



# News from the Fiscal Policy Institute

For immediate release

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**New report:** <http://www.cbpp.org/cms/?fa=view&id=3793>

## Federal Working Family Tax Credits Are Good for New York Both Children and the Economy benefit

### *EITC and CTC Strengthen the Future Workforce*

The federal Earned Income Tax Credit (EITC) and federal Child Tax Credit (CTC) do much more than reduce poverty and provide a short-term safety net for low-income working families, recent academic research shows.

This new research, which is summarized in a report released today by the Center on Budget and Policy Priorities (CBPP), indicates, for example, that children in low-income families do better in school if their families receive additional income from the EITC or similar work-based supports, and that they are more likely to attend college and to earn more as adults.

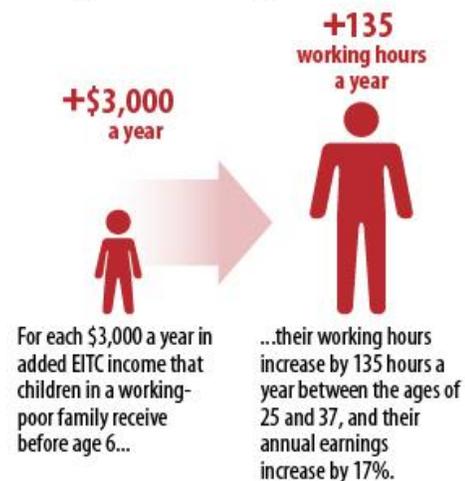
The CBPP report pulls together and examines the body of research available on the impacts of the EITC with a particular emphasis on the recent research that shows that the EITC's benefits for children can extend into adulthood.

“With policymakers calling for federal tax reform, it is essential that members of Congress consider the long-term impacts of the EITC and the CTC as well as their short-run benefits,” said Frank Mauro, Executive Director of the Fiscal Policy Institute.

“It is important to strengthen these income supports for low-income working families and, at the very least, to make the current temporary enhancements of these credits permanent.”

#### Earned Income Tax Credit Income for Poor Children Linked to More Work Hours and Higher Earnings Later in Life

The change in annual adult work hours associated with a sustained \$3,000 increase in income to children in working-poor families before age 6.



Source: Source: Greg J. Duncan, Kathleen M. Ziol-Guest, and Ariel Kalil, "Early-Childhood Poverty and Adult Attainment, Behavior, and Health," *Child Development*, January/February 2010, pp. 306-325

Center on Budget and Policy Priorities | [cbpp.org](http://cbpp.org)

Using pooled data from the last three years of the Census Bureau's Current Population Survey, the new CBPP report estimates that current temporary improvements of the EITC and the CTC, which are currently scheduled to expire in 2017, helped 725,000 New York households including 1.4 million New York children in 2010. Overall, in 2010, 1.754 million New York households benefited from the EITC and 1.175 million from the CTC. Combined, the EITC and the CTC lifted 547,000 New Yorkers out of poverty that year, including 282,000 children, according to the report.

“Not only do these credits help parents provide for their families in the short-run, they also help their children – our future workforce – succeed in the long run,” said James Parrott, the Fiscal Policy Institute's Deputy Director and Chief Economist. “Making sure that our children get the education and skills they need for successful careers is vitally important to **New York State's** future economy.”

The new report's examination of the body of EITC research includes the following significant findings:

- **Encourages work.** Numerous studies have found that the EITC promotes work. For example, EITC expansions between 1984 and 1996 were responsible for more than half of the large increase in employment among single mothers during that period, one study found.
- **Improves children's school performance.** Young children in low-income families do better in school if their families receive additional income from the EITC or similar work-based supports, several teams of highly regarded researchers have found. For example, each \$1,000 increase in annual income for two to five years led to increases in young children's school performance on a number of measures, including test scores.
- **Likely increases the work effort and earnings of children in families that receive the credits once they reach adulthood.** For example, raising a poor family's income by \$3,000 a year (a fairly typical amount for a poor family to receive from the CTC and EITC) between a child's prenatal year and fifth birthday is associated with a significant increase in the child's earnings in adulthood, another study found.

“Federal tax credits for working families encourage parents to be self-reliant, to take responsibility, and to work hard at jobs so that they can do their best for their children,” said Chuck Marr, co-author of the report and director of federal tax policy at the Center on Budget and Policy Priorities. “They encourage work over welfare. And they aim to achieve the American ideal of giving everybody a chance to succeed in life.”

*The Fiscal Policy Institute ([www.fiscalpolicy.org](http://www.fiscalpolicy.org)) is an independent, nonpartisan, nonprofit research and education organization committed to improving public policies and private practices to better the economic and social conditions of all New Yorkers.*