



Hutchins Center  
on Fiscal & Monetary Policy  
at BROOKINGS

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

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THE BROOKINGS INSTITUTION

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# Introduction

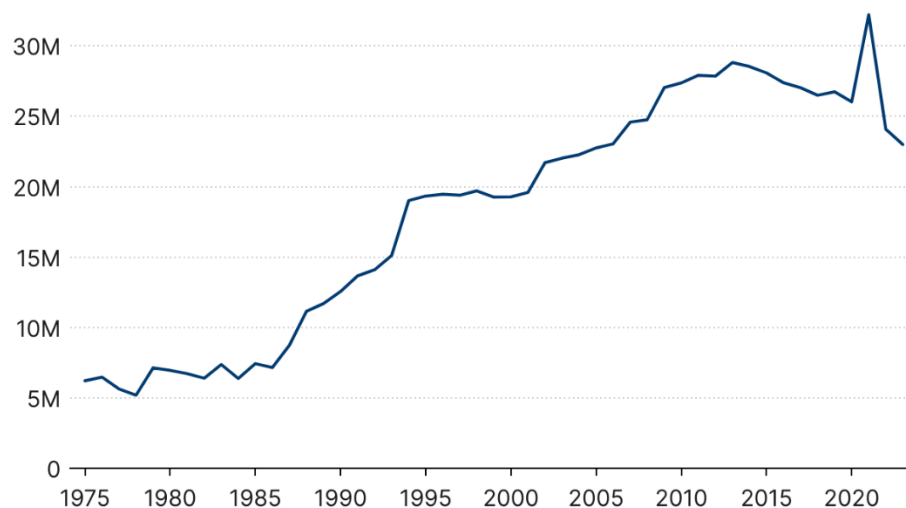
Congress created the Earned Income Tax Credit (EITC) in 1975 and has since expanded it into one of the nation's largest anti-poverty programs. It now provides [nearly \\$80 billion per year in tax relief and cash](#) to 30 million low-income working American families, primarily to those with children. In 2025, for a single filer with two dependent children, the [maximum credit is around \\$7,000](#), a substantial sum for a low-income household. [More than half the states](#) and some local governments supplement the federal program.

In June 2025, the [Hutchins Center on Fiscal and Monetary Policy](#) and the [Center on Economic Security and Opportunity](#) at Brookings convened a group of leading economists from academia, think tanks, and government to look back on the history of the EITC, assess the research on its impact, and look ahead to its future. The first day of our conference was an invitation-only academic roundtable. (See attendee list and agenda in appendix.) The second was an hour-long public panel. (You can read a [summary](#) of the panel, watch [video](#) of it, or read a [transcript](#).) The conference and related work was supported by the Smith Richardson Foundation and Arnold Ventures, but Brookings was solely responsible for the agenda and content.

This report summarizes researchers' views on key issues from across both days.

As the figure below shows, the number of families receiving EITC benefits has risen over time, peaking at 32 million in 2021 due, in part, to a temporary expansion of eligibility during the COVID pandemic. In the two years since, the number of tax returns showing the credit has dipped to 23 million.

**Number of Families Receiving EITC Benefits, 1975-2023**



Source: Internal Revenue Service

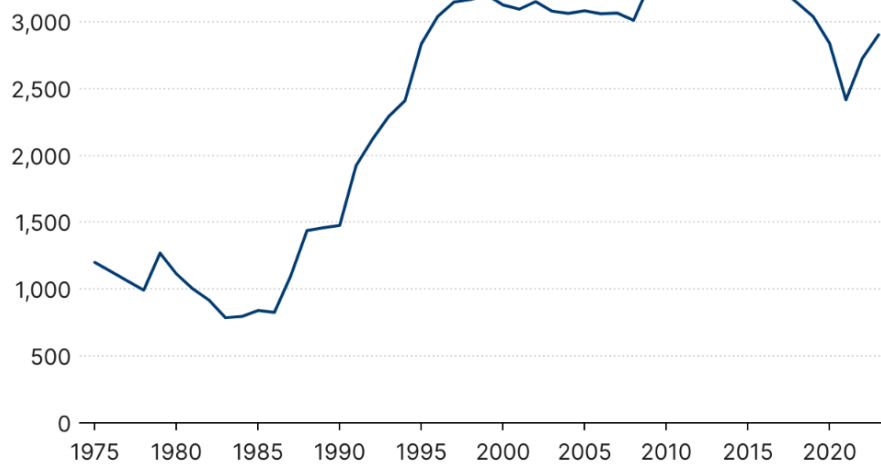
Note: 2023 data approximated.

