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EITC Reaches More Eligible Families Than TANF, Food Stamps

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The three largest federal income-support programs for low-income households are the Earned Income Tax Credit (EITC), food stamps, and Temporary Assistance to Needy Families (TANF). While TANF and food stamps are traditional spending programs, the EITC provides more than \$30 billion each year through the tax code.

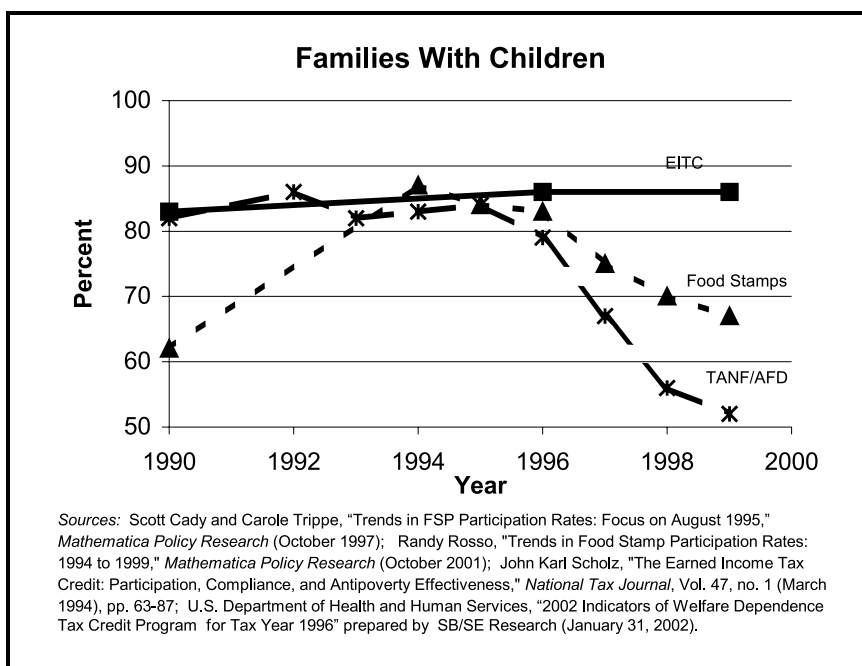
The EITC appears to be quite successful in reaching low-income families with children. The figure below shows that from 1990 to 1999, between 80 and 86 percent of eligible households with children claimed the EITC.

Participation rates for TANF and food stamps have not remained as stable. Food stamp participation rose from 62 percent in 1990 to 87 percent in 1994, only to fall to 67 percent by 1999. The food stamp participation rates among working families (who are generally also eligible for the EITC) are even lower.

Participation in the Aid to Families with Dependent Children (AFDC) program was comparable to that for the EITC in the early 1990s. But participation declined — from 84 percent in 1995 to 52 percent in 1999 — after TANF replaced AFDC in 1996. The decline reduced participation in other low-income assistance programs, because TANF participants are typically enrolled automatically in other income-support programs. As a result, Congress has enacted a number of program changes and many states have implemented outreach programs to try to increase participation in food stamps and Medicaid among the working poor.

Both food stamps and the EITC are also available for households without children, but participation is much lower among that group. In 1999, only 45 percent of eligible individuals and couples without children claimed the EITC, while 40 percent received food stamps (not shown). EITC benefits are much smaller for households without children, which might account for part of the discrepancy in participation for that program. Moreover, childless workers have only been eligible for the credit since 1994.

EITC participation is probably high because it is comparatively simple to claim. Most eligible workers would file a tax return even without the EITC, whereas applicants for food stamps and TANF typically must visit a welfare office during regular business hours, meet with a caseworker, and complete an extensive application. The relative ease of claiming the EITC, however, appears to be related to a higher rate of erroneous claims for the EITC than for other income transfer programs.



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