	88,000	24%	-\$58,700	\$ -670
West Virginia	37,000	56%	-\$27,700	\$ -760
Wisconsin	80,000	30%	-\$67,300	\$ -840
Wyoming	8,000	26%	-\$8,700	\$ -1,050
Texas	469,000	38%	-\$399,600	\$ -870
Utah	60,000	31%	-\$42,500	\$ -720
Vermont	6,000	18%	-\$6,000	\$ -1,060
Virginia	122,000	35%	-\$104,800	\$ -900
Washington	88,000	24%	-\$58,700	\$ -670

Source: Analysis by ITEP's microsimulation model
 Note: Impact of policy change modeled in 2022 dollars.

ENDNOTES

1. The "Childless" EITC: Temporary Expansion for 2021 Under the American Rescue Plan Act of 2021 (ARPA; P.L. 117-2), Congressional Research Service, May 3, 2021. <https://crsreports.congress.gov/product/pdf/IN/IN11610>
2. Coffey, Amelia, et al. Young People and Tax Credits: The Earned Income Tax Credit and the Child Tax Credit, Urban Institute, February 2021. https://www.urban.org/sites/default/files/publication/103587/young-people-and-tax-credits_0.pdf

