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Disparities in Knowledge of the EITC

By Elaine Maag

The earned income tax credit, administered through the federal income tax system, is the largest cash assistance program for low-income families.¹ The EITC provides up to \$4,200 a year for working families with two or more children — less for families with fewer children. The EITC is refundable so the credit is not limited to the amount of taxes a family owes. In 2002 the EITC lifted around 4.9 million people out of poverty (Llobrera and Zahradnik, 2004).

Policy makers designed the EITC to encourage work by subsidizing people's wages. Indeed, some research suggests that single mothers do in fact work more as a result of the EITC (Eissa and Hoynes, 1998; Meyer and Rosenbaum, 1999). However, the credit might be more effective if all potentially eligible families knew about it.

Data from the 2001 National Survey of America's Families (NSAF) show large disparities in who knows about the EITC amongst families with income below twice poverty. Only a small portion (27.1 percent) of low-income Hispanic parents know about the EITC — significantly less than their peers of other races and ethnicities. A smaller portion of Black, non-Hispanic parents report knowing about the EITC than other non-Hispanic parents (68.0 percent vs. 73.5 percent). Also, parents with the least education report significantly less knowledge than parents who completed college (for more information, see Maag, 2005).

These disparities in knowledge are of particular concern, because similar results were reported using the 1998 NSAF (Ross Phillips, 2001). The IRS and many community service groups have expanded outreach efforts since that time, but knowledge still lags among some groups. It is possible that even people who do not report knowing

¹Preliminary estimates of the 2002 non-administrative costs of the EITC total \$38.7 billion (IRS 2004); the combined expenditure of state and federal spending on cash assistance in Temporary Assistance for Needy Families totaled 14.6 billion (HHS 2002).

Low-Income Parents' Knowledge of the EITC	
	Heard of the EITC
All	58.1%
Race	
Hispanic	27.1%*
Black, Non-Hispanic	68.0%*
Other (a)	73.5%
Education Level	
Less than high school	39.8%*
High school graduate	65.0%
Some college	71.4%*
College + (a)	64.8%
Source: Author's tabulation using the 2002 National Survey of America's Families.	
*Significantly different from comparison group at 0.05 level.	
a. Base category for statistical comparisons.	

about the EITC receive the EITC perhaps as the result of receiving help from a volunteer or paid preparer.

References

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