

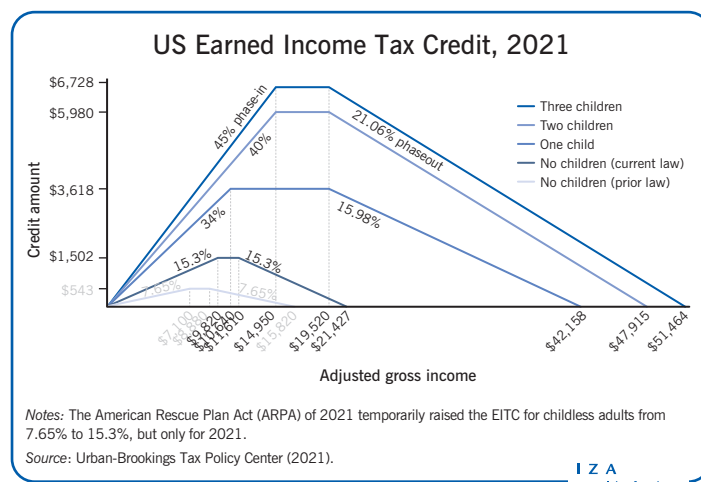
Should the earned income tax credit rise for childless adults?

The earned income tax credit raises income and work incentives among low-income parents but little goes to adults without children

Keywords: employment, less-educated men, childless, low-income adults, non-custodial parents

ELEVATOR PITCH

The earned income tax credit provides important benefits to low-income families with children. At substantial costs (over \$70 billion to the US federal government), it increases the incomes of such families while encouraging parents to work more by subsidizing their incomes. But low-income adults without children and non-custodial parents receive very low payments under the program in most years (except for 2021). Many of these adults are less-educated men, whose labor force participation rates and relative wages have been declining for years. They might benefit significantly from a more generous earned income tax credit for childless adults.



KEY FINDINGS

Pros

- ⊕ The earned income tax credit boosts income and work effort among low-income parents, especially single mothers, and has contributed to the steep rise in employment among single mothers in the 1990s.
- ⊕ Expanding the tax credit to low-income childless adults should raise income and work effort among a group whose earnings and employment have fallen substantially in recent decades.
- ⊕ The statistical evidence shows that work effort among low-income adults is somewhat sensitive to their net wages, and an earned income tax credit for childless adults would raise their net wages.

Cons

- ⊖ The earned income tax credit is already very costly, extending it to childless adults would add to those costs.
- ⊖ The most recent experimental evidence suggests that a childless earned income tax credit would generate only small positive impacts on employment.
- ⊖ Expanding the tax credit to childless low-income adults might discourage marriage and work effort (and raise tax fraud) among childless adults.

AUTHOR'S MAIN MESSAGE

Expanding the earned income tax credit to low-income childless adults and non-custodial parents, especially low-income men, would modestly increase their incomes, earnings and employment. This positive outcome might be larger if the federal government combined a *permanently* higher earned income tax credit for this group with significant outreach, to improve worker knowledge of the credit and how to file for it; many potential workers also need stronger workforce services or child support provisions, to improve their likelihood of finding and keeping jobs.