

The “Childless” EITC: Summary of Current Law and Proposed Expansion in House Reconciliation Legislation

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The earned income tax credit (EITC) is the largest need-tested antipoverty program that provides cash to families. Workers with *qualifying children*—that is, dependent children who live with the taxpayer for more than half the year—receive the majority of EITC benefits. For 2018, 26.5 million taxpayers received a total of \$64.9 billion from the EITC. Of that total, there were 6.9 million recipients without qualifying children (about 26% of the total) who received \$2.1 billion (about 3% of the total dollars), receiving an average credit of \$302.

This Insight provides an overview of the current EITC for workers without qualifying children at home, often called the “childless” EITC. The term “childless,” however, may be misleading. Workers without qualifying children may have noncustodial children, live with children for less than six months of a year, or live with nonbiological children they cannot claim for the credit. This Insight also summarizes a proposal to expand the “childless” EITC that was included in [legislation](#) submitted by the House Ways and Means committee in response to the [reconciliation directives](#) included in the budget resolution (S.Con.Res. 5).

What is the EITC?

The EITC is a refundable tax credit available to low-income workers. Like all tax credits, the EITC can reduce income tax liability. Since the EITC is a refundable tax credit, if a taxpayer’s EITC is greater than what they owe in income taxes, they can receive the difference (the portion of the credit that remains after offsetting any income tax liability, often referred to as the “refundable portion” of the credit) as a tax refund. This means that low-income taxpayers, who often have little to no income tax liability, can receive the full amount of the credit. The EITC is received once a year as a lump-sum payment when households file their federal income tax returns.

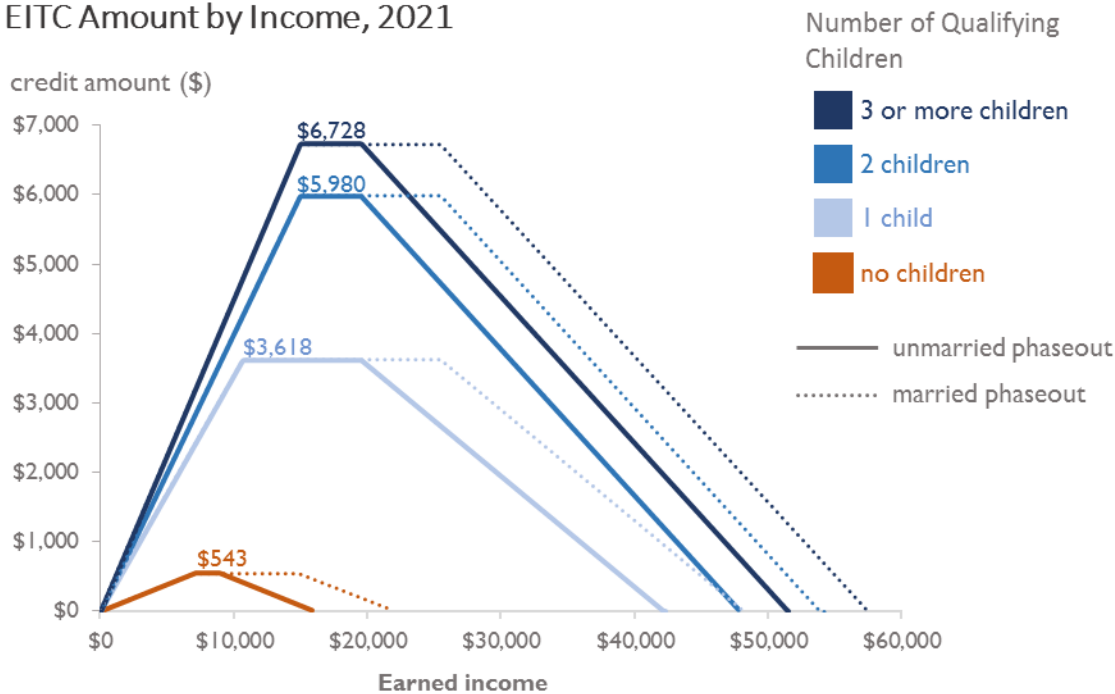
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Calculating the EITC

A taxpayer's EITC is based on a formula that considers earned income, number of qualifying children, marital status, and adjusted gross income (AGI). Under this formula, the EITC increases in value as earned income increases up to a certain level. The EITC then remains at its maximum level over a subsequent range of earned income, before gradually decreasing in value over higher levels of income. Although the general formula for all EITC recipients is the same, the specific values of EITC parameters in the formula vary by the number of qualifying children (and marital status), resulting in multiple benefit schedules illustrated below.

EITC Amount by Income, 2021



Source: CRS calculations based on IRC §32 and IRS Revenue Procedure 20-45.

For “childless” EITC recipients the credit gradually phases in at a rate of 7.65% as earned income increases until earned income reaches \$7,100. The credit then remains at its maximum level of \$543 until income equals \$8,880 if unmarried or \$14,820 if married. As income exceeds these levels, the credit gradually declines in value at a rate of 7.65% for every dollar of income over these levels, until the credit equals zero when income is \$15,980 or greater (or \$21,920 or greater, if married).

“Childless” EITC recipients must also be [at least 25 years old and not older than 64](#) to be eligible for the credit. [Other eligibility rules](#) apply to all recipients of the credit, including ID requirements and investment income limits.

