

The Earned Income Tax Credit at 50: Past, Present, and Future

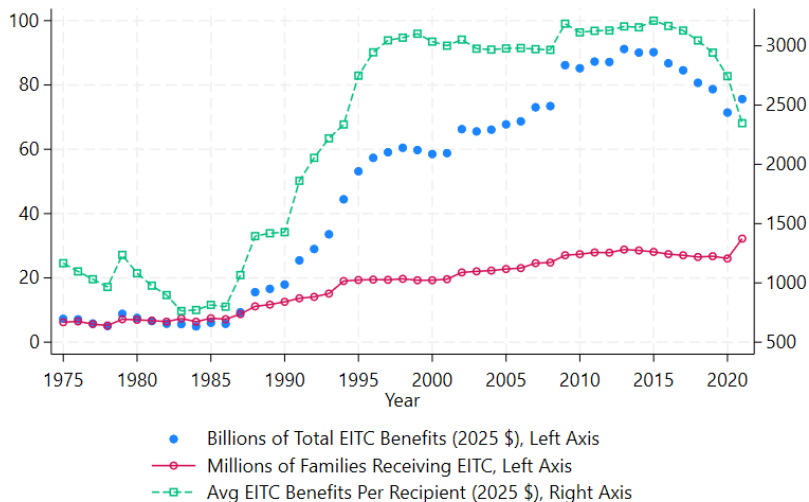
Jacob Bastian

Rutgers University, Brookings, and NBER

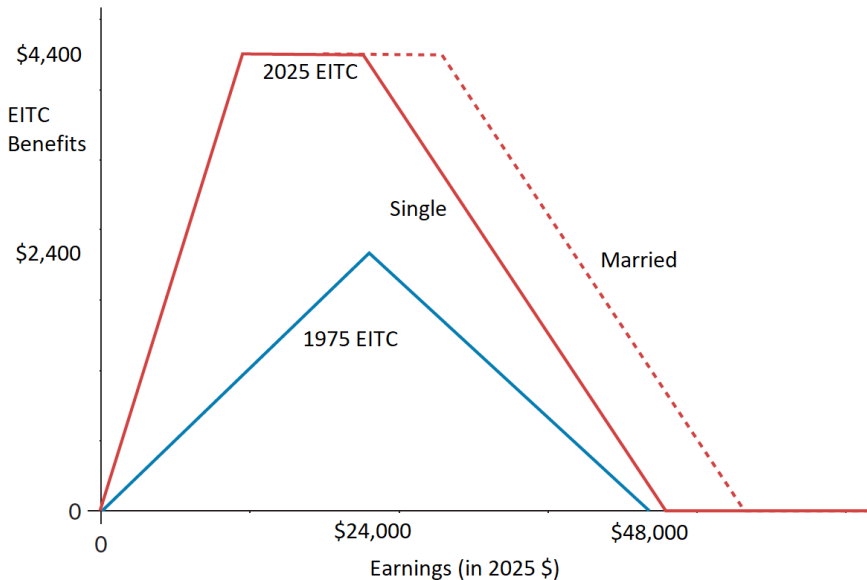
Brookings Institute

June 2, 2025

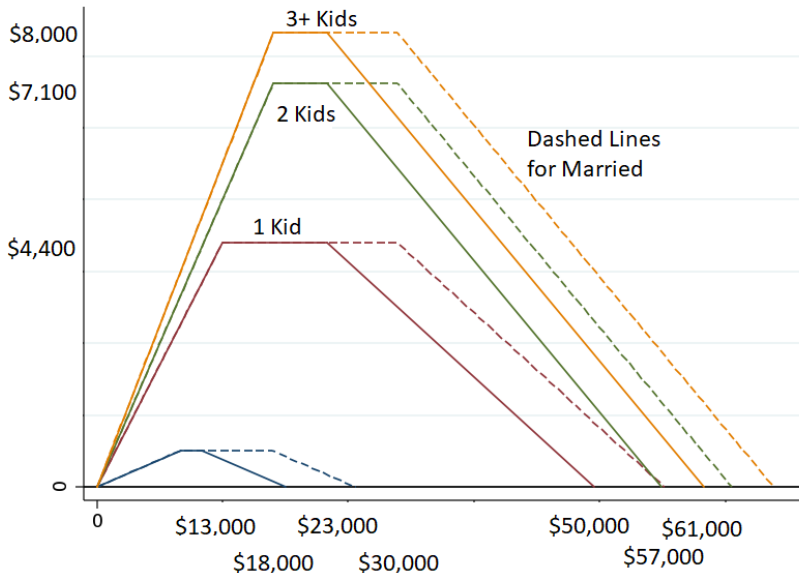
50 Years of EITC Trends



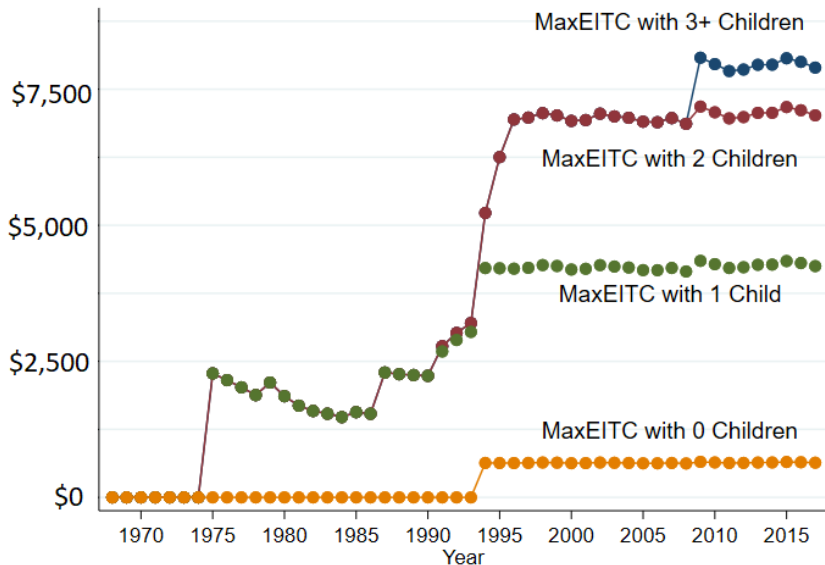
The Original 1975 EITC vs the EITC Today



The EITC Today, by Number of Kids and Marital Status

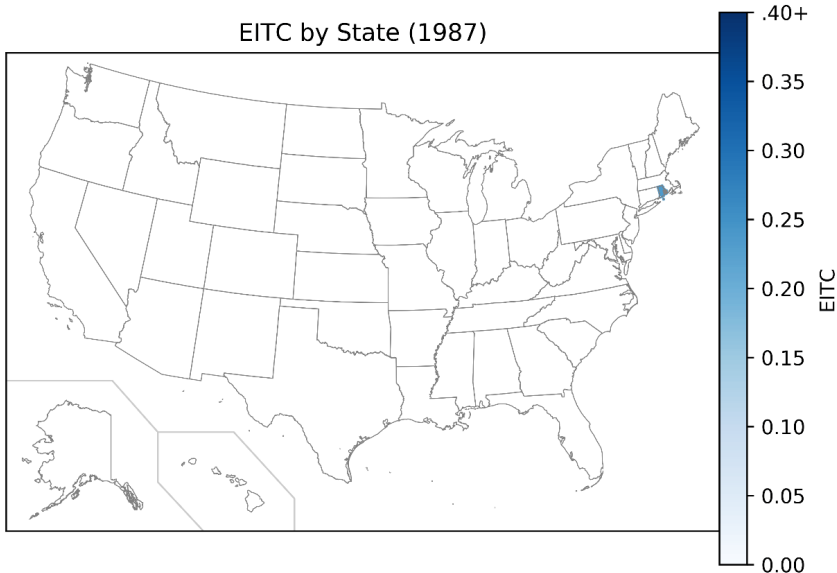


Maximum EITC Benefits by Number of Kids, Over Time

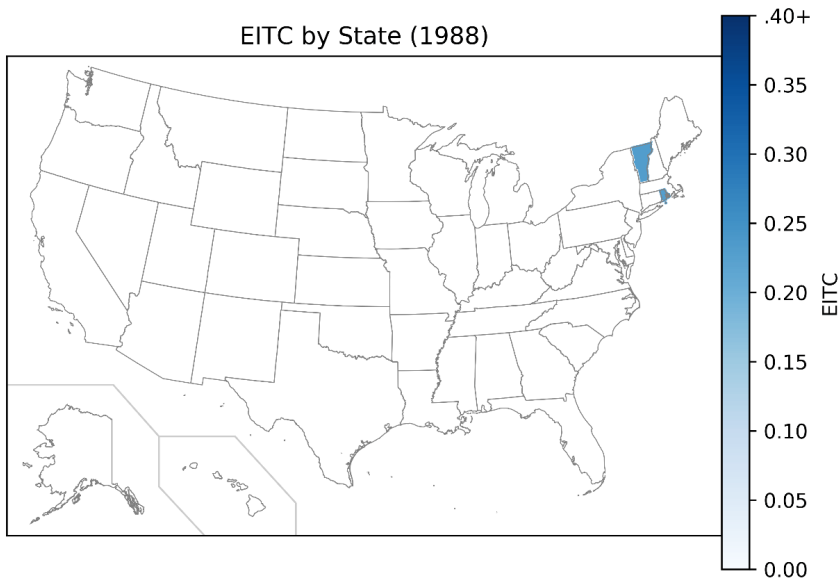


More and More State EITCs Top-Up the Federal EITC

EITC by State (1987)