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Legislation in the 1990s substantially increased the size of the average EITC benefit, as the chart below illustrates. The average benefit in 2023 was approximately \$2,900. (Data are adjusted to 2025 dollars using CPI-U.)

### Average EITC Benefits per Recipient, 1975-2023

2025 Dollars



Source: Internal Revenue Service

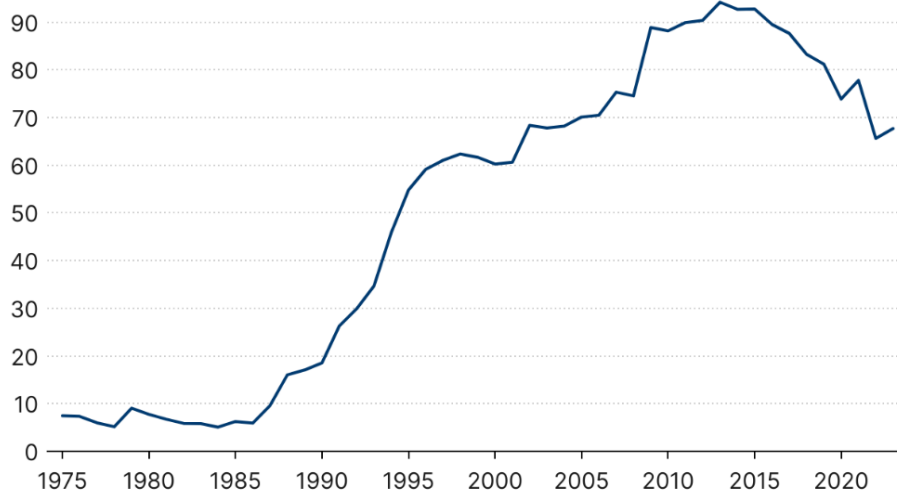
Note: 2023 data approximated.



Total EITC benefits (both tax reduction and cash) have grown significantly since the program began, as the chart below shows. In 2023, total benefits were around \$64 billion. (Data are adjusted to 2025 dollars using CPI-U.)

### Total EITC Benefits, 1975-2023

Billions of 2025 Dollars



Source: Internal Revenue Service

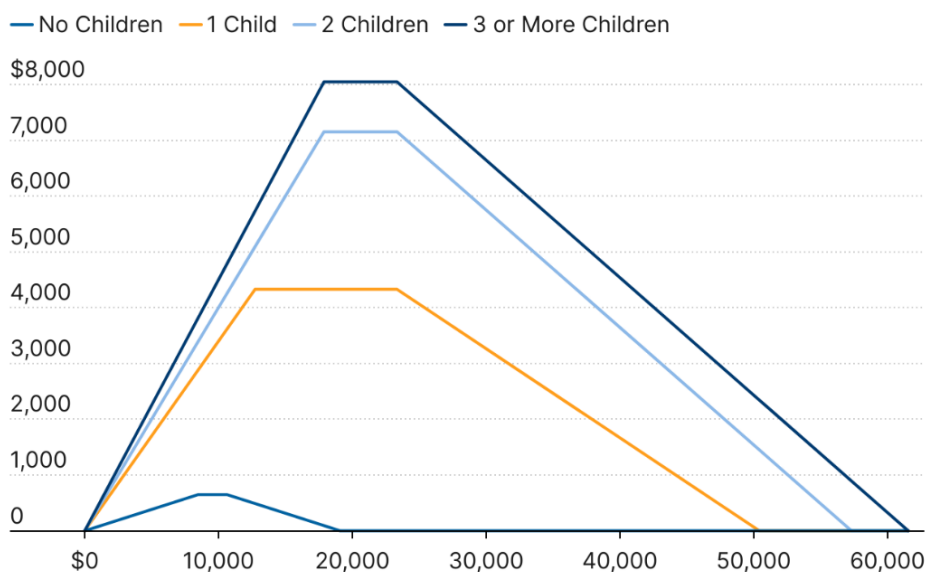
Note: 2023 data approximated.



