

The War on Poverty Moves to the Tax Code

By Len Burman and Elaine Maag

When President Lyndon Baines Johnson declared war on poverty 50 years ago, he probably wasn't thinking of the federal income tax. But people waging his war today most certainly are.

The earned income tax credit, created in 1975, is a work subsidy for low-income earners, delivering \$60 billion per year. The child tax credit (CTC, created in 1997), provides additional aid to low-income working families.

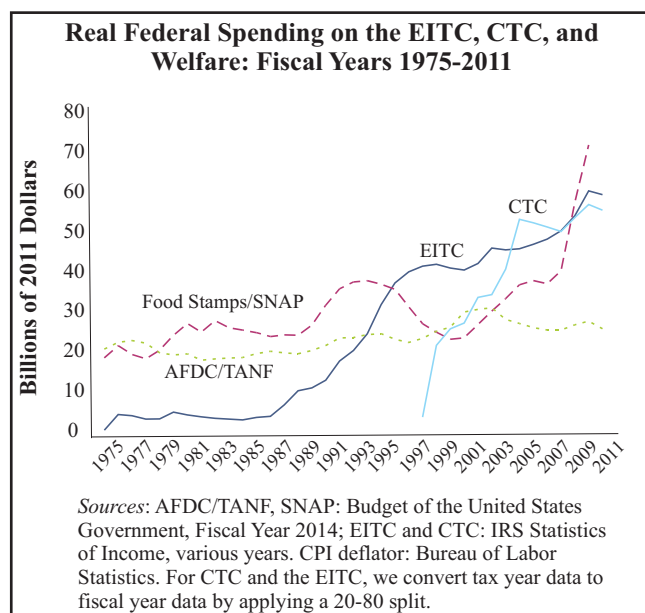
By comparison, Temporary Assistance for Needy Families (TANF), which replaced the old Aid to Families with Dependent Children (AFDC), cost \$26 billion in 2011. The Food Stamp program (now called Supplemental Nutrition Assistance Program,

or SNAP) cost \$78 billion, but the Great Recession inflated that number; enrollment surged as millions lost their jobs and benefit levels were boosted as a temporary stimulus measure. In normal years, the EITC delivers more assistance than SNAP.

The tax credits are less targeted than traditional welfare programs. About 41 percent of the EITC goes to the poorest quintile, and only about 13 percent of the CTC reaches that group.¹ Still, the refundable tax credits reduce poverty more than traditional welfare does. The Census Bureau estimated that in 2012, the tax credits cut poverty (under a broader measure that includes the effect of programs like SNAP and the EITC) by 3 percentage points; SNAP trimmed 1.6 points and TANF subtracted a paltry 0.2 percent.² The tax credits cut child poverty by a whopping 6.7 percentage points.

Tax subsidies in the safety net reflect several factors. In part, they are just another manifestation of a general growth in tax expenditures over the past quarter century. They also reflect a heightened emphasis on work-based public assistance programs. A major concern about LBJ's war on poverty was that means-tested transfer programs could discourage recipients from working. The EITC and the refundable portion of the CTC both phase in with earnings. Only working families benefit from the EITC.

The bottom line? Some of the largest and most effective anti-poverty programs are now run through the tax code.



¹Tax Policy Center estimates for 2015. See <http://www.taxpolicycenter.org/T13-0274> and <http://www.taxpolicycenter.org/T13-0272>.

²Kathleen Short, "The Research Supplemental Poverty Measure: 2012," *Current Population Reports*, Nov. 2013. See <http://www.census.gov/prod/2013pubs/p60-247.pdf>.



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