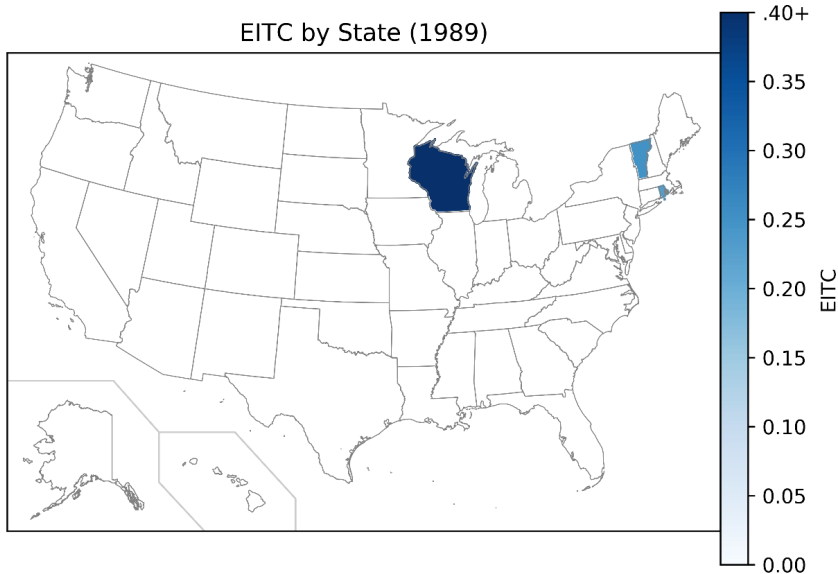


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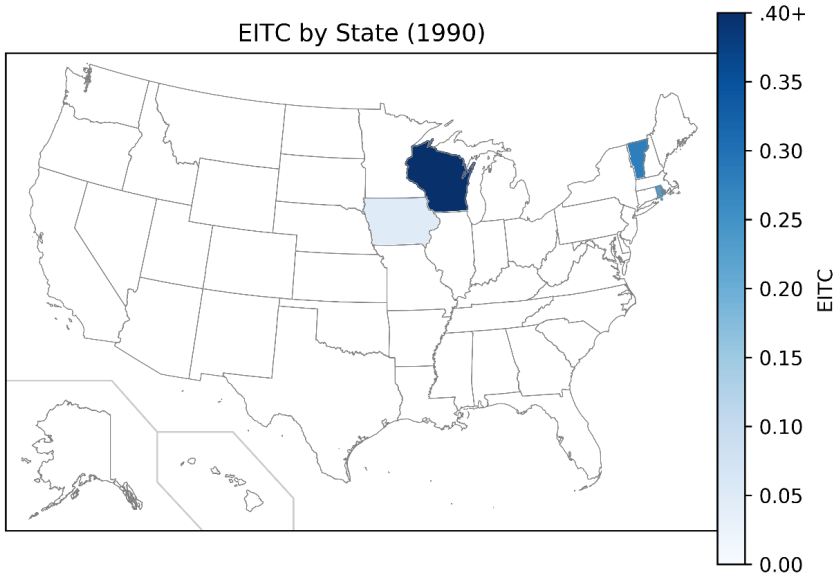
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EITC by State (1989)

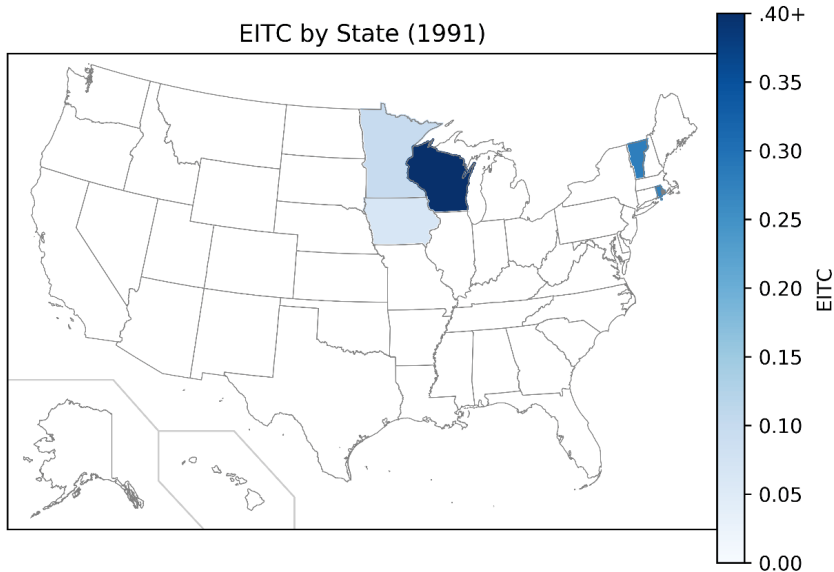


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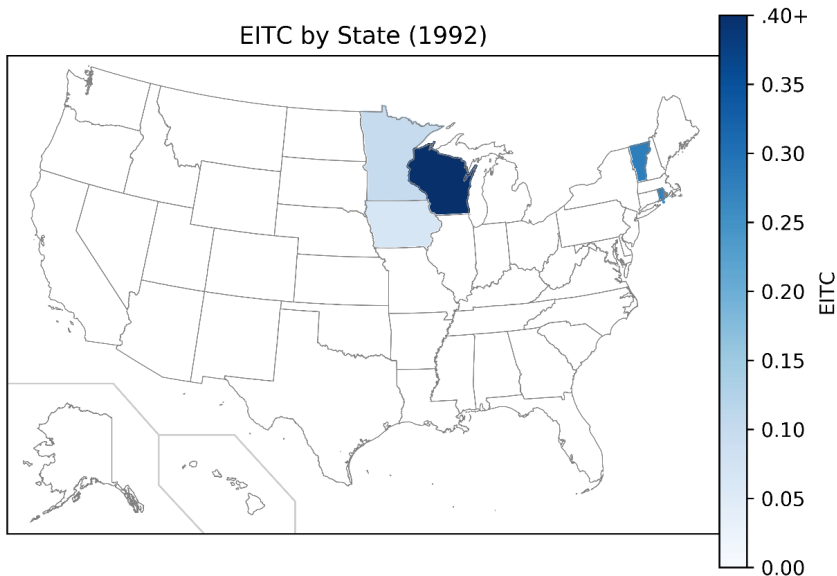
EITC by State (1990)



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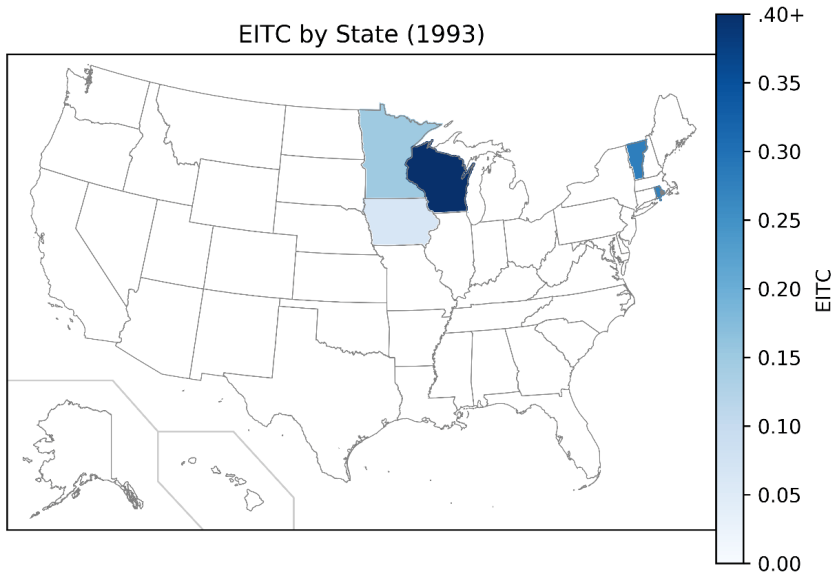


