

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.
- Average EITC benefits are typically equivalent to 12% to 13% of average annual pre-tax earnings of recipients.
- Parents benefit from the EITC more than adults without children: in 2022, over 95% of the EITC benefits went to parents.
- In 2022, 65% of EITC benefits went to taxpayers earning under \$25,000 per year, with the tax credit increasing their pre-tax annual incomes by over 20%.

INTRODUCTION

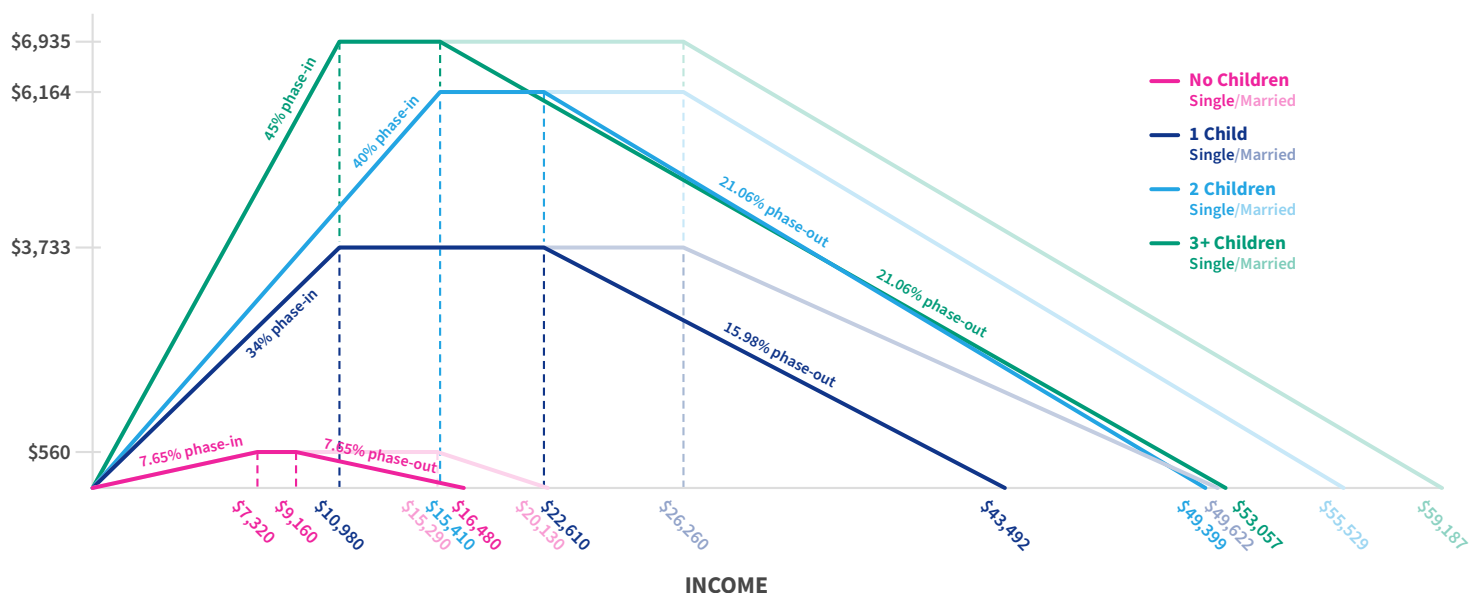
The tax code contains several tax credits designed to support workers and children. Among the largest is the Earned Income Tax Credit (EITC), which delivers upwards of \$60 billion per year to low-income households nationwide. This brief provides an overview of the EITC, examining benefits by number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

WHAT IS THE EITC?

The EITC is a refundable tax credit that primarily benefits low-income households. To be eligible, an individual must have earned income, such as wages, salaries, or self-employment income. Eligibility and benefit size also depend on earnings level, marital status, and the number of children the taxpayer has.

EITC benefit parameters, 2022

BENEFIT AMOUNT



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 parents than to adults who are childless.