The size of a taxpayer's EITC benefits depends on two factors: Adjusted Gross Income (AGI) and number of children. EITC benefits increase alongside AGI up to a certain level, before plateauing and then eventually phasing out. As the figure below shows, for each level of AGI, the more children one has (up to three), the higher the EITC benefits. The maximum benefit in 2025 is nearly \$8,000.

### EITC Levels by Adjusted Gross Income (2025 Estimate)

Levels shown for single taxpayers.



Source: Internal Revenue Service

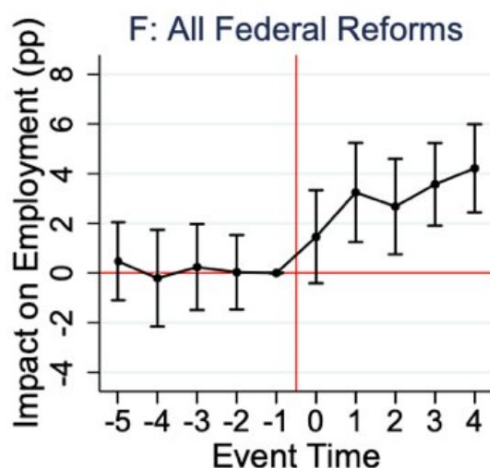
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## Does the EITC increase labor force participation?

The design of the EITC is aimed at encouraging work among those with very low earnings. Research suggests that the EITC's main influence is on the extensive margin—motivating individuals, particularly unmarried mothers, to enter the workforce. The impact is most notable among younger people, less educated individuals, those with younger children, and those in rural areas. “Looking at unmarried mothers, especially those with at least two kids, depending on the year, there is a 12 to 14 percentage point increase in employment during the 1990s. A lot of evidence suggests maybe the EITC is responsible for about a third or so of that,” said Jacob Bastian of Rutgers. Welfare reform in the 1990s also contributed to the increase in single mothers going to work. The impact of the EITC on married women's labor force participation has been modest or slightly negative because they generally have spouses who work, and the couple's income makes them ineligible for a significant amount of EITC.

While the large 1993 EITC expansion has received most of the research attention, Diane Schanzenbach of Georgetown presented work (joint with Michael Strain of the American Enterprise Institute) investigating the impacts of all five of the EITC expansions that occurred between the EITC's introduction in 1975 through the 2009 expansion that increased benefits to families with 3 or more children. They find that employment rates among unmarried mothers with low levels of education increase by an average of 4

percentage points after the EITC expansions, as illustrated in the figure below, taken from Schanzenbach and Strain's [2021 paper](#). It shows the combined effect, in percentage points, of the five federal EITC expansions on the employment of unmarried mothers between the ages of 20 and 50 for the five years before and after the expansion.



*Note: Figure from [Schanzenbach and Strain, 2021](#).*

There is debate regarding the robustness of these findings on labor effects. Henrik Kleven of Princeton observed that results can vary considerably based on methodological choices and the specific expansions analyzed. “In a nutshell, rather than insisting that the effect on labor supply is necessarily very small or zero, what I have really highlighted is that the estimates are not very robust,” he said.

Regardless of this, Kleven emphasized his support for the EITC as a way to alleviate poverty. Jim Sullivan of Notre Dame estimated that the program lifts six million individuals out of poverty annually, about half of them children.

There was general agreement among participants that the impact of the EITC on the number of hours individuals work—the intensive margin—is minimal, except for some “bunching” at certain earnings thresholds among self-employed individuals who have more control about how much they work and how much wage income they report.

Veterans of the executive branch of the 1990s recalled that the EITC was expanded largely to make the safety net stronger and to make major deficit-reduction bills more progressive rather than to provide incentives to work. But the fact that the program didn’t come with the same work disincentives as traditional cash welfare (the Aid to Families with Dependent Children program) was politically helpful. Tara Watson of Brookings observed, “One really nice thing about the EITC is that it has both anti-poverty effects and work incentive effects and maybe, probably, that built a political coalition to be able to have a safety net.... I’m wondering if that’s still the magic that will help us sustain our safety net going forward. I’m thinking about things like baby bonus and baby bonds and ideas about pronatalism in the right wing of the political spectrum that might mean that the labor supply incentives are less important for that coalition than they used to be.”

The participants agreed on the need to link surveys and administrative data to better evaluate the impact of the EITC.