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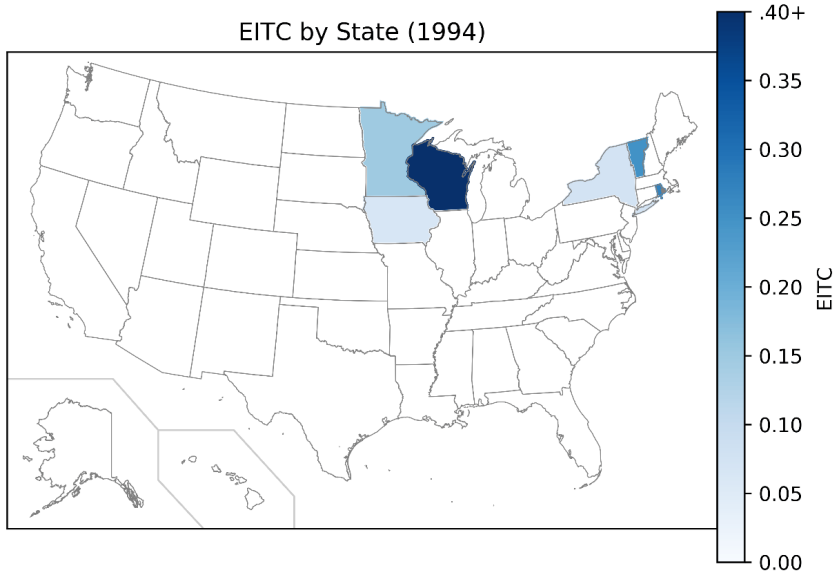
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EITC by State (1993)

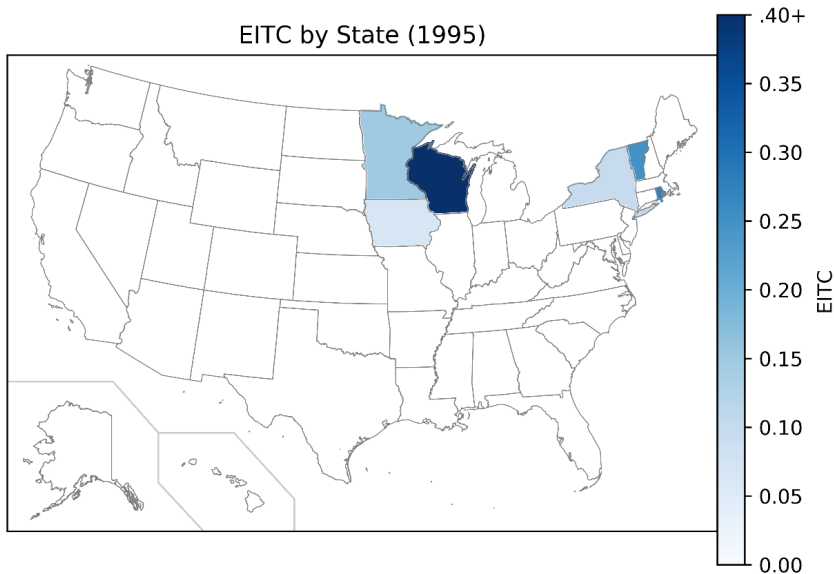


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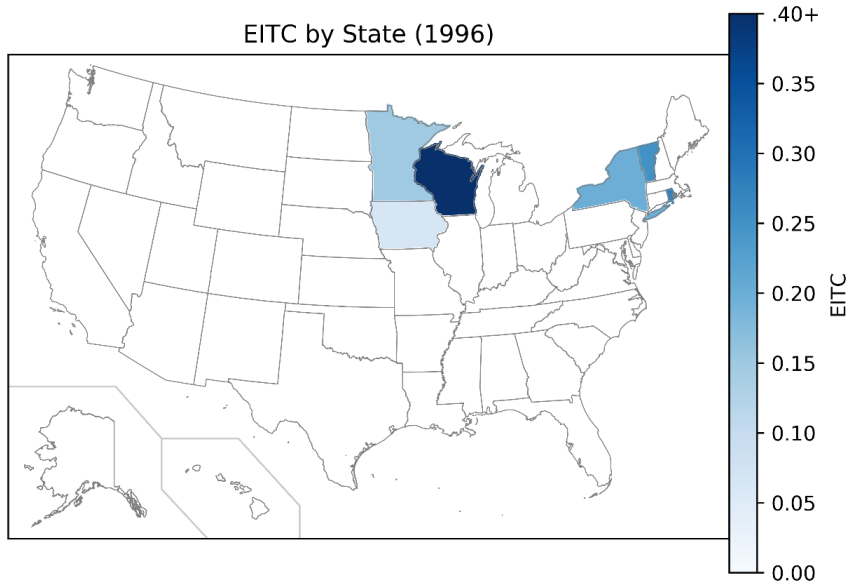
EITC by State (1994)



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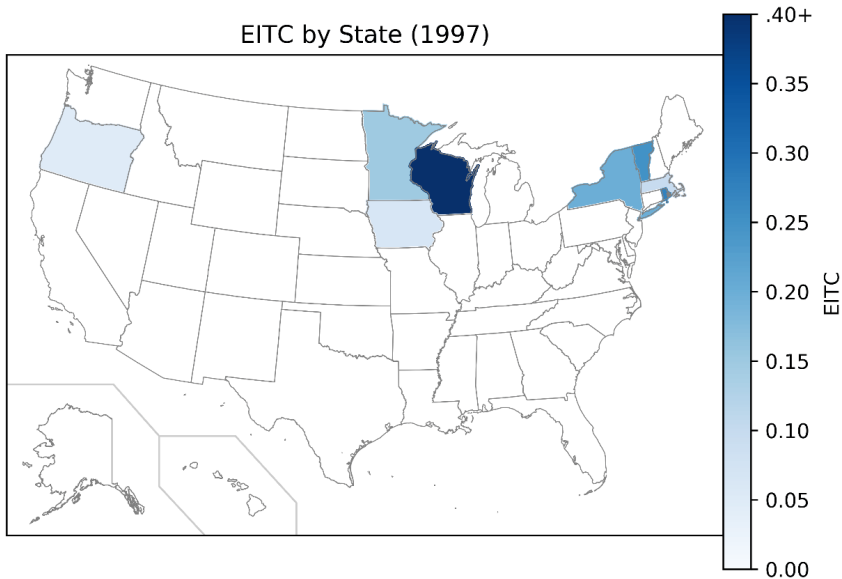


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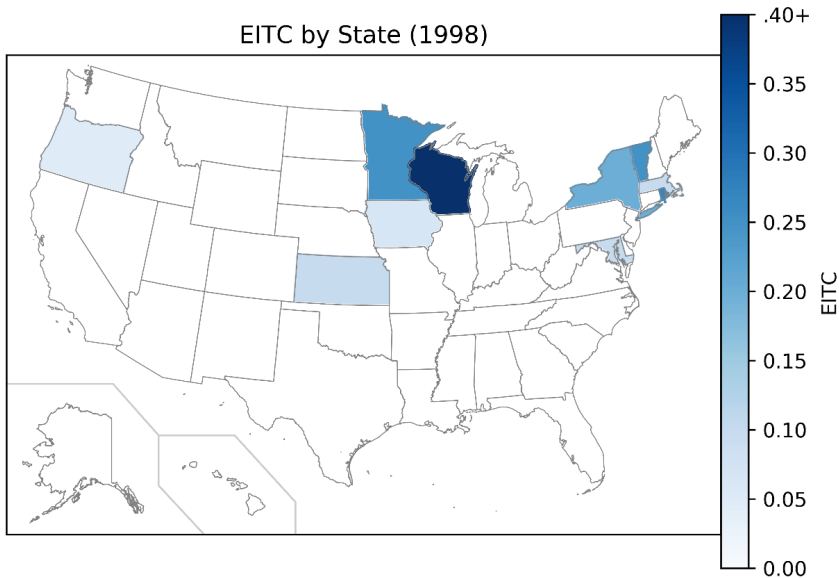
More and More State EITCs Top-Up the Federal EITC

