



FACT SHEET

What the LGBT Community Needs to Know About the Earned Income Tax Credit in 2015

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The Earned Income Tax Credit, or EITC, can be modified to specifically help lesbian, gay, bisexual, and transgender, or LGBT, people, a disproportionate number of whom are living in poverty.¹ The EITC is one of the nation's most effective tools for reducing poverty. In 2013, the EITC lifted 6.5 million people out of poverty by providing an average credit of around \$2,400.² This fact sheet explains the EITC and discusses how proposed modifications to improve its effectiveness can help the LGBT community.

What is the Earned Income Tax Credit?

- The EITC is a tax credit that benefits workers with low to moderate incomes.
- The income limit varies by filing status and number of qualifying children.
- It is a credit, not a deduction, meaning that if a person is eligible, the EITC will reduce the amount of federal income tax they would otherwise owe on a dollar for dollar basis.
- The EITC is refundable, meaning that those who qualify will receive the full value of the credit even if they do not owe any federal income tax.

EITC eligibility and benefits

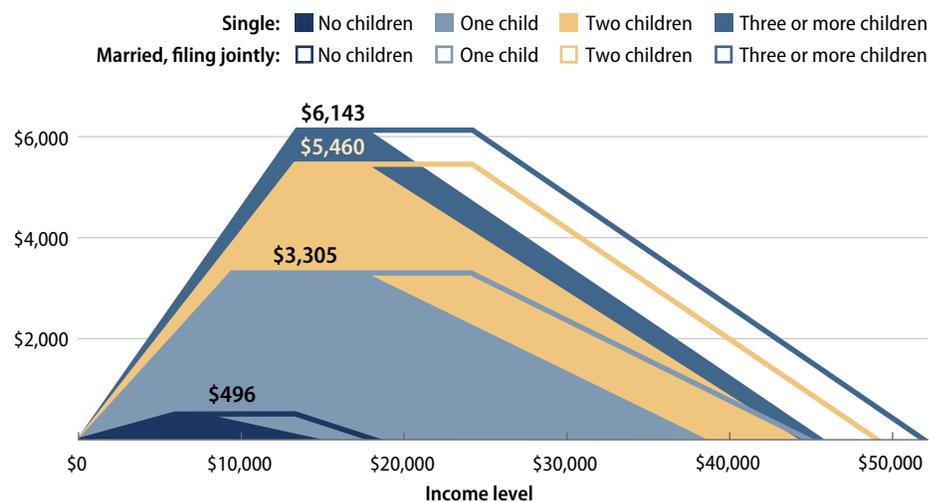
- Same-sex couples who are legally married can file jointly and claim EITC benefits. However, unmarried couples who are domestic partners, in a civil union, or in other formal legal relationships may not file as married couples.
- In some cases, workers who were eligible for the EITC during the past two to three tax years but failed to file for it can still claim benefits.

Did you know?

- Around 80 percent of EITC recipients use the tax credit to pay bills and reduce debt.³
- Children in families that receive additional income from refundable tax credits such as the EITC are more likely to attend college.⁴
- 61 percent of recipients only receive the EITC for one or two years in order to overcome income disruptions such as unexpectedly losing a job.⁵

FIGURE 1
Value of federal Earned Income Tax Credit, 2014

The EITC increases as you earn more money up to a certain level, gradually decreases in value as you need it less, and varies based on one's income and number of dependents.



Note: Figure is for illustrative purposes only and not all values are represented.

Source: Internal Revenue Service, 2014 *Earned Income Credit (EIC) Table* (U.S. Department of the Treasury, 2014), available at http://apps.irs.gov/app/vita/content/globalmedia/earned_income_credit_table_1040i.pdf.

Improvements to the EITC that can reduce poverty rates among LGBT communities

- Congress should pass bipartisan proposals that would lift the current restriction that make young adults under the age 25 ineligible for the EITC unless they have children.⁶ More than 20 percent of same-sex couples under the age of 25 are living in poverty.⁷
- Congress should pass a bipartisan proposal to increase the modest value of the EITC for workers who do not have qualifying children. Eighty percent of same-sex couples are not raising children,⁸ but the current EITC does very little to benefit childless workers.⁹
- Congress should make the funding provided in the American Recovery and Reinvestment Act of 2009 for the EITC and Child Tax Credit, or CTC, permanent. In 2017, provisions that increase the value of both the CTC and the EITC for certain married couples and families with three or more children will expire.¹⁰ These improvements are important for same-sex couples who are raising children, a greater number of whom are living in poverty compared to both same- and different-sex couples without children.¹¹
- Congress should enhance the EITC's effectiveness as a tool for promoting economic mobility, including allowing workers to access a portion of their EITC ahead of tax time.¹²