## Beyond the labor supply effects, what other effects does the EITC have?

Much of the early research on the EITC focused on labor market effects. Subsequent work looks at a broader set of outcomes. The EITC, for instance, significantly reduces income inequality, including narrowing racial income disparities. [Research by Bradley Hardy of Georgetown](#) and others indicates that the EITC lowers after-tax Black-white income inequality by 5% to 10% in any given year between 1980 and 2020—improving incomes of Black households relative to white households.

Hilary Hoynes of the University of California, Berkeley, cited “fairly consistent evidence” that the EITC benefits children and that the effects persist into adulthood—higher levels of education, higher earnings, less poverty. She added, “There’s some evidence that in the short run things look better in the household. Mom’s mental health is a bit better. There’s less evidence of housing insecurity and the need to have families doubling up to save on housing costs. There’s shorter-term evidence of slightly better financial situations at the household level. Some evidence that there’s less violence in the household in various ways. And so there’s this kind of short-term evidence that things are just going a bit better in the household.” This suggests that the EITC can be seen as an investment in children—we spend today, and as a society, yield returns in the future in terms of improved outcomes for children. In addition, there’s evidence that the EITC contributes to [lower suicide rates](#), [lowered incidence of intimate partner violence](#), and [improvements in criminal justice outcomes](#).

Participants acknowledged that, despite these well-documented benefits, mechanisms underlying these positive outcomes are not entirely clear. Debate persists about whether these benefits are primarily due to increased income, increased parental employment, or other factors. Several participants expressed that distinguishing between income and employment effects is challenging yet essential for shaping future policy.

State-level variability in EITC benefits and cost of living suggest that state-level policies and conditions—such as tax progressivity, Medicaid generosity, and cost-of-living differences—can influence the effectiveness of the EITC.

While labor supply effects of the EITC have historically dominated policy discussions, evidence of intergenerational benefits could alter the political discourse. Some participants noted a lack of widespread understanding among policymakers and the public regarding the documented child welfare and long-term economic benefits of the EITC, indicating a need for broader dissemination of these findings. Participants called for more research into the dynamic and long-term career effects of employment facilitated by the EITC, along with deeper investigations into the interplay of work and family outcomes.

## Is there a case for expanding the EITC for workers without children?

For workers without dependent children, the EITC is small—a [maximum of around \\$650](#) a year. Workers without children represent about [a quarter](#) of all EITC recipients, but less than 5% of EITC dollars. Eligible workers without children (those between 25 and 64 with wage income) are significantly less likely to apply for the program than those with children. The EITC for workers without children was temporarily made more generous and eligibility expanded during the COVID pandemic. Politicians of both parties, including

President Barack Obama and House Speaker Paul Ryan, have proposed permanent expansion, but Congress has not acted.

Participants noted that the U.S. safety net is more generous for families with children, so childless adults are disproportionately vulnerable to poverty and economic instability. Many of these individuals, including those who are unhoused, are working, but remain economically insecure. Participants also highlighted demographic realities—such as the increasing average age of first-time parents—that heighten the importance of considering childless workers within safety net frameworks. Additionally, many childless EITC recipients are non-custodial parents who may be providing support to their children.

One issue is the limited evidence on labor market responses to expanding EITC benefits for childless workers. Available research suggests modest labor supply responses among young adults, particularly women, but minimal effects for others, such as older men. Conference participants emphasized that current benefit levels are likely too small to induce significant employment shifts. The session also discussed potential interactions with child support obligations, such as whether EITC payments could be offset by unpaid child support, potentially influencing employment decisions among non-custodial parents.

There was debate around policy design considerations, particularly regarding the eligibility age range and the treatment of students and older workers. Elaine Maag of the Urban Institute suggested that the threshold for eligibility was set at 25 to avoid luring students out of school to jobs, but today low-income students often go to school and work at the same time. Others, however, said the threshold was set at 25 because some members of Congress warned against allowing college students from higher-income families to qualify.

## Is the EITC a good counter-cyclical tool?

The EITC's design inherently limits its effectiveness as a counter-cyclical measure. As the economy weakens, people lose their jobs or work fewer hours, reducing earned income. Among single parent families (who [represent 60% of EITC filers](#)), the loss in earnings is often associated with a reduction in the value of the earned-income credit. For married couples or higher-earning single parents, a loss of one earner can, on the other hand, drop their earnings into the EITC-eligible range, leading to an increase in the amount of EITC benefit they receive.

