



## Tax Credits for Low-Income Families: Facts

A series of tax cuts will expire at the end of 2012, including the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC). These tax credits boost household earnings and lift millions of people out of poverty each year.

### The EITC and CTC reduce poverty and grow the economy:

- The EITC is America's largest anti-poverty program. In 2010, it lifted 5.4 million people out of poverty, including 3 million children.
- In 2010, the CTC lifted 2.6 million people out of poverty.<sup>1</sup>
- Refundable tax credits reward work and promote economic mobility. A majority of EITC recipients receive the credit for only one or two years. Ultimately, these households pay back more in taxes than they ever received in benefits.
- Low-income families usually spend their credits immediately and in their local communities. Every dollar sent out through the EITC and CTC generates \$1.26 of economic growth.



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### If Congress fails to continue current benefits:

- Families with three or more children would no longer receive a larger EITC.
- If Congress fails to continue the 2009 improvements, the first \$13,000 in earnings wouldn't count toward the CTC. A single parent with two children working full-time at minimum wage (\$14,500) would see his or her CTC fall roughly \$1,500. If Congress allows all the improvements to expire, this family would no longer be eligible for the CTC at all.
- The 2009 EITC and CTC improvements kept 1.6 million people out of poverty in 2010.<sup>1</sup>
- More than 17 million children would see a smaller CTC or lose the benefit completely.
- Married couples would get a smaller EITC or no benefit at all because of their combined earnings.

**Tell Congress: Create a circle of protection around critical tax credits for low-income working families.**

### The EITC and CTC have a long history of bipartisan support:

- The EITC and CTC were enacted and expanded under both Democratic and Republican administrations. Despite the partisan climate on Capitol Hill, Democrats and Republicans can come together to protect tax credits for working families.

### Failing to continue the current EITC and CTC benefits have long-term costs:

- Poor children score lower in math and reading tests. Children coming to kindergarten with low test scores are likely to do less well in school, to engage in crime, to become adolescent parents, and to be unemployed as adults.
- Poverty creates an additional \$22 billion in healthcare spending per year.

### Endnotes

<sup>1</sup> These numbers come from calculations by the Center on Budget and Policy Priorities, using an alternative poverty measure from the National Academy of Sciences. Unlike the traditional poverty measure, this measure accounts for refundable tax credits.