EITC by State (1997)

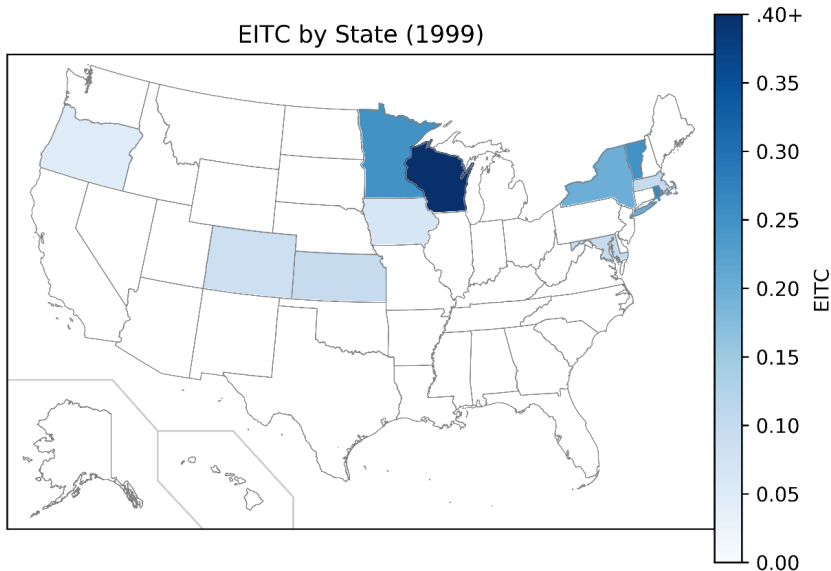


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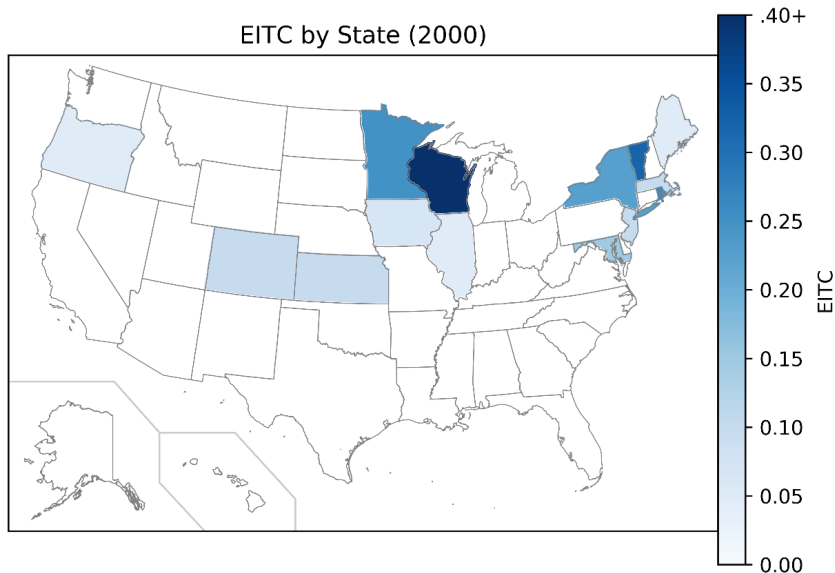
EITC by State (1998)



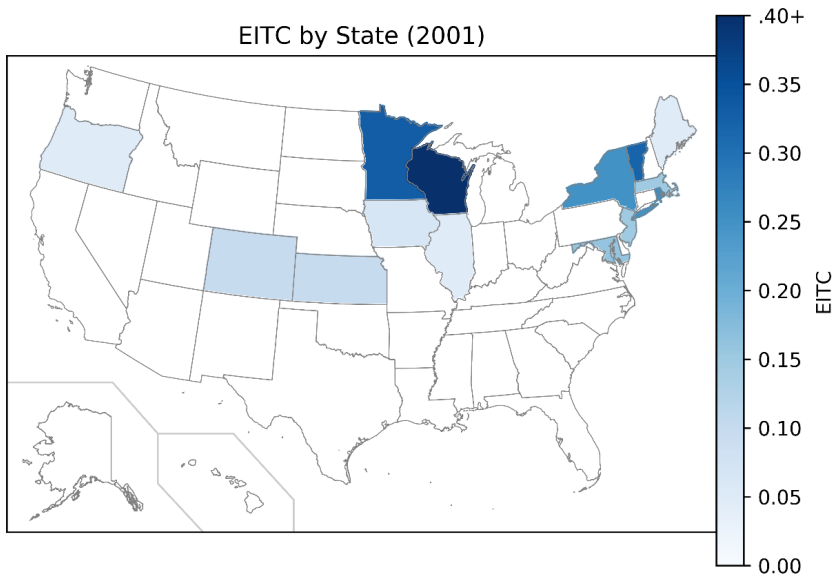
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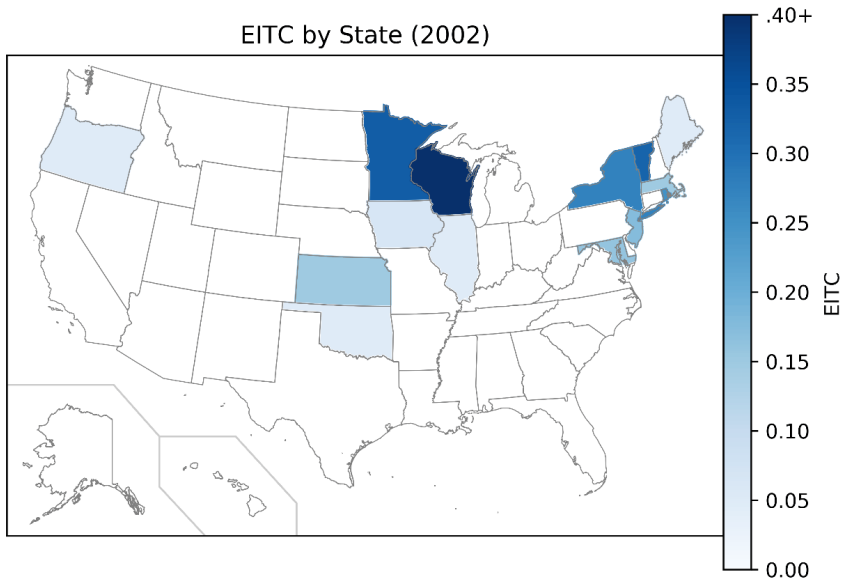


More and More State EITCs Top-Up the Federal EITC



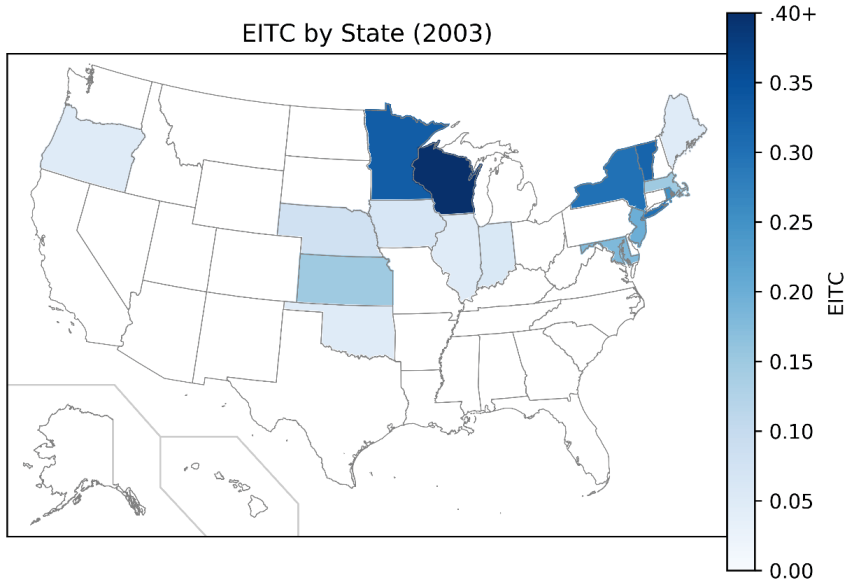
More and More State EITCs Top-Up the Federal EITC