HISTORICAL TRENDS

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

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 five decades, the total amount of the EITC claimed, the average benefit, and the number of recipients have all grown considerably.

The history EITC claims, 1975–2022

		AGGREGATE EITC CLAIMS (BILLIONS OF 2022 INFLATION-ADJUSTED DOLLARS)	CLAIMS (MILLIONS)	AVERAGE EITC (INFLATION-ADJUSTED 2022 DOLLARS)	AVERAGE EITC RELATIVE TO PRE-TAX INCOME OF RECIPIENTS
EITC introduced by the Tax Reduction Act of 1975, with a maximum benefit of \$400 (about \$2,176 in 2022 dollars).	1975	\$6.8	6.2	\$1,094	–
	1976	\$6.7	6.5	\$1,029	–
	1977	\$5.4	5.6	\$967	–
	1978	\$4.7	5.2	\$906	–
The Revenue Act of 1978 takes effect, which made the EITC permanent and increased the maximum benefit to \$500 (about \$2,244 in 2022 dollars).	1979	\$8.3	7.1	\$1,159	–
	1980	\$7.1	7.0	\$1,014	–
	1981	\$6.2	6.7	\$916	–
	1982	\$5.4	6.4	\$842	–
	1983	\$5.3	7.4	\$715	–
	1984	\$4.6	6.4	\$723	–
	1985	\$5.7	7.4	\$764	–
	1986	\$5.4	7.2	\$750	–
The Tax Reform Act of 1986 takes effect, which increased the maximum credit to \$800 (about \$2,136 in 2022 dollars) and began permanently adjusting parameters for inflation.	1987	\$10.1	8.7	\$1,159	–
	1988	\$14.6	11.1	\$1,308	–
	1989	\$15.6	11.7	\$1,331	–
	1990	\$16.9	12.5	\$1,346	–
The 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 (about \$2,669 and \$2,765 in 2022 dollars, respectively).	1991	\$23.9	13.7	\$1,746	–
	1992	\$27.2	14.1	\$1,928	–
	1993	\$31.5	15.1	\$2,081	–
The 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 (about \$4,128 and \$5,120 in 2022 dollars, respectively), but lowered the maximum for childless adults to \$306 (about \$620 in 2022 dollars).	1994	\$41.7	19.0	\$2,192	–
	1995	\$49.8	19.3	\$2,578	11.9%
The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 is enacted, which required recipients to provide Social Security numbers in order to receive the credit.	1996	\$53.8	19.5	\$2,762	12.6%
	1997	\$55.4	19.4	\$2,858	12.8%
	1998	\$56.7	19.7	\$2,879	12.6%
	1999	\$56.0	19.3	\$2,910	12.7%
	2000	\$54.9	19.3	\$2,847	12.5%
	2001	\$55.2	19.6	\$2,815	12.4%
The Economic Growth and Tax Relief Reconciliation Act (EGTRRA) takes effect, which increased the phase-out income thresholds for married couples.	2002	\$62.1	21.7	\$2,863	12.3%
	2003	\$61.5	22.0	\$2,792	12.1%
	2004	\$62.0	22.3	\$2,784	12.3%
	2005	\$63.6	22.8	\$2,793	12.4%

