Center on Budget and Policy Priorities

Mississippi

Fact Sheet: Expand Tax Credits to Promote Work and Fight Poverty

The Earned Income Tax Credit (EITC) for low- and moderate-income workers encourages and rewards work, offsets federal payroll and income taxes, and helps meet basic needs. The Child Tax Credit (CTC) also helps working families offset part of the cost of child rearing.[1] Together, the EITC and low-income CTC are among the strongest tools to promote work and help workers with children escape poverty and achieve self-sufficiency.

But we need to do more. The EITC leaves out millions of low-wage workers not raising children in the home — a group that includes young people just starting out, adults with grown children, and non-custodial parents. As a result, they are the lone group taxed into or deeper into poverty.

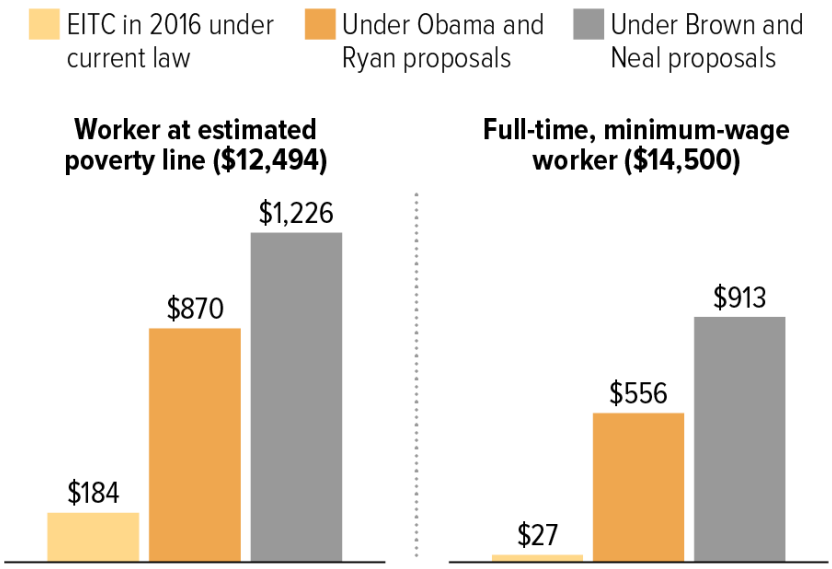
EITC Policy Action Needed for Workers Not Raising Children

Fortunately, leading policymakers from both parties recognize this problem. President Obama and House Speaker Paul Ryan have put forth nearly identical proposals to make more workers not raising children eligible for the EITC and make the credit more adequate (see chart). About 125,000 workers in Mississippi would become eligible for an EITC or receive a larger EITC in their 2017 taxes under the Obama and Ryan proposals.

Senate Finance Committee member Sherrod Brown (D-OH) and House Ways and Means Committee member Richard Neal (D-MA) have introduced more robust proposals (see chart) that would essentially ensure that the federal tax code doesn't tax wage-earners aged 21 through 64 into poverty. This proposal would make about 143,000 workers in Mississippi eligible for an EITC or a larger EITC.

Some leading experts believe that an expanded EITC for workers not raising children would also help address some of the challenges that less-educated young people face including low and falling labor-force participation rates, low marriage rates, and high incarceration rates.

Proposals Would Boost Earned Income Tax Credit (EITC) for Childless Workers



Note: Assumes Neal proposal uses same inflation adjustment as Brown proposal. Estimated poverty line of $12,494 is produced using 2015 Census poverty line, adjusted for inflation as estimated by the Congressional Budget Office. Calculation assumes 2,000 hours per year at federal minimum wage for full-time workers.

Source: CBPP analysis of Internal Revenue Code, President's 2016 budget, Speaker Ryan's "Expanding Opportunity in America" discussion draft, Working Families Tax Relief Act of 2015 (S. 1012), and Earned Income Tax Credit Improvement and Simplification Act 2015 (H.R.902).

By the Numbers: Veteran and Military Service Members

About 8,000 Mississippi veteran and military members would become eligible for an EITC or receive a larger EITC in their 2017 taxes under the Obama and Ryan proposals. About 9,000 veteran and military members in Mississippi would benefit under the Brown/Neal proposal.

By the Numbers: Young Workers

About 30,000 Mississippi workers between the ages of 21 and 24 would become eligible for an EITC in their 2017 taxes under the Obama and Ryan proposals. About 36,000 workers under age 25 in Mississippi would benefit under the Brown/Neal proposal.

By the Numbers: Rural Workers

About 69,000 low-wage workers outside of metropolitan areas in Mississippi would become eligible for an EITC or receive a larger EITC in their 2017 taxes under the Obama and Ryan proposals. About 81,000 rural workers in Mississippi would benefit under the Brown/Neal proposal.

By the Numbers: Occupations

Expanding the EITC for workers not raising children would benefit workers doing a wide range of jobs in Mississippi.

Top 3 Selected Occupations, by Number of Mississippi Workers Benefitting from the EITC Expansion in 2017

	Workers helped under Obama, Ryan plans	Workers helped under Brown, Neal plans
Cooks	8,000	9,000
Cashiers	7,000	7,000
Custodians and building cleaners	5,000	6,000

EITC and CTC's Track Record of Encouraging Work and Reducing Poverty

This change would build on the great success of the EITC and CTC for low-income families with children.

- 400,000 Mississippi households received the EITC in 2014.
- 276,000 Mississippi households received the low-income part of the CTC in 2014.
- 85,000 Mississippians were lifted out of poverty by the EITC and CTC, including 48,000 children, each year, on average, during 2011 to 2013.
- The federal EITC put about $1.1 billion into the pockets of Mississippi families who claimed it in 2014.

Extensive research finds that the EITC encourages work, especially in a strong labor market. During the 1990s, EITC expansions did more to raise employment among single mothers with children than either welfare reform or the strong economy.

Research has also found that children in families who get an income boost from the EITC and CTC quickly show improvements in health and school performance relative to other low-income children who did not receive this extra help. In addition, children whose families receive that boost have higher school test scores, on average, and are more likely to go to college and to work and earn more as adults.

States Can Build on the Federal EITC

Twenty-six states plus the District of Columbia offer a state tax credit based on the federal EITC, but Mississippi is not now one of them.

For data sources and methodology, see the footnote: http://bit.ly/2cXOs0v. For more information, see: Policy Basics on the EITC (http://bit.ly/1IcHK9u) and CTC (http://bit.ly/1FgRopJ).

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[1] The EITC is refundable, meaning that recipients whose credit exceeds their federal income tax liability can receive the difference as a refund. The low-income part of the CTC is refundable.