EITC by State (2002)



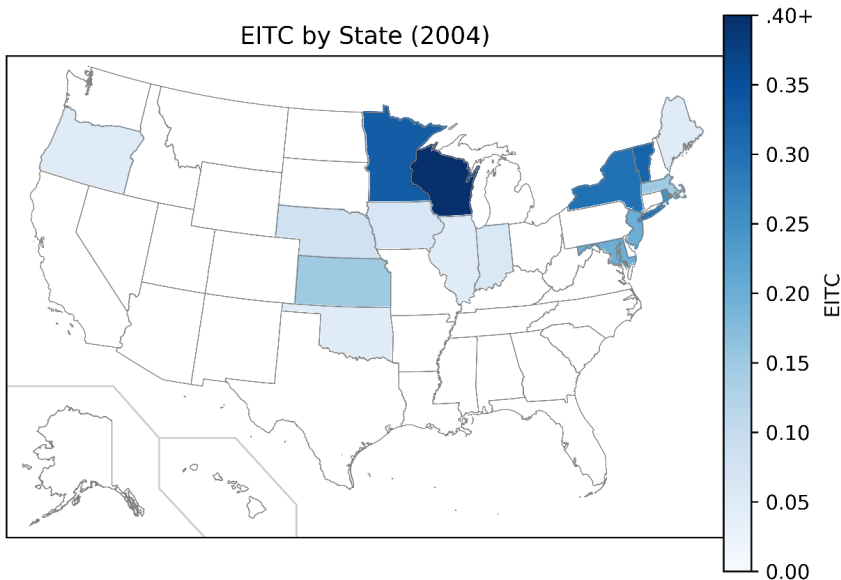
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EITC by State (2003)

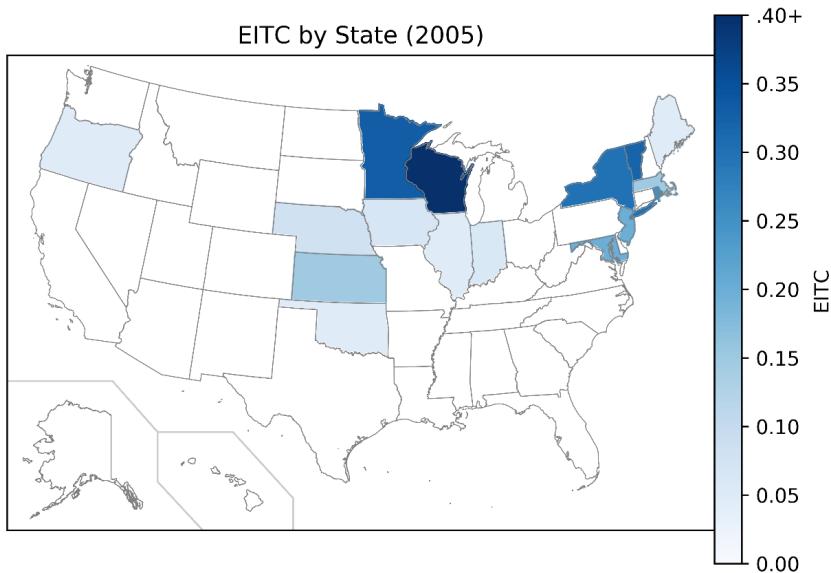


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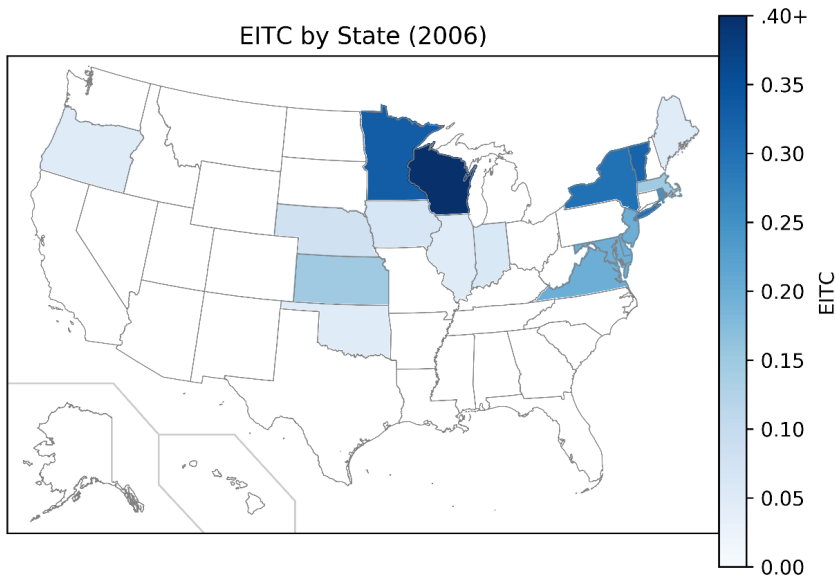
EITC by State (2004)



More and More State EITCs Top-Up the Federal EITC

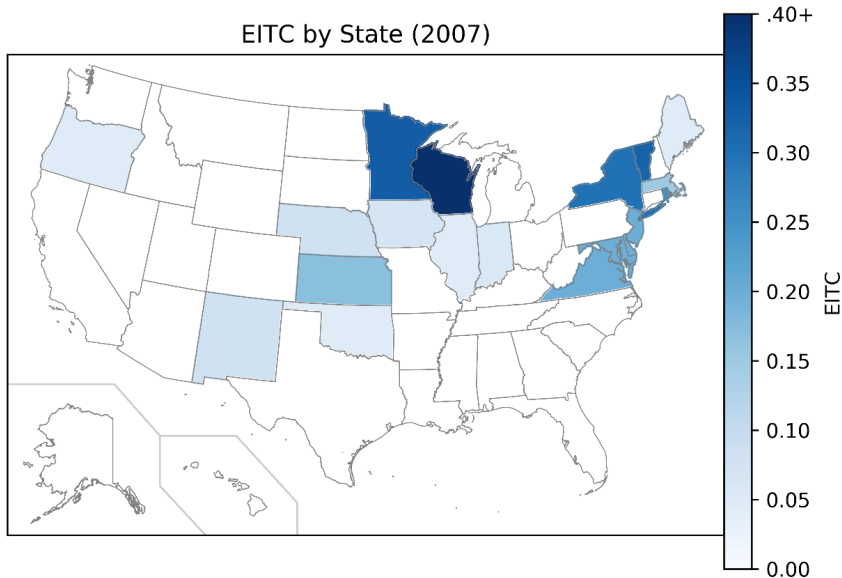


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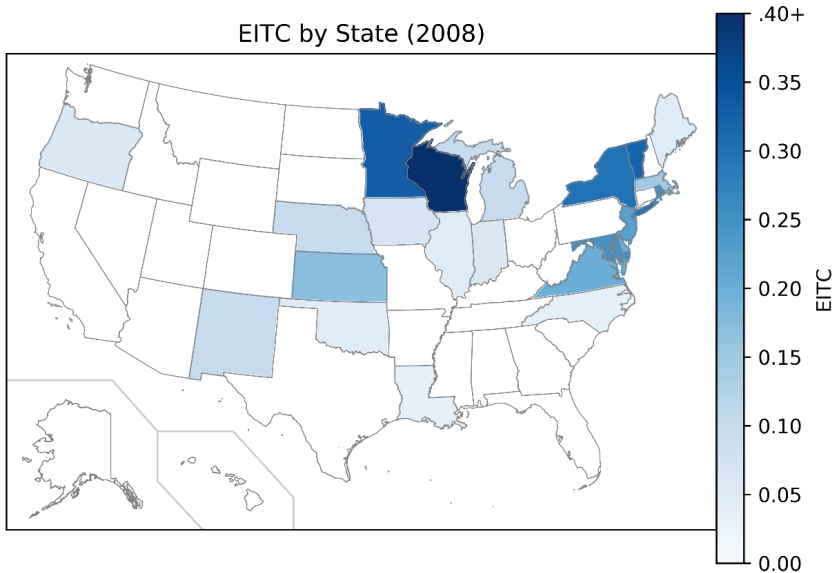
More and More State EITCs Top-Up the Federal EITC

EITC by State (2007)