The history EITC claims, 1975–2022

		AGGREGATE EITC CLAIMS (BILLIONS OF 2022 INFLATION ADJUSTED DOLLARS)	CLAIMS (MILLIONS)	AVERAGE EITC (INFLATION-ADJUSTED 2022 DOLLARS)	AVERAGE EITC RELATIVE TO PRE-TAX INCOME OF RECIPIENTS
	2006	\$64.4	23.0	\$2,796	12.6%
	2007	\$68.5	24.6	\$2,787	12.7%
	2008	\$68.9	24.8	\$2,782	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 or about \$7,717 in 2022 dollars) and temporarily extended the EGTRRA expansions for married recipients.	2009	\$80.8	27.0	\$2,988	12.9%
	2010	\$79.9	27.4	\$2,921	12.9%
	2011	\$81.8	27.9	\$2,932	13.3%
	2012	\$81.7	27.8	\$2,935	13.2%
	2013	\$85.5	28.8	\$2,968	13.4%
	2014	\$84.5	28.5	\$2,960	13.4%
	2015	\$84.6	28.1	\$3,013	13.4%
	EGTRRA and ARRA reforms are made permanent.	2016	\$81.4	27.4	\$2,971
	2017	\$79.3	27.0	\$2,935	13.1%
	2018	\$75.7	26.5	\$2,856	12.6%
	2019	\$73.8	26.7	\$2,760	12.3%
	2020	\$67.0	26.0	\$2,574	11.4%
The American Rescue Plan Act takes effect, temporarily increasing the maximum EITC for childless adults from \$543 to \$1,052 in 2021 (about \$1,136 in 2022 dollars), which later expired at the end of the year.	2021	\$70.9	32.2	\$2,202	10.9%
	2022	\$60.1	24.1	\$2,494	12.0%

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

Between 1975 and 2022, in 2022 dollars, the average EITC increased from \$1,094 to \$2,494, while the total amount of EITC claimed grew from \$6.8 billion to \$60.1 billion. The total amount of EITC claimed peaked at \$85.5 billion in 2013 (in 2022 dollars). 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 (7.5% of all returns).

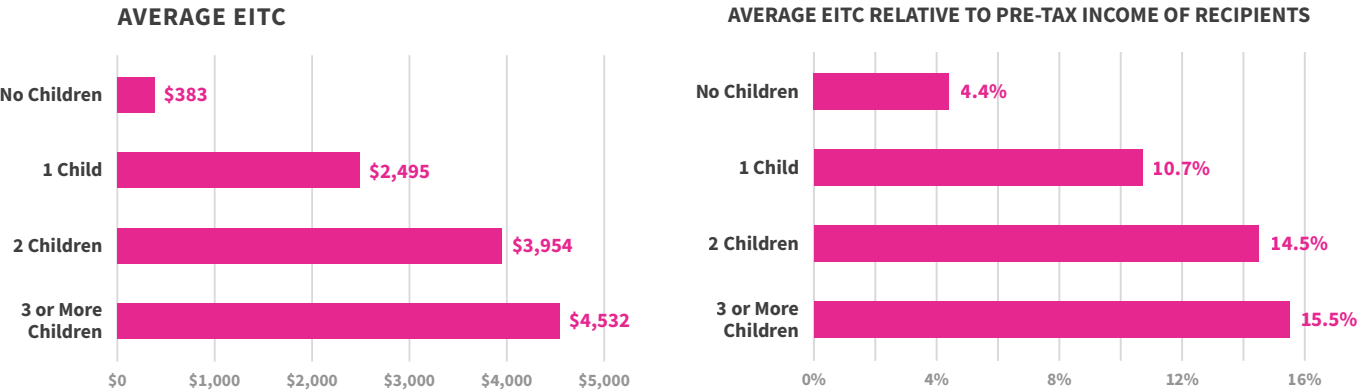
This growth was partly influenced by statutory changes. For instance, after the Omnibus Reconciliation Act of 1990 increased the maximum credit for parents, the average EITC jumped from \$601 in 1990 to \$813 in 1991 (from \$1,346 to \$1,746 in 2022 dollars). Total benefits claimed increased from \$7.5 billion to \$11.1 billion (from \$16.9 billion to \$23.9 billion in 2022 dollars). 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 (from \$31.5 billion to \$41.7 billion in 2022 dollars). Population growth, economic conditions, and the maximum tax credit increasing each year with inflation also affect year-to-year changes in EITC claims.

While both total and average EITC claims have 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 year for relevant data). In particular, the EITC in 2022 was equivalent to 12.0% of pre-tax income of benefit recipients on average, roughly the same as in 1995 (11.9%).