Evidence indicates the EITC is less responsive during recessions compared to programs like unemployment insurance (UI) or the Supplemental Nutrition Assistance Program (SNAP). The yearly lump-sum nature of the credit may also diminish its effectiveness in reducing immediate hardship during downturns.

The discussion also emphasized the role of the tax system more broadly, noting that the infrastructure built around the EITC facilitates the rapid deployment of direct cash transfers like stimulus payments during the COVID crisis. This indirect benefit has expanded policymakers' ability to use tax mechanisms to deliver swift economic support.

Participants proposed technical modifications, such as including unemployment benefits as earned income, to enhance the EITC's counter-cyclical capabilities. Additionally, the experts highlighted broader administrative considerations, advocating for potential integration or coordination between the EITC and other social welfare programs to better respond to households experiencing crisis.

The discussion explored community-level effects, suggesting that the influx of EITC funds into local economies might provide second-order counter-cyclical benefits, stabilizing economic activity across space.



Experts debated the merits of delivering EITC payments annually versus monthly, noting historical preferences among program participants for lump-sum payments as a form of forced savings beneficial for significant expenses or debt repayment.

## How extensive are improper payments in the EITC?

Participants noted that improper payments constitute a substantial portion of EITC disbursements—approximately \$15.9 billion, or 27% of money claimed in data for 2022, the most recent year available. This includes both intentional and unintentional errors. It combines overpayments and underpayments, although the vast majority are overpayments. Underpayments due to eligible individuals not claiming the credit are not included in these calculations.

A significant portion of errors arise from the complexities of EITC eligibility, especially the rules governing who can claim responsibility for a child, which account for about half of all errors. (For example, if an EITC payment was made to a mother, but should have gone to a grandparent, that is counted as an improper payment.) Former Treasury economist Janet McCubbin noted that there’s little evidence that the error rate has changed over the decades.

Participants highlighted growing challenges related to self-employment income reporting, pointing out that, although the error rate is generally perceived as relatively stable over time, the rise of gig economy work has introduced more errors related to self-employment.

Bastian noted that with any social program, there’s a tradeoff between administrative costs and fighting fraud. “Sometimes, when you try to reduce fraud, you’re keeping out people who are actually eligible.” He noted that the [cost of administering the EITC](#) is below 1% of the total cost of the program, a very low number compared to other social programs.

Several proposed solutions emerged, including simplifying eligibility criteria to reduce unintentional errors and requiring recipients to pre-certify eligibility before receiving benefits. However, historical attempts at pre-certification were discussed critically, with experts citing administrative burdens, high taxpayer compliance costs, and relatively poor returns on IRS resource investments.

Discussants also raised issues of framing and public perception. Kleven said, “My view is that compliance issues are not specific to the EITC. Any piece of tax legislation has compliance issues. The way we want to think about that is in terms of tax enforcement. The most important aspect of tax enforcement is about information, third party information on things, in this case children resident at home and so on. If there are compliance issues in the U.S. tax system, which there are, then we should think about how to get rid of that with third-party information, audits, penalties, staffing of the IRS.”

Added Tara Watson: “I’ve been in a number of cross-partisan conversations lately where the fact that there is such a high error rate as measured in this way is a very often repeated talking point for those who are opposed to the EITC or want to shrink it. To me that makes it more important both that the program is implemented more accurately and that the way we talk about this more accurately reflects how much money would be saved if we were to be able to have a less complex program and everyone followed it perfectly.”



## How might the EITC better align with the Child Tax Credit?

The [Child Tax Credit](#) (CTC) was [created in 1997](#) as a modest non-refundable tax credit for middle-income families with children. Over time, Congress expanded eligibility for the credit to higher- and lower-income families and increased the size of the credit. In 2001, [Congress made the CTC refundable](#), meaning that families that didn't make enough to owe taxes got cash as they do with the EITC. Under the One Big Beautiful Bill Act, the CTC is made permanent and provides up to \$2,200 per child for children under age 17; up to \$1,700 is refundable in 2025, but only for families with at least \$2,500 in annual income. Both are indexed to rise with inflation. The CTC extends well beyond low-income families; it begins to phase out for single taxpayers with incomes above \$200,000 and joint returns with incomes above \$400,000. Taxpayers (at least one spouse among joint filers) and their children must have Social Security numbers. (Before the 2025 law, the CTC was available to children born in the U.S. regardless of their parents' immigration status.)