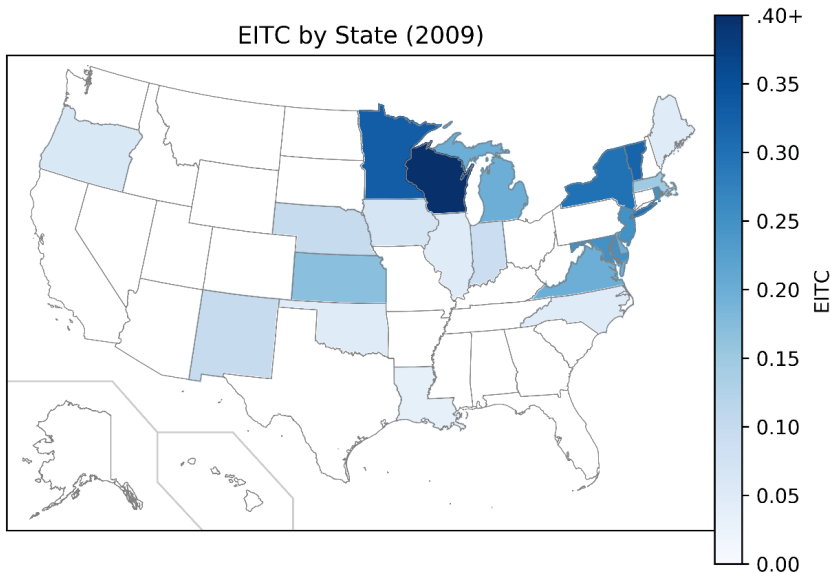


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EITC by State (2008)

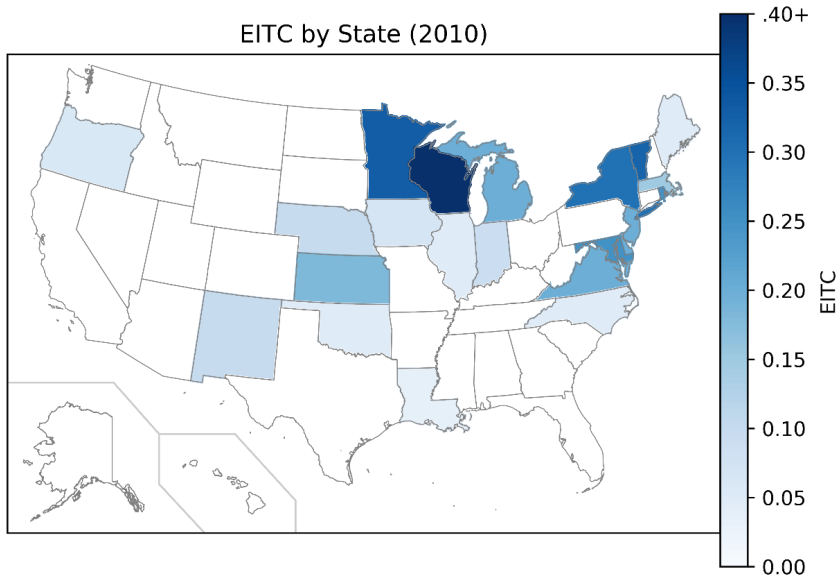


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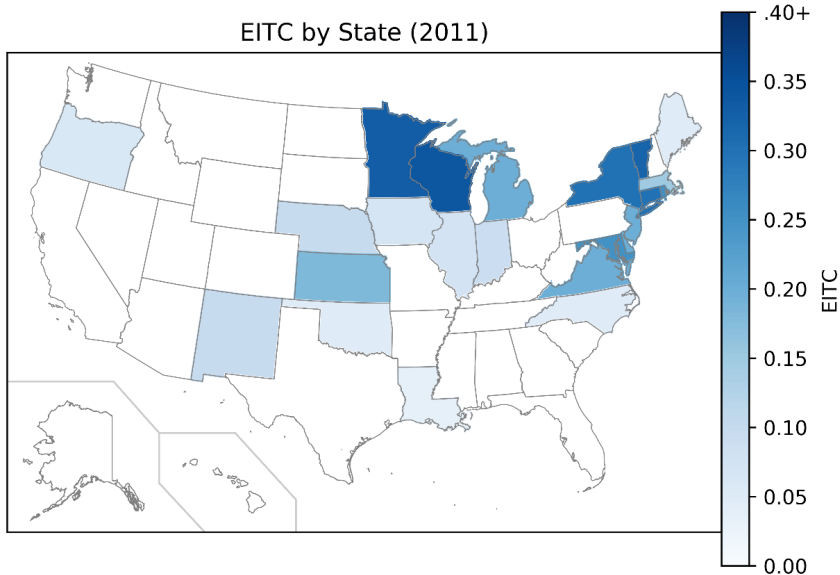
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EITC by State (2010)

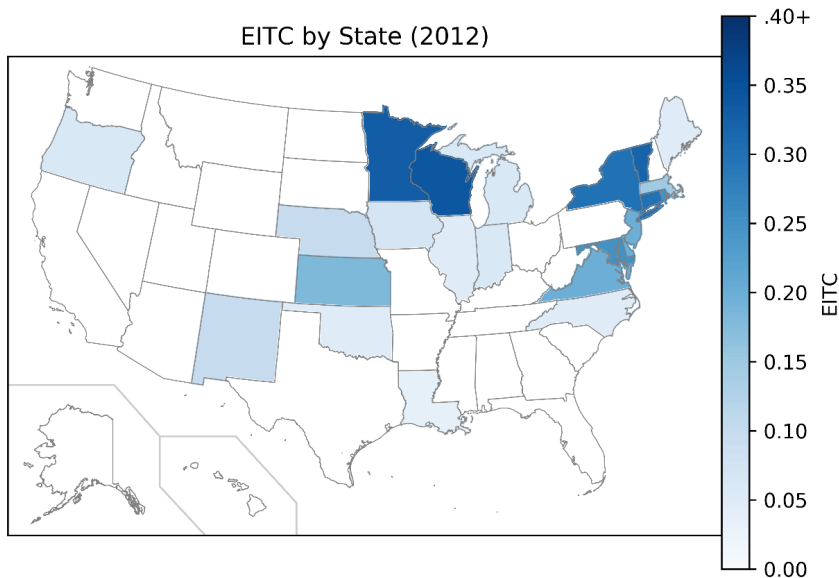


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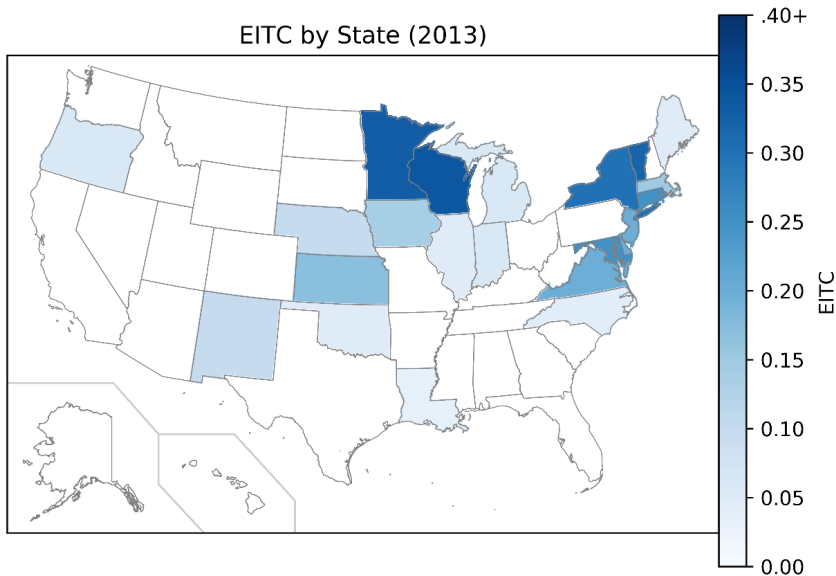
EITC by State (2011)