IMPACT BY NUMBER OF CHILDREN

Under its current parameters, the EITC provides larger benefits to people 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

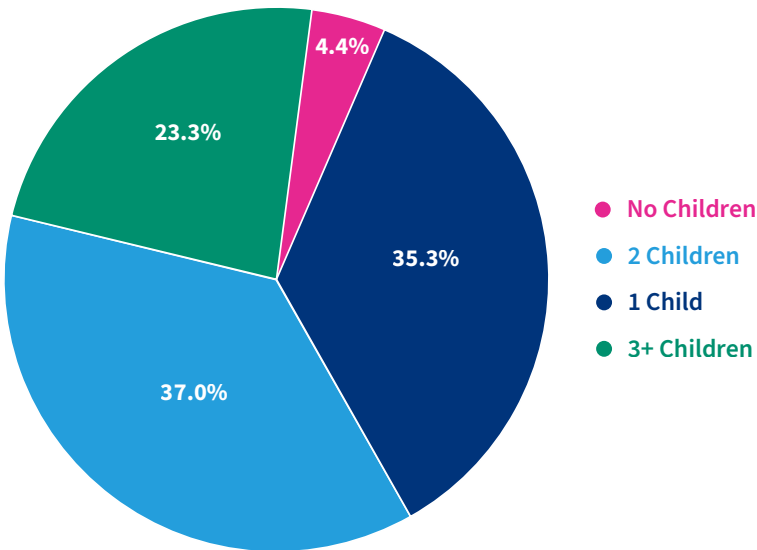


Source: [Internal Revenue Service, Statistics of Income](#)

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

With families receiving the largest average benefits, the majority of aggregate EITC benefits claimed go to parents.

Allocation of aggregate EITC benefits by number of children, 2022



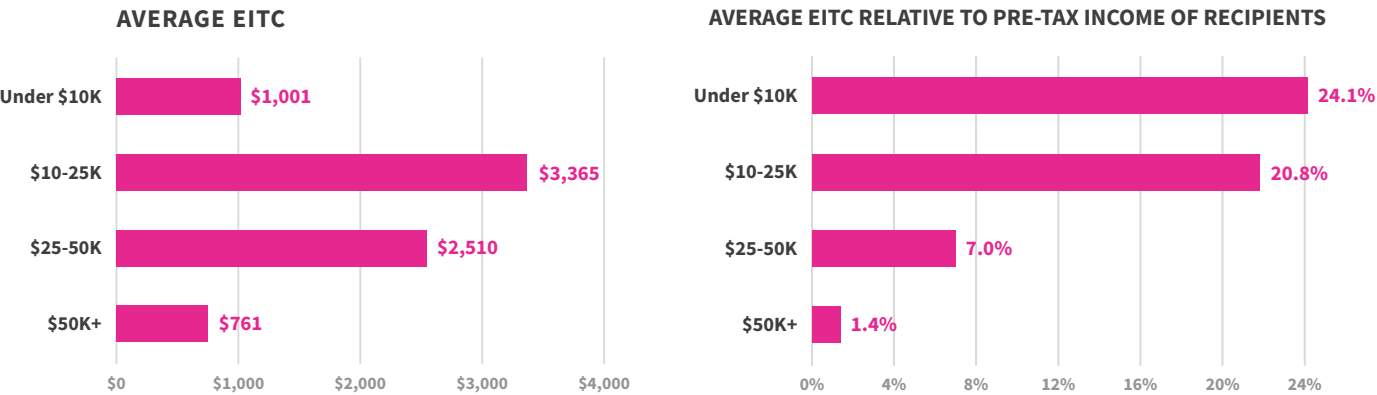
In 2022, 4.4% of the \$60.1 billion in EITC benefits claimed went to childless adults, while 35.3% were received by those with one child, 37.0% went to those with two children, and 23.3% benefited those with three or more.

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 AGI groups — the income measure the Internal Revenue Service (IRS) uses to determine taxes owed each year.