Find out if you are eligible

The IRS has an online tool that allows you to determine if you are eligible for the EITC and estimate the amount of your credit.¹³

If you need help filing for the EITC, the Volunteer Income Tax Assistance program and other community-based programs offer free tax return preparation for most low- and moderate-income people. The IRS has a tool to find a site near you.¹⁴

Endnotes

- 1 M.V. Lee Badgett, Laura E. Durso, and A. Schreebaum, "New Patterns of Poverty in the Lesbian, Gay, and Bisexual Community" (Los Angeles: The Williams Institute, 2013), available at <http://williamsinstitute.law.ucla.edu/wp-content/uploads/LGB-Poverty-Update-Jun-2013.pdf>; Center for American Progress and the Movement Advancement Project, "Paying an Unfair Price: The Financial Penalty for Being LGBT in America" (2014), available at <http://www.lgbtmap.org/file/paying-an-unfair-price-full-report.pdf>.
- 2 Internal Revenue Service, "Statistic for Tax Returns with EITC," available at <http://www.aitc.irs.gov/EITC-Central/eitc-stats> (last accessed February 2015).
- 3 Timothy M. Smeeding, Katherin Ross Phillips, and Michael O'Connor, "The EITC: Expectation, Knowledge, Use, and Economic and Social Mobility," *National Tax Journal* 53 (4) (2000): 1195, available at <http://www.ntanet.org/NTJ/53/4/ntj-v53n04p1187-210-eitc-expectation-knowledge-use.pdf>; Michael S. Barr and Jane K. Dokko, "Tax Filing Experiences and Withholding Preferences of Low- and Moderate-Income Households: Preliminary Evidence from a New Survey" (Washington: Internal Revenue Service, 2006), p. 204, available at <http://www.irs.gov/pub/irs-soi/06barr.pdf>.
- 4 Chuck Marr, Chye-Ching Huang, and Arloc Sherman, "Earned Income Tax Credit Promotes Work, Encourages Children's Success at School, Research Finds" (Washington: Center on Budget and Policy Priorities, 2014), available at <http://www.cbpp.org/cms/index.cfm?fa=view&id=3793>.
- 5 Ibid.
- 6 Chuck Marr and Chye-Ching Huang, "Strengthening the EITC for Childless Workers Would Promote Work and Reduce Poverty" (Washington: Center on Budget and Policy Priorities, 2014), available at <http://www.cbpp.org/cms/?fa=view&id=3991>; Sarah Audelo and Gurwin Singh Ahuja, "A Ladder Up: Why Young and Childless Americans Are Excluded From The Earned Income Tax Credit and How We Can Expand It," *Generation Progress*, October 7, 2014, available at <http://genprogress.org/ideas/2014/10/07/31628/a-ladder-up-why-young-and-childless-americans-are-excluded-from-the-earned-income-tax-credit-and-how-we-can-expand-it/>.
- 7 Badgett, Durso, and Schreebaum, "New Patterns of Poverty in the Lesbian, Gay, and Bisexual Community."
- 8 Gary J. Gates, "LGBT Parenting in the United States" (Los Angeles: The Williams Institute, 2013), available at <http://williamsinstitute.law.ucla.edu/wp-content/uploads/LGBT-Parenting.pdf>.
- 9 Marr and Huang, "Strengthening the EITC for Childless Workers Would Promote Work and Reduce Poverty."
- 10 Chuck Marr, Bryann DaSilva, and Arloc Sherman, "Letting Key Provisions of Working-Family Tax Credits Expire Would Push 16 Million People Into or Deeper Into Poverty" (Washington: Center on Budget and Policy Priorities, 2014), available at <http://www.cbpp.org/cms/?fa=view&id=4228>.
- 11 Badgett, Durso, and Schreebaum, "New patterns of poverty in the lesbian, gay, and bisexual community."
- 12 Rebecca Vallas, Melissa Boteach, and Rachel West, "Harnessing the EITC and Other Tax Credits to Promote Financial Stability and Economic Mobility" (Washington: Center for American Progress, 2014), available at <https://www.americanprogress.org/issues/poverty/report/2014/10/07/98452/harnessing-the-eitc-and-other-tax-credits-to-promote-financial-stability-and-economic-mobility/>.
- 13 Internal Revenue Service, "Use the EITC Assistant," available at <http://1.usa.gov/1iGQWLF> (last accessed February 2015).
- 14 Internal Revenue Service, "Free Tax Return Preparation for Qualifying Taxpayers," available at <http://www.irs.gov/Individuals/Free-Tax-Return-Preparation-for-You-by-Volunteers> (last accessed February 2015).