

Increasing access to the Earned Income Tax Credit can deliver millions of dollars for California families

Policy solutions to increase access to the Earned Income Tax Credit (EITC)

The Earned Income Tax Credit (EITC) is one of our nation's bedrock anti-poverty programs, lifting an average of 5 million people out of poverty each year. Still, upward of 6 million eligible families do not access the credit due mostly to outdated filing approaches and bureaucratic obstacles. Improving the design and delivery of the EITC program would have a meaningful impact for millions of working families nationwide who are currently not receiving the credit they have earned. Increasing EITC uptake would also bolster our economy as every dollar spent on the EITC results in two dollars of new economic activity.

EVERY DOLLAR SPENT ON THE EITC RESULTS IN TWO DOLLARS OF NEW ECONOMIC ACTIVITY.

27%

OF ELIGIBLE FAMILIES DO NOT CLAIM THE EITC

In the state of California, low-income families receive \$6.6 billion in credits from the federal government, decreasing the poverty rate in the state by 2.1%. However, 27% of eligible families do not claim the EITC, rendering them ineligible for the state credit as well. This means that over \$1.5 billion of federal funds that could be helping low-income families in California are left on the table.

What does this mean for families in California?

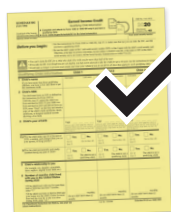
In California, increasing federal EITC uptake could help with child care costs, prevent eviction, keep families fed, or provide an income boost for families who need it most.

How many months of basic expenses does the average EITC refund cover?

Average EITC in California: \$2,297



Strategies to improve the design, delivery and impact of the EITC



SIMPLIFIED FILING

Simplified filing would make it easier for recipients to receive their credit. This could range from sending outreach letters to filers expected to be eligible for the EITC (informing them that they may be eligible, their predicted refund, and instructing them to apply), to using available tax and income data to create amended tax returns to ensure people receive the credit they earned in prior years.

AUTOMATIC FILING

Automatic filing would require no action on the part of the individual to receive their EITC benefit. The IRS or state tax agency would calculate eligibility based on existing information and disburse the payment.

USER-CENTERED DESIGN

User research and human-centered design could help government agencies understand the concrete needs of filers and recipients, allowing them to redesign their processes - such as communication and outreach - to make it easier for eligible individuals and families to receive the benefit.



EXPAND ELIGIBILITY TO NEW POPULATIONS

Immigrant households, unpaid caregivers of young kids, adult family members with disabilities and dependent seniors, as well as several other populations, are currently excluded from receiving the EITC despite the equivalency of their work and earnings. Allowing them to receive the credits they earn would strengthen all communities and boost the economy.

Methodology footnote: The predicted value of unclaimed EITC dollars by state is drawn from ESP calculations using IRS statistics: <https://www.eitc.irs.gov/eitc-central/participation-rate/eitc-participation-rate-by-state>. Eviction data was graciously shared by the Princeton University Eviction Lab. SNAP allocation, minimum wage, and median unemployment insurance figures are all drawn from administrative sources.

1. Child care costs for 4-year-olds. 2. Minimum wage per 173 hours average.

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In the state of Washington, low-income families receive \$6.6 billion in credits from the federal government, decreasing the poverty rate in the state by 2.1%. However, 27% of eligible families do not claim the EITC, rendering them ineligible for the state credit as well. This means that over \$1.5 billion of federal funds that could be helping low-income families in California are left on the table.

What does this mean for families in California?

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How many months of basic expenses does the average EITC refund cover?

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Number of Months EITC Refund Could Cover:

Child Care Costs. Child care costs for 4-year-olds. 2.4 months.

Food Costs. 2.1 months.

Housing Costs. 1.4 months.

Minimum Wage. Minimum wage per 173 hours average. 1.1 months.

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