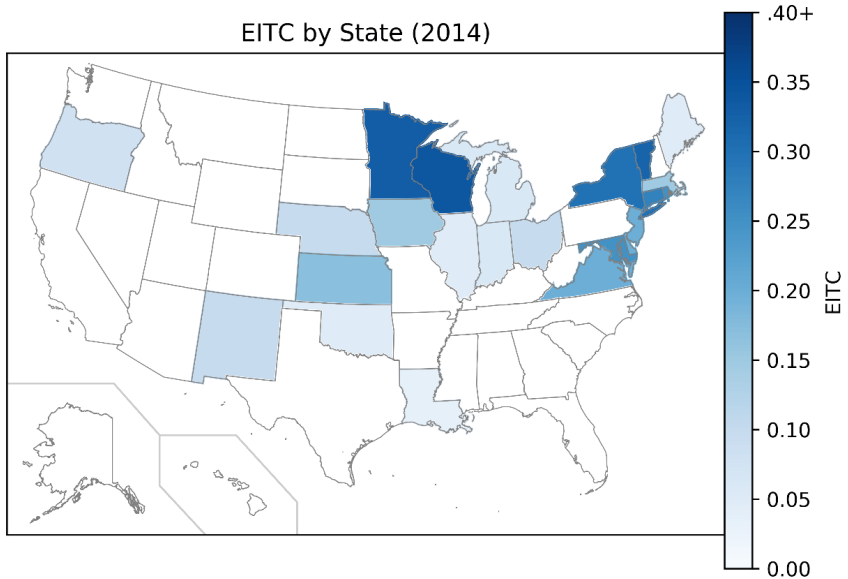
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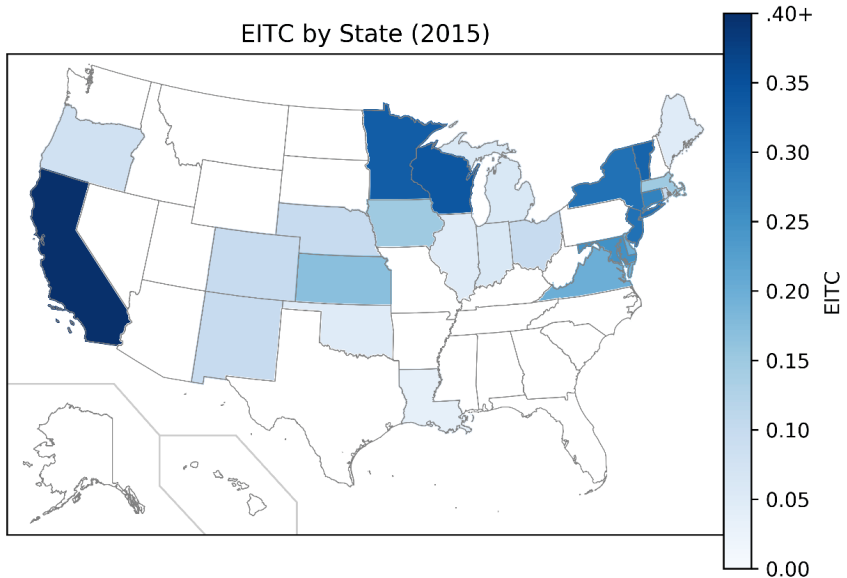
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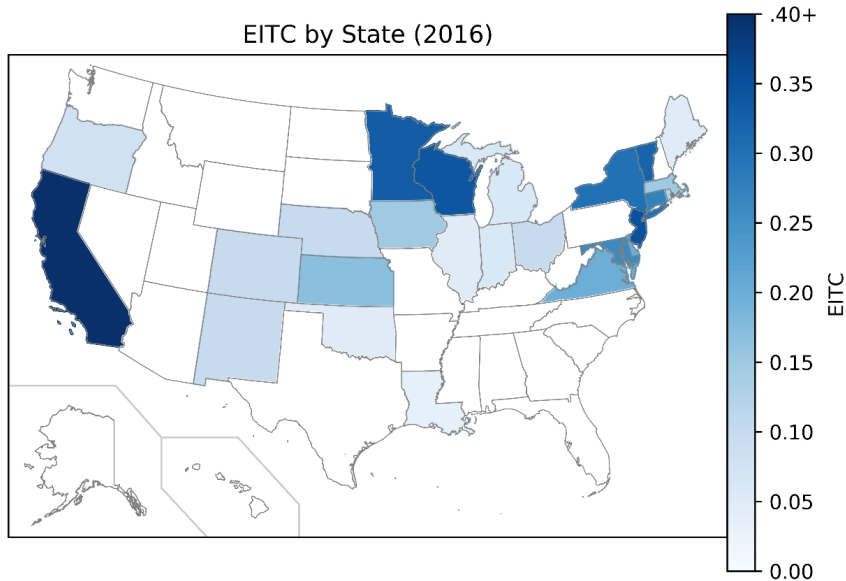
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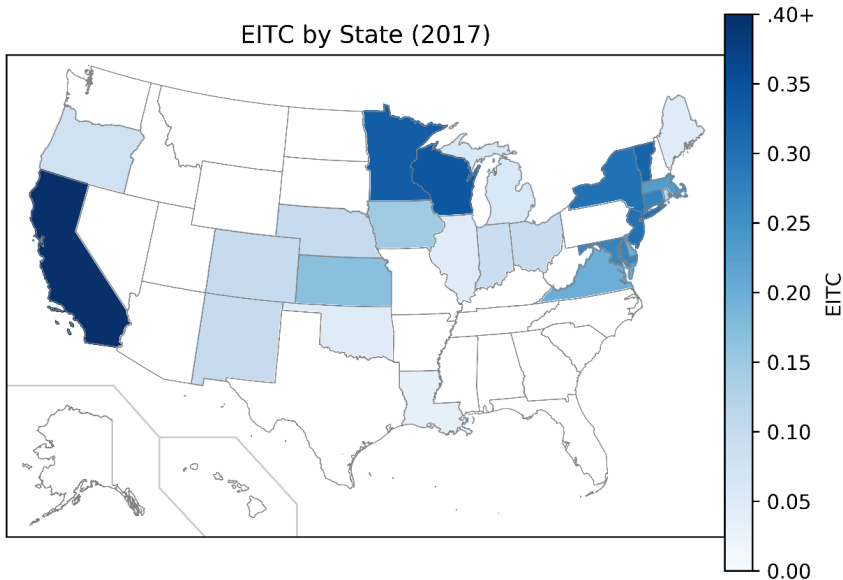


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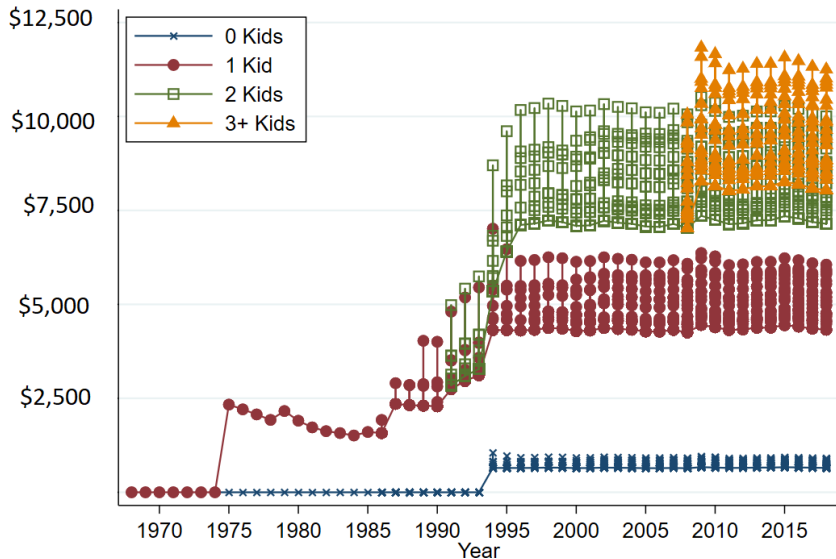


More and More State EITCs Top-Up the Federal EITC

EITC by State (2017)



Max State + Federal EITC by Number of Kids, Over Time



State and Local EITCs in 2025

- 31 states, plus DC, plus Puerto Rico have EITCs
- 3 local EITCs: NYC, SF, and Montgomery County MD

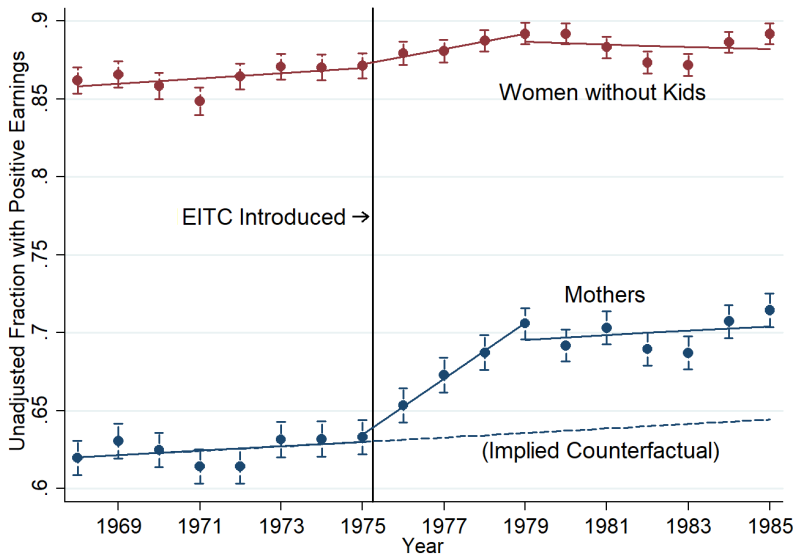
How to Estimate Impact of EITC on Various Outcomes?