Average EITC by AGI, 2022



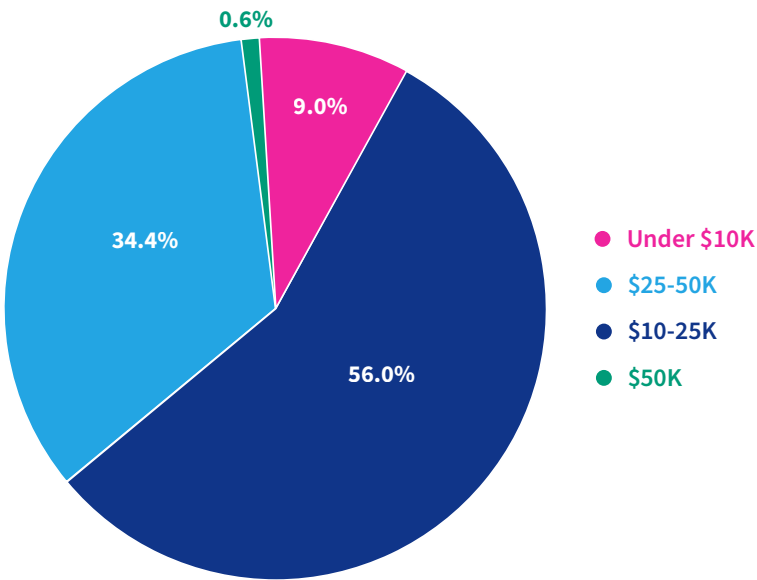
Source: [Internal Revenue Service, Statistics of Income](#)

The lowest income benefit recipients received the largest average EITC, particularly relative to their pre-tax income. People earning below \$10,000 in 2022 received an average EITC of \$1,001, equivalent to 24.1% of pre-tax income. People who earned between \$10,000 and \$25,000 received \$3,365 on average from the EITC — equivalent to 20.8% of pre-tax income.

By comparison, the EITC was equivalent to 7% and 1.4% of average pre-tax income of recipients earning between \$25,000 and \$50,000 and people earning above \$50,000, respectively.

Low-income taxpayers also received the majority of aggregate EITC benefits paid in 2022.

Allocation of aggregate EITC benefits by AGI, 2022



In 2022, 65% of aggregate EITC benefits were claimed by people who earned under \$25,000, with those making under \$10,000 receiving 9.0% of benefits and those earning between \$10,000 and \$25,000 receiving 56.0%. Meanwhile, those with incomes between \$25,000 and \$50,000 received 34.4% 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 in this explainer are compiled and published by the IRS's Statistics of Income (SOI). While these data provide valuable insight, statistical systems that use tax data face several challenges. As such, policymakers and analysts have limited information to evaluate the effect of previous tax policy and the potential impact of new proposals. Some of the limitations in tax data include:

Delays

There are major delays in tax data.

- 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.
- 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 potential impact of new policy changes into the 2030s.

Unpublished data

Despite gathering significant amounts of information from businesses, workers, families, and educational institutions, among others, the IRS has been unable 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 to answer simple questions.

Informational technology

The 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 maximum begins	Phase-out starts (single)	Phase-out starts (married)	Maximum income (single)	Maximum income (married)
No Children	7.65%	7.65%	\$560	\$7,320	\$9,160	\$15,290	\$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](#)

Average EITC by number of children, 2022

Number of Children	Average EITC	Average EITC Relative to Pre-Tax Income of Recipients
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 of aggregate EITC benefits by number of children, 2022

Number of Children	Allocation EITC Benefits
No Children	4.4%
1 Child	35.3%
2 Children	37.0%
3 or More Children	23.3%

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

Average EITC by AGI, 2022

AGI	Average EITC	Average EITC Relative to Pre-Tax Income of Recipients
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 aggregate EITC benefits by AGI, 2022

AGI	Allocation EITC Benefits
Under \$10K	9.0%
\$10-25K	56.0%
\$25-50K	34.4%
\$50K+	0.6%

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