

Press Release



The Earned Income Tax Credit: Program Design, History, and Options for Reform

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The earned income tax credit (EITC) was the nation's first refundable tax credit and is now its single largest income support program. In a new insight, Vice President for Economic Policy Gordon Gray walks through the history of the EITC, explains how the program works, and considers the need for reforms.

Key points:

- According to the Internal Revenue Service, 26 million taxpayers claimed the EITC for tax year 2020; the total value of the EITC claimed that year was \$59.2 billion against \$480.5 billion in qualifying earned income.
- The creation and subsequent expansion of the EITC has been shown to significantly increase workforce participation, particularly among single mothers, and reduce poverty rolls by over 4.5 million Americans per year.
- The program is needlessly complex, which discourages participation and increases payment errors – in 2022 nearly one-in-three EITC payments was improper.
- The basic structure of the program has been largely unchanged for decades and is in need of additional reforms to improve labor participation, reduce poverty, and reduce complexity.

[Read the analysis](#)