- Much policy variation: by year, number of kids, marital status, state
- How to estimate causal effects? Many options, including:
 - Binary difference-in-differences (DD), continuous DD (e.g., *MaxEITC*) to better capture size of policy changes, etc.

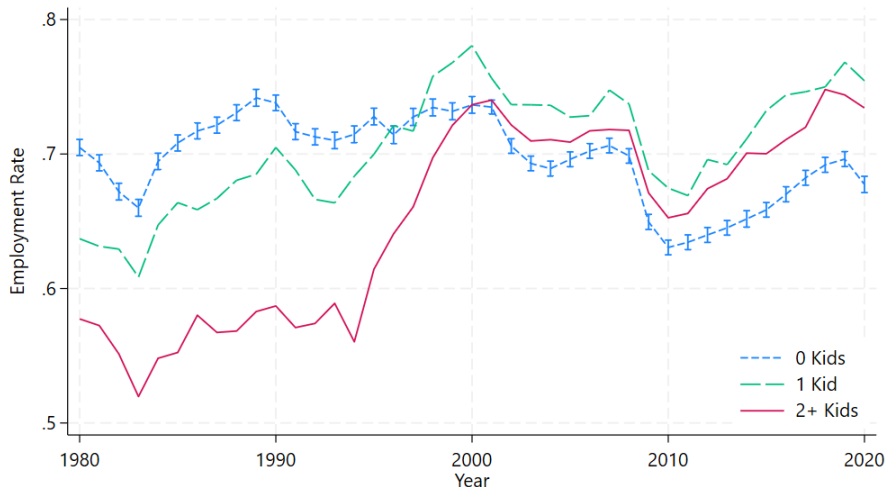
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- How to estimate causal effects? Many options, including:
 - Binary difference-in-differences (DD), continuous DD (e.g., *MaxEITC*) to better capture size of policy changes, etc.
- How many years to consider after a policy change?
 - Takes people up to 4–5 years to respond to EITC policy changes
 - 1975 EITC expansion lead to an increase in employment through 1979
 - 1993–1996 EITC expansions lead to an increase in employment through 2000
 - See next few slides

1975 EITC & Employment of (Mostly Unmarried) Mothers

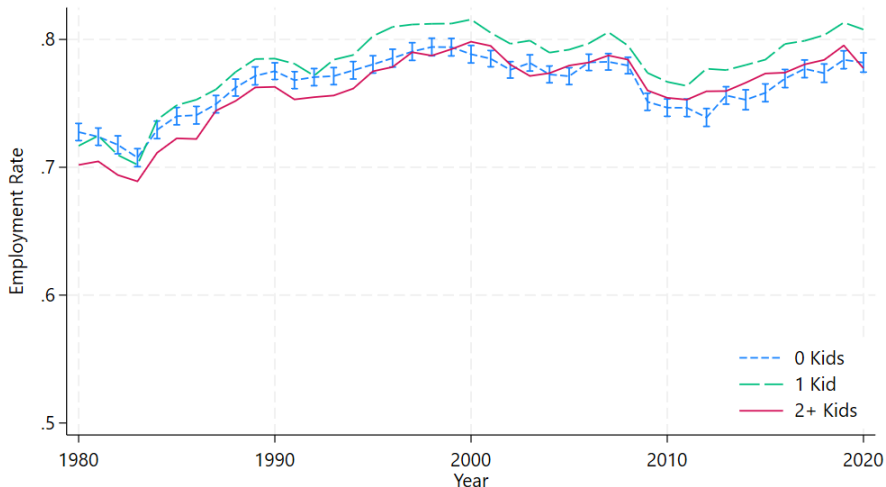


1990s EITC Expansion & Employment of Unmarried Moms



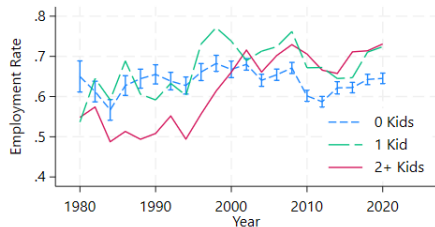
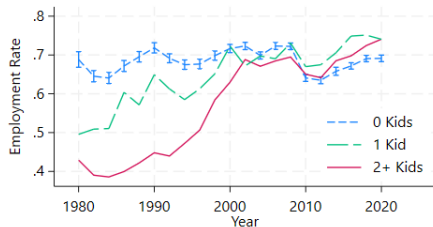
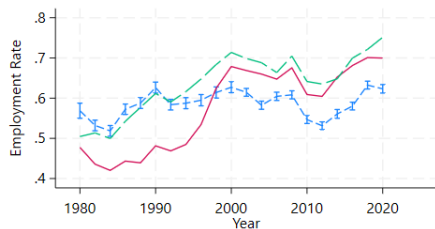
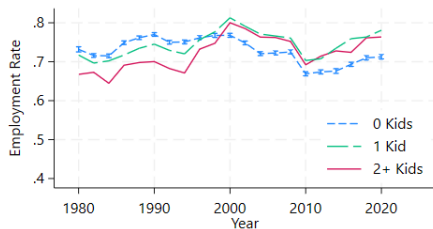
Panel B: Unmarried Women

1990s EITC Expansion & Employment of Married Moms



Panel D: Married Women

1990s EITC & Employment of Unmarried Moms, by Race



EITC and Labor Supply: Survey of the Literature

- Much evidence the EITC has raised maternal employment
 - E.g., Hoffman and Seidman (1990), Dickert, Houser and Scholz (1995), Eissa and Liebman (1996), Meyer and Rosenbaum (2001), Grogger (2003; 2004), Eissa and Hoynes (2004), Eissa and Hoynes (2006), Hotz and Scholz (2006), Eissa, Kleven and Kreiner (2008), Moulton et al., (2016), Bastian and Micheltmore (2018), Hoynes and Patel, (2018), Micheltmore and Pilkauskas (2019), Bastian (2020), Kuka and Shenhav (2020), Bastian and Jones (2021), Bastian and Lochner (2022), and many more...

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- Extensive margin, not intensive margin (Meyer, 2002)
- Effects largest among unmarried, younger, lower-education, younger kids, rural mothers
- Similar effects across race/ethnicity, but varies by specification (Hardy and Ziliak, 2022)
- Small negative effect on married mothers (Eissa and Hoynes, 2004; Bastian and Jones, 2021)

EITC and Labor Supply: Survey of the Literature

- Kleven (2018–2024) and Looney (2024) cast doubt on EITC's employment effects
- Mead (2014; 2018) also argued this point in qualitative work
- Bastian and Jones (2021) and Kuka and Shenhav (2020) address Kleven indirectly
- Schanzenbach and Strain (2021) address Kleven directly

EITC Impacts Income and (Very Likely) Labor Supply

- Since income affects many many things, this means the EITC may also impact many other short-run and long-run outcomes

The EITC Helps “Pay for Itself”

- By increasing labor supply and income, the EITC increases the taxes households pay and reduces the government transfer payments they receive, offsetting the EITC's cost
- Bastian and Jones (2021) find that the EITC's net cost is only 17% of the (\$70 billion or so) budgetary cost
- On net, the EITC is actually one of the U.S.'s least expensive anti-poverty programs
- If you consider the public value of other effects (e.g., reduced crime, improved health, intergenerational outcomes) then EITC expansions completely pay for themselves

Conclusion: The EITC @ 50

- A great program for tens of millions of lower-income families!