



IT'S NOT LIKE I'M POOR

HOW WORKING FAMILIES MAKE ENDS MEET
IN A POST-WELFARE WORLD

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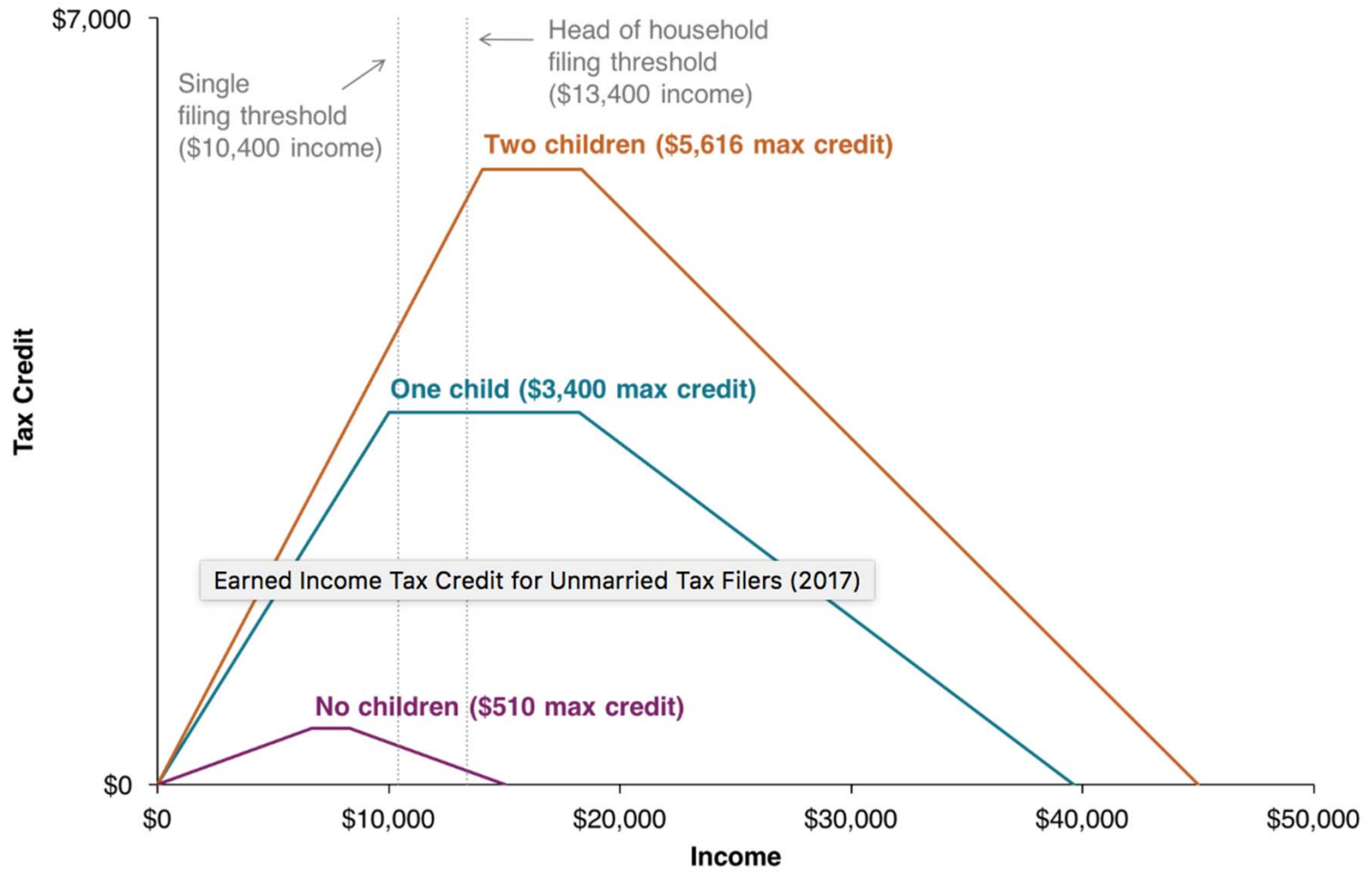
SARAH HALPