

Who Receives the Earned Income Tax Credit?



SUMMARY POINTS

- The Earned Income Tax Credit (EITC) is designed to benefit low-income workers, particularly those with children.
- In 2022, 24.1 million tax returns claimed the EITC, and benefits totaled \$60.1 billion.
- The EITC typically increases earnings of recipients by an average of 12-13% annually.
- Those with children benefit from the EITC more than those without children: In 2022, over 95% of the EITC benefits went to those with children.
- 65% of EITC benefits go to taxpayers earning under \$25,000 per year, with the tax credit increasing their pre-tax annual incomes by over 20%.

INTRODUCTION

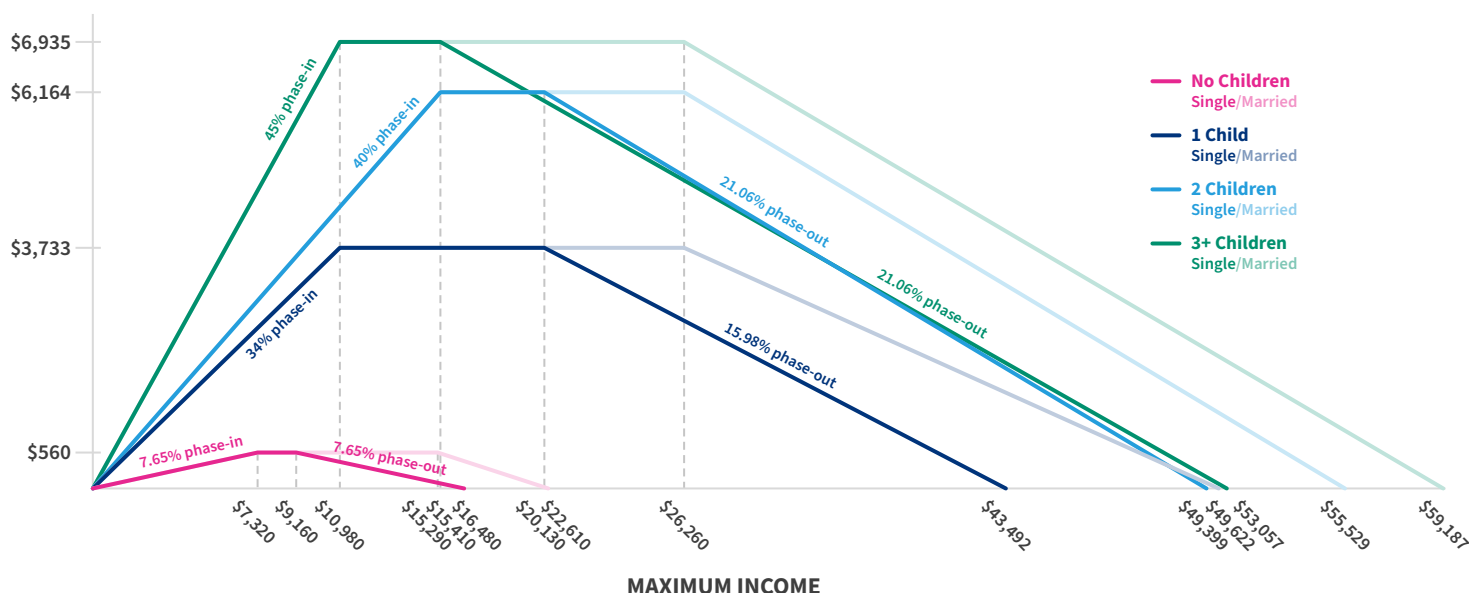
The tax code contains several tax credits designed to support workers and children. Among the most prominent of them is the Earned Income Tax Credit (EITC) which delivers upwards of \$60 billion per year to low-income households. This explainer provides an overview of the EITC, examining benefits by number of children and income levels.

WHAT IS THE EITC

The EITC is a refundable tax credit designed to benefit low-income households. To be eligible, an individual must have earned income, such as wages, salaries, or self-employment income. Additionally, eligibility and benefit size depend on earnings level, marital status, and number of children.

EITC Benefit Parameters, 2022

MAXIMUM CREDIT



Source: [Internal Revenue Service](#)

The EITC is a *fully refundable* tax credit, meaning that if the size of the credit exceeds an individual's tax liability, the government still provides the full benefit. As the above chart reveals, the EITC provides larger benefits to individuals with children than to those who are childless.

HISTORICAL TRENDS

The EITC was originally enacted in the Tax Reduction Act of 1975, which set the initial maximum credit amount at \$400. Over the next several decades, several subsequent laws expanded the EITC, particularly for recipients with children.

In recent history, the American Recovery and Reinvestment Act, enacted in 2009 in response to the Great Recession, increased the EITC for families with three or more children. Additionally, the American Rescue Plan Act temporarily expanded the EITC for childless individuals in 2021.¹

Over nearly 5 decades, the total amount of the EITC claimed, the average benefit, and the number of recipients has grown considerably.

The History EITC Claims, 1975-2022

		TOTAL EITC CLAIMS (\$ BILLIONS)	CLAIMS (MILLIONS)	AVERAGE EITC	PERCENT CHANGE IN INCOME
EITC introduced by Tax Reduction Act of 1975, with a maximum benefit of \$400	1975	\$1.3	6.2	\$201	–
	1976	\$1.3	6.5	\$201	–
	1977	\$1.1	5.6	\$201	–
	1978	\$1.0	5.2	\$201	–
The Revenue Act of 1978 takes effect, which made EITC permanent and increased the maximum benefit to \$500	1979	\$2.1	7.1	\$201	–
	1980	\$2.0	7.0	\$201	–
	1981	\$1.9	6.7	\$201	–
	1982	\$1.8	6.4	\$201	–
	1983	\$1.8	7.4	\$201	–
	1984	\$1.6	6.4	\$201	–
	1985	\$2.1	7.4	\$201	–
	1986	\$2.0	7.2	\$201	–
	1987	\$3.9	8.7	\$450	–
Tax Reform Act of 1986 takes effect, which increased the maximum credit to \$800 and began permanently adjusting parameters for inflation	1988	\$5.9	11.1	\$529	–
	1989	\$6.6	11.7	\$564	–
	1990	\$7.5	12.5	\$601	–
	1991	\$11.1	13.7	\$813	–
Omnibus Budget Reconciliation Act of 1990 takes effect, introducing different family size parameters and increasing the maximum credit to \$1,192 for families with one child and to \$1,235 to families with two or more children	1992	\$13.0	14.1	\$924	–
	1993	\$15.5	15.1	\$1,028	–
	1994	\$21.1	19.0	\$1,110	–
Omnibus Budget Reconciliation Act of 1993 takes effect, which increased the maximum credit for one child to \$2,038 and for two or more children to \$2,528, but lowered the maximum for childless adults to \$306.	1995	\$26.0	19.3	\$1,342	11.9%
	1996	\$28.8	19.5	\$1,481	12.6%
The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 enacted, which required recipients to provide Social Security numbers in order to receive the credit.	1997	\$30.4	19.4	\$1,567	12.8%
	1998	\$31.6	19.7	\$1,603	12.6%
	1999	\$31.9	19.3	\$1,656	12.7%
	2000	\$32.3	19.3	\$1,675	12.5%
	2001	\$33.4	19.6	\$1,703	12.4%
	2002	\$38.2	21.7	\$1,760	12.3%
The Economic Growth and Tax Relief Reconciliation Act (EGTRRA) takes effect, which increased the phase-out income thresholds for married couples.	2003	\$38.7	22.0	\$1,755	12.1%
	2004	\$40.0	22.3	\$1,797	12.3%
	2005	\$42.4	22.8	\$1,864	12.4%

The History EITC Claims, 1975-2022

		TOTAL EITC CLAIMS (\$ BILLIONS)	CLAIMS (MILLIONS)	AVERAGE EITC	PERCENT CHANGE IN INCOME
	2006	\$44.4	23.0	\$1,926	12.6%
	2007	\$48.5	24.6	\$1,974	12.7%
	2008	\$50.7	24.8	\$2,047	12.8%
The American Recovery and Reinvestment Act (ARRA) takes effect, which temporarily introduced a larger credit for families with three or more qualifying children (\$5,657) and temporarily extended the EGTRRA expansions for married recipients.	2009	\$59.2	27.0	\$2,191	12.9%
	2010	\$59.6	27.4	\$2,176	12.9%
	2011	\$62.9	27.9	\$2,254	13.3%
	2012	\$64.1	27.8	\$2,303	13.2%
	2013	\$68.1	28.8	\$2,362	13.4%
	2014	\$68.3	28.5	\$2,395	13.4%
	2015	\$68.5	28.1	\$2,440	13.4%
EGTRRA and ARRA reforms made permanent	2016	\$66.7	27.4	\$2,437	13.2%
	2017	\$66.4	27.0	\$2,458	13.1%
	2018	\$64.9	26.5	\$2,451	12.6%
	2019	\$64.5	26.7	\$2,411	12.3%
	2020	\$59.2	26.0	\$2,276	11.4%
	2021	\$65.7	32.2	\$2,039	10.9%
American Rescue Plan Act takes effect, temporarily increasing the maximum EITC for childless adults from \$543 to \$1,052 in 2021, which later expired at the end of the year.	2022	\$60.1	24.1	\$2,494	12.0%

1: "The Earned Income Tax Credit (EITC): Legislative History," Congressional Research Service, April 28, 2022, <https://www.congress.gov/crs-product/R44825>.

Between 1975 and 2022, the average EITC increased from \$201 to \$2,494, while the total amount of EITC claimed grew from \$1.3 billion to \$60.1 billion. The total amount of EITC claimed peaked at \$68.5 billion in 2015. The number of tax returns claiming the EITC has also steadily grown. As of 2022, 24.1 million tax returns claimed the EITC (14.9% of all returns), up from 6.2 million in 1975.

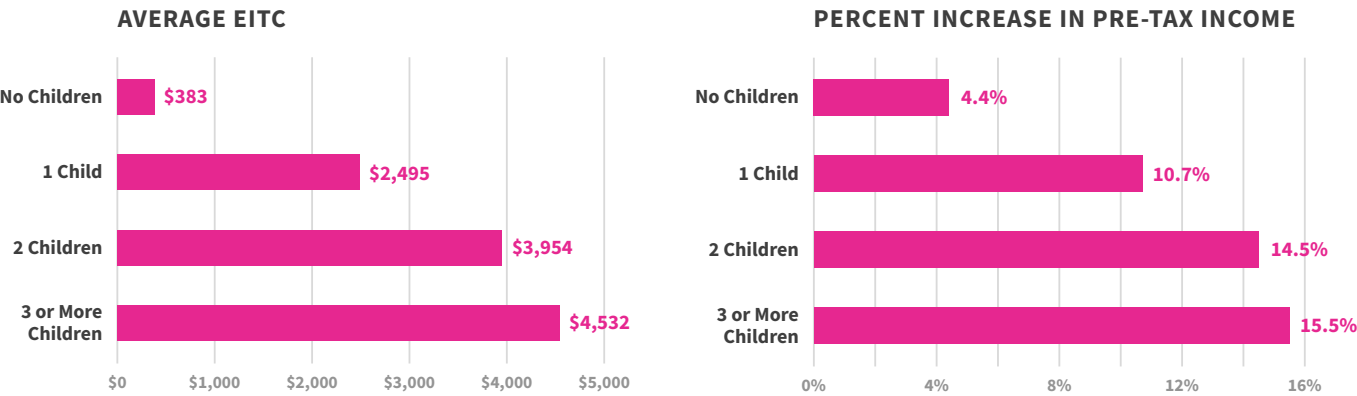
This growth was in part influenced by statutory changes in the credit. For instance, after the Omnibus Reconciliation Act of 1990 increased the maximum credit for those with children, the average EITC jumped from \$601 in 1990 to \$813 in 1991, and total benefits claimed increased from \$7.5 billion to \$11.1 billion. When the Omnibus Reconciliation Act of 1993 increased the maximum again, the total amount claimed grew from \$15.5 billion that year to \$21.1 billion in 1994. Other factors influencing year-to-year changes in EITC claims include population growth, economic conditions, and the maximum tax credit increasing each year with inflation.

While both total and average EITC claims have steadily risen, the average benefit as a percentage of pre-tax income – measured as adjusted gross income (AGI) – has been relatively steady since 1995 (the earliest when relevant data is available). In particular, the EITC in 2022 increased pre-tax income of benefit recipients by 12% on average, roughly the same as in 1995 (11.9%).

IMPACT BY NUMBER OF CHILDREN

Under its current design parameters, the EITC provides much larger benefits to those with children than to those who are childless. As a result, over 95% of EITC benefits went to recipients with children in 2022.

Average EITC by Number of Children, 2022

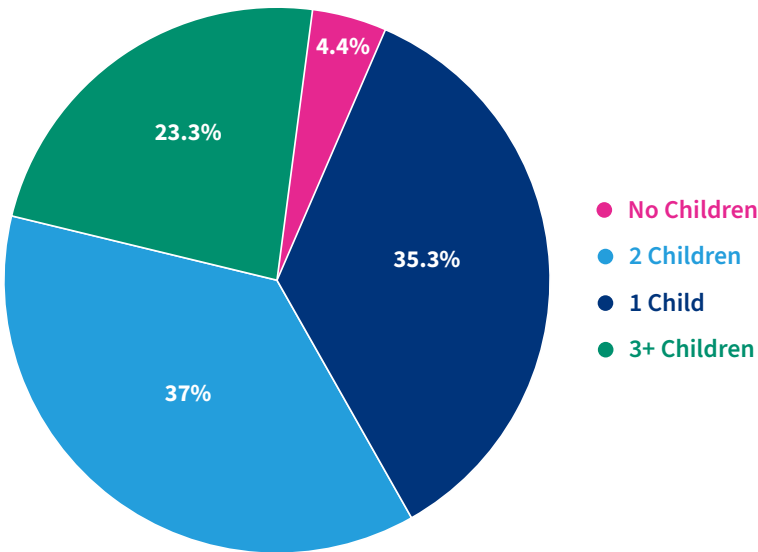


Source: [Internal Revenue Service, Statistics of Income](#)

The average EITC received by those without children was \$383 in 2022, increasing pre-tax income by 4.4%. The average EITC rose considerably with the number of children an individual had. For instance, benefit recipients with one child received an average EITC of \$2,495, representing a 10.7% increase in pre-tax income. Those with three or more children received an average benefit of \$4,532, or a 15.5% increase in pre-tax income.

With families receiving the largest average benefits, the vast majority of total EITC benefits claimed go to those with children.

Allocation EITC Benefits by Number of Children, 2022



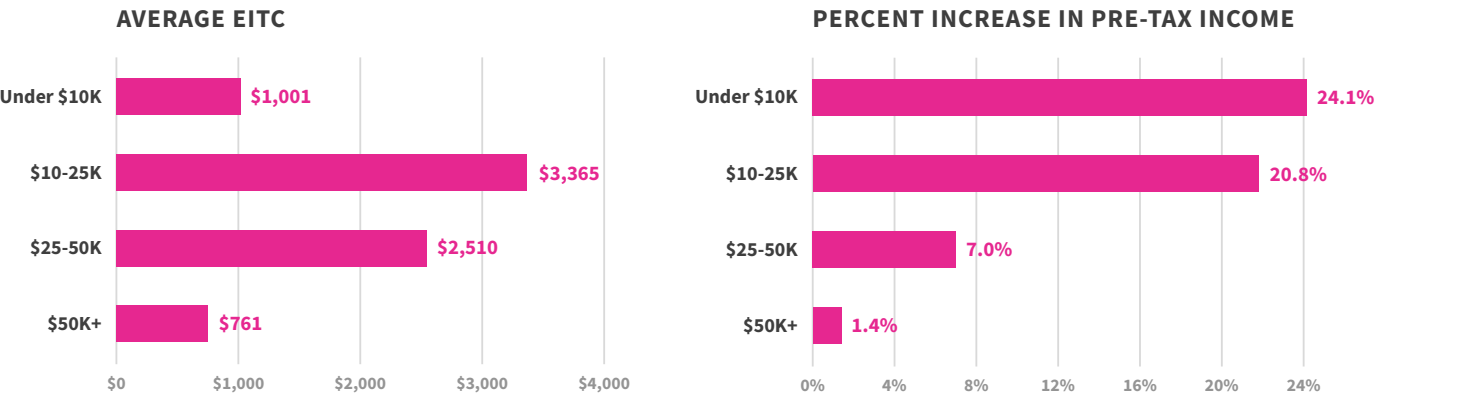
In 2022, 4.4% of total EITC benefits claimed went to childless recipients, while 35.3% were received by those with 1 child, 37% went to those with two children, and 23.3% benefited those with three or more.

Source: [Internal Revenue Service, Statistics of Income](#)

IMPACT BY INCOME LEVEL

The EITC also provides the most robust benefits to the lowest income households, resulting in nearly two thirds of EITC benefits going to those who earned under \$25,000 in 2022. The charts below categorizes returns in adjusted gross income (AGI) groups — the income measure IRS uses to determine taxes owed each year.

Average EITC by AGI, 2022

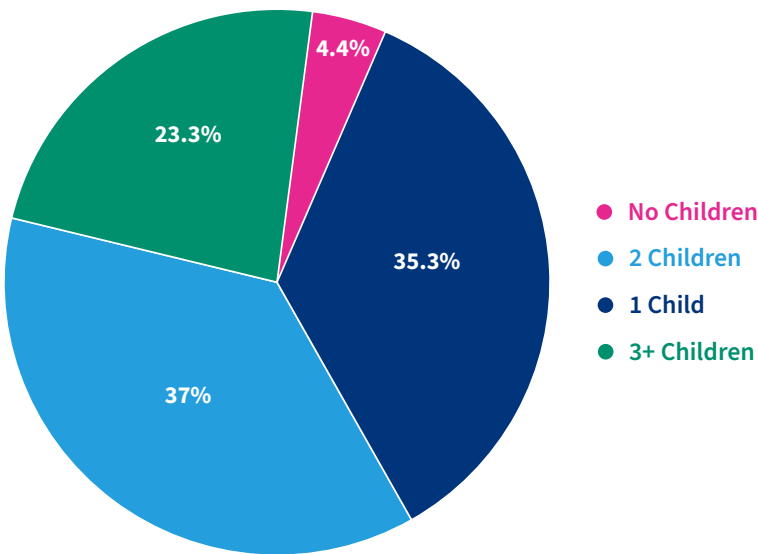


Source: [Internal Revenue Service, Statistics of Income](#)

The lowest income benefit recipients received the largest average EITC, particularly relative to their pre-tax income. Those earning below \$10,000 in 2022 received an average EITC of \$1,001, which led to a 24.1% increase in pre-tax income. Additionally, those who earned between \$10,000 and \$25,000 received \$3,365 on average from the EITC, resulting in a 20.8% average increase in income. By comparison, the EITC increased income by 7% and 1.4% on average for benefit recipients earning between \$25,000 and \$50,000 and those earning above \$50,000, respectively.

With low-income taxpayers receiving the largest average EITC, they also received the majority of total EITC benefits paid in 2022.

Allocation EITC Benefits by Number of Children, 2022



In 2022, 65% of EITC benefits claimed went to those who earned under \$25,000, with those making under \$10,000 receiving 9% of benefits and those earning between \$10,000 and \$25,000 receiving 56%. Meanwhile, those with incomes between \$25,000 and \$50,000 received 34% of EITC benefits and individuals making over \$50,000 received 0.6% of benefits.

Source: [Internal Revenue Service, Statistics of Income](#)

TAX DATA CHALLENGES

All of the data discussed in this explainer are compiled and published by the IRS's Statistics on Income (SOI). While these data provide valuable insight, statistical systems that use tax data face several challenges, limiting the amount of information policymakers and analysts have to evaluate the effect of previous tax policy and the impact of new proposals. Some of the limitations in tax data include:

Delays

There are major delays in tax data.

- The latest public-use file, which provides detailed microdata on individual income tax returns, is from 2015, and there is no public-use file on corporate income tax returns. This means that economists are still unable to perform deeper analyses of the impact of TCJA (enacted in 2017) on investment, work, and earnings. Moreover, they are also forced to rely on decade-old data when attempting to forecast the impact of new policy changes into the 2030s.
- Tabulated topline data typically lags two to three years, with the most recent individual and corporate income tax data being from 2022 and 2021, respectively.

Unpublished data

Despite gathering significant amounts of information from businesses, workers, families, educational institutions, among others, the IRS has not been able to publish data on several key topics Americans care about, such as health insurance and student debt.

Website

Tax data is not easily accessible on the IRS's website. Users must have a strong working knowledge of existing tables and the US tax system in order to answer even simple questions.

IT

IRS runs on outdated hardware, meaning that SOI is unable to leverage modern tools, such as AI and machine reading, to efficiently prepare data for the public.

Talent

SOI relies on a team of statisticians, data scientists, and other specialized professionals to produce data for the public. However, it has long faced a resource constrained environment with limited staffing. This impacts SOI's capacity to release data, contributing to delays and unpublished data.

APPENDIX: DETAILED TABLES**EITC Benefit Parameters, 2022**

Number of Children	Phase-in rate	Phase-out rate	Maximum Credit	Income where max begins	Phase-out starts (single)	Phase-out starts (married)	Max income (single)	Max income (married)
No Children	7.65%	7.65%	\$560	\$7,320	\$9,160	\$9,160	\$16,480	\$22,610
1 Child	34%	15.98%	\$3,733	\$10,980	\$20,130	\$26,260	\$43,492	\$49,622
2 Children	40%	21.06%	\$6,164	\$15,410	\$20,130	\$26,260	\$49,399	\$55,529
3 or More Children	45%	21.06%	\$6,935	\$15,410	\$20,130	\$26,260	\$53,057	\$59,187

Source: [Internal Revenue Service](#)

The History EITC Claims, 1975-2022

Year	Total EITC Claims (\$ Billions)	Claims (millions)	Average EITC	Percent Change in Income
1975	\$1.3	6.2	\$201	–
1976	\$1.3	6.5	\$200	–
1977	\$1.1	5.6	\$200	–
1978	\$1.0	5.2	\$202	–
1979	\$2.1	7.1	\$288	–
1980	\$2.0	7.0	\$286	–
1981	\$1.9	6.7	\$285	–
1982	\$1.8	6.4	\$278	–
1983	\$1.8	7.4	\$243	–
1984	\$1.6	6.4	\$257	–
1985	\$2.1	7.4	\$281	–
1986	\$2.0	7.2	\$281	–
1987	\$3.9	8.7	\$450	–
1988	\$5.9	11.1	\$529	–
1989	\$6.6	11.7	\$564	–
1990	\$7.5	12.5	\$601	–
1991	\$11.1	13.7	\$813	–
1992	\$13.0	14.1	\$924	–

Year	Total EITC Claims (\$ Billions)	Claims (millions)	Average EITC	Percent Change in Income
1993	\$15.5	15.1	\$1,028	–
1994	\$21.1	19.0	\$1,110	–
1995	\$26.0	19.3	\$1,342	11.9%
1996	\$28.8	19.5	\$1,481	12.6%
1997	\$30.4	19.4	\$1,567	12.8%
1998	\$31.6	19.7	\$1,603	12.6%
1999	\$31.9	19.3	\$1,656	12.7%
2000	\$32.3	19.3	\$1,675	12.5%
2001	\$33.4	19.6	\$1,703	12.4%
2002	\$38.2	21.7	\$1,760	12.3%
2003	\$38.7	22.0	\$1,755	12.1%
2004	\$40.0	22.3	\$1,797	12.3%
2005	\$42.4	22.8	\$1,864	12.4%
2006	\$44.4	23.0	\$1,926	12.6%
2007	\$48.5	24.6	\$1,974	12.7%
2008	\$50.7	24.8	\$2,047	12.8%
2009	\$59.2	27.0	\$2,191	12.9%
2010	\$59.6	27.4	\$2,176	12.9%
2011	\$62.9	27.9	\$2,254	13.3%
2012	\$64.1	27.8	\$2,303	13.2%
2013	\$68.1	28.8	\$2,362	13.4%
2014	\$68.3	28.5	\$2,395	13.4%
2015	\$68.5	28.1	\$2,440	13.4%
2016	\$66.7	27.4	\$2,437	13.2%
2017	\$66.4	27.0	\$2,458	13.1%
2018	\$64.9	26.5	\$2,451	12.6%
2019	\$64.5	26.7	\$2,411	12.3%
2020	\$59.2	26.0	\$2,276	11.4%
2021	\$65.7	32.2	\$2,039	10.9%
2022	\$60.0	24.1	\$2,494	12.0%

Average EITC by Number of Children, 2022

Number of Children	Average EITC	Percent Increase in Pre-Tax Income
No Children	\$383	4.4%
1 Child	\$2,495	10.7%
2 Children	\$3,954	14.5%
3 or More Children	\$4,532	15.5%

Source: [Internal Revenue Service, Statistics of Income](#)

Allocation EITC Benefits by Number of Children, 2022

Number of Children	Allocation EITC Benefits
No Children	4.4%
1 Child	35.3%
2 Children	37%
3 or More Children	23.3%

Source: [Internal Revenue Service, Statistics of Income](#)

Average EITC by AGI, 2022

AGI	Average EITC	Percent Increase in Pre-Tax Income
Under \$10K	\$1,001	24.1%
\$10-25K	\$3,365	20.8%
\$25-50K	\$2,510	7.0%
\$50K+	\$761	1.4%

Source: [Internal Revenue Service, Statistics of Income](#)

Allocation of EITC Benefits by AGI, 2022

AGI	Allocation EITC Benefits
Under \$10K	9%
\$10-25K	56%
\$25-50K	34%
\$50K+	0.6%

Source: [Internal Revenue Service, Statistics of Income](#)