Having two partially overlapping tax credits, both aimed at supporting families with children but with different rules and income thresholds, adds complexity and occasional confusion. Participants discussed ways to simplify and improve them.

One option would be to make the EITC into a tax credit for workers independent of family composition while substantially expanding the CTC to provide more targeted support to families with children. Advocates of this approach argued it would streamline administration, reduce complexity, and improve compliance, particularly regarding child-residency requirements currently complicating the EITC for families with children. Such restructuring would allow each credit to serve more clearly defined objectives: providing support for low-income workers through a worker credit and providing robust financial support for children through an enhanced CTC. Many other countries effectively separate child and worker supports, using universal or near-universal child benefits alongside worker incentives.

Participants discussed implications of significantly enhancing the CTC, particularly if benefits were more robust for younger and lower-income children as they were, temporarily, under the American Rescue Plan Act of 2021. But there was considerable debate around political feasibility and practical implementation challenges. Participants highlighted the significant budgetary impact of fully realizing these proposals, particularly given the political challenges in financing expansions through higher taxes.

A critical area of concern was verifying qualifying children for both credits, with suggestions that simplifications could significantly mitigate complexity and reduce improper payments. Ideas discussed included pre-certifying child eligibility at birth and making adjustments only when family circumstances change significantly, practices used successfully in other countries.

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## APPENDIX

### June 2, Participant List

Sarah Akyena	Georgia State University
Jacob Bastian	Rutgers University
Lauren Bauer	The Brookings Institution
Marianne Bitler	University of California, Davis
Margot Crandall-Hollick	Urban-Brookings Tax Policy Center
Wendy Edelberg	The Brookings Institution
Bob Greenstein	The Brookings Institution
Sarah Halpern-Meekin	University of Wisconsin-Madison
Bradley Hardy	Georgetown University
Janet Holtzblatt	Urban-Brookings Tax Policy Center
Hilary Hoynes	University of California, Berkeley
Rachael Kauss	Senate Committee on Finance
Henrik Kleven	Princeton University
Wojciech Kopczuk	Columbia University
Elaine Maag	Urban-Brookings Tax Policy Center
Day Manoli	Georgetown University
Josh McCabe	Niskanen Center
Janet McCubbin	Former Treasury economist
Jonathan Meer	Texas A&M University
Bruce Meyer	University of Chicago
Katherine Micheltore	University of Michigan
Wendell Primus	The Brookings Institution
Sarah Reber	The Brookings Institution
Diane Schanzenbach	Northwestern University
Emilia Simeonova	Johns Hopkins University
Jim Sullivan	University of Notre Dame
Erin Towery	Council of Economic Advisers
Anna Tyger	Arnold Ventures
Tara Watson	The Brookings Institution
David Wessel	The Brookings Institution
Erica Williams	DC Fiscal Policy Institute

## June 2, Agenda

**10:00 a.m. Registration opens**

**10:30 a.m. Welcome**

**10:45 a.m. SESSION ONE**

The EITC was designed to provide an incentive for people to work because it is only available to people with jobs. What impact has it had on labor force? On hours worked? And on whom has it had the most impact?

Jacob Bastian, Rutgers University

Diane Schanzenbach, Northwestern University

**12:00 p.m. Lunch**

**12:45 p.m. SESSION TWO**

Who benefits most from EITC? Looking beyond the labor market incentives to health, well-being, and future earnings of recipients and their children.

Bradley Hardy, Georgetown University

Hilary Hoynes, University of California, Berkeley

**1:30 p.m. SESSION THREE**

What are the pros and cons of expanding the EITC for workers without children?

Jonathan Meer, Texas A&M University

**2:15 p.m. SESSION FOUR**

Is the EITC a good counter-cyclical tool, lifting families and the macro-economy during recessions?

Marianne Bitler, University of California, Davis

**2:45 p.m. Break**

**3:00 p.m. SESSION FIVE**

To what degree are improper payments a problem for EITC? How much is fraud? How much is the complexity of the program to blame?

Janet McCubbin, independent consultant, formerly Treasury and IRS

**3:45 p.m.      SESSION SIX**

How might the EITC be strengthened to maximize its benefits? Or is it more important to expand the Child Tax Credit? And should the two tax credits be better aligned?

Elaine Maag, Urban-Brookings Tax Policy Center

Tara Watson, The Brookings Institution

**4:45 p.m.      Adjourn**



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