Proposals to Expand the “Childless” EITC

The “childless” EITC formula was not originally part of the EITC when it was [first enacted in the mid-1970s](#). The EITC was expanded to include taxpayers without qualifying children in 1993 as part of the Omnibus Budget Reconciliation Act of 1993 (OBRA93, P.L. 103-66) to [partly offset a gasoline tax increase](#) included in the law. The “childless” EITC parameters have not been statutorily modified since OBRA93 (they are annually adjusted for inflation).

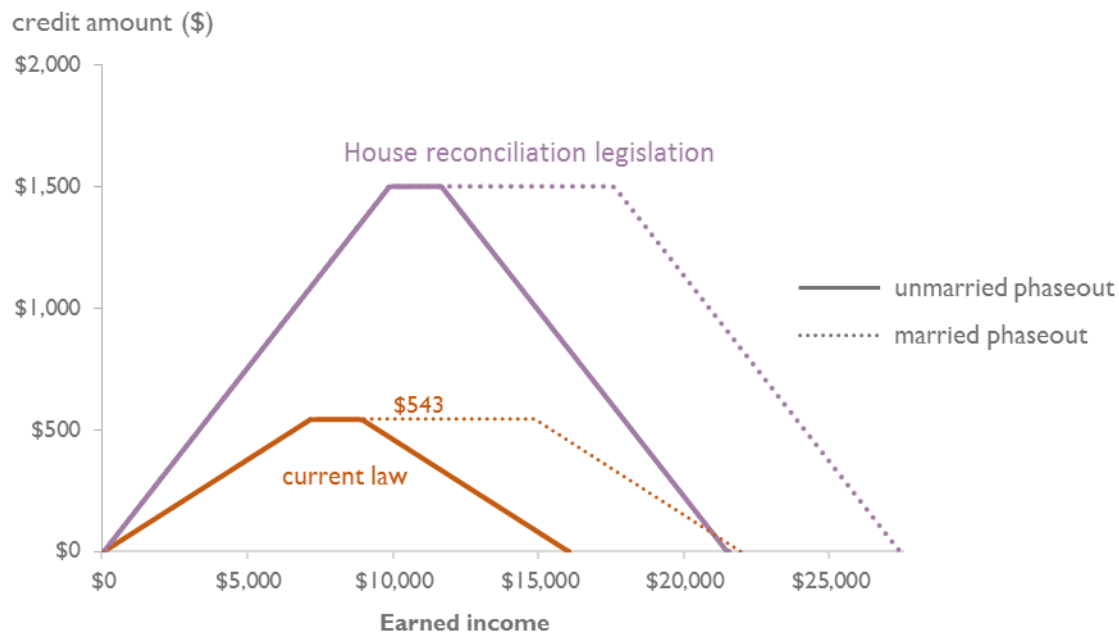
There have been proposals in recent years to increase the amount of the “childless” EITC. In the 116th Congress, several bills—including the Economic Mobility Act (H.R. 3300), the Working Families Tax Relief Act (S. 1138/ H.R. 3157), and the Cost-of-Living Refund Act (H.R. 3157)—would have increased the amount of the credit by adjusting the credit formula and changing the age limits for “childless” EITC recipients, generally expanding eligibility to younger and older individuals. The [Obama Administration](#) also proposed expanding the “childless” EITC.

In the 117th Congress, a proposal to expand the “childless” EITC was included in [economic security legislation](#) submitted by the Committee on Ways and Means in response to the [reconciliation directives](#) included in the budget resolution (S.Con.Res. 5).

This legislation would temporarily (for 2021 only) increase the rate at which the credit phases in, from 7.65% to 15.3%; nearly triple the maximum amount of the credit from \$543 to \$1,502; increase the income level at which the credit begins to phase out from \$8,880 to \$11,610 (and from \$14,820 to \$17,550 if married); and increase the rate at which the credit phases out from 7.65% to 15.3%.

"Childless" EITC Amount by Income, 2021

Current Law and House Reconciliation Legislation



Source: CRS calculations based on IRC §32, IRS Revenue Procedure 20-45, and Subtitle G of the Ways and Means Proposal posted on February 8, 2021.

The bill would also temporarily (for 2021 only) reduce the minimum age of eligibility from 25 to 19 for most workers. For students who are attending school at least part-time, the age limit would be temporarily reduced from 25 to 24. For former foster children and youth who are homeless, the minimum age would temporarily be reduced from 25 to 18. The bill would temporarily eliminate the upper age limit, so workers aged 65 and older would be eligible.

The budgetary cost of this one-year expansion is estimated to be [\\$11.9 billion](#) (all occurring in FY2021 and FY2022).

Impact of expanding the “childless” EITC

Research has found that the EITC increases participation in the labor force, particularly among single mothers, and reduces poverty. But its impacts are generally restricted to families with children. An expanded EITC for workers without qualifying children might similarly encourage work and reduce poverty among these individuals. However, others point out that a significant share of the “childless” population may already have higher labor force participation rates than single mothers, so a “childless” EITC expansion may have a more modest effect on labor force participation. An ongoing demonstration of an expanded “childless” EITC has found a mix of modestly positive and insignificant effects on employment and household income. In light of the continued impact of the COVID-19 pandemic on low-wage workers, a larger “childless” EITC may also provide income support to some vulnerable workers, including older and younger workers who are currently ineligible because of the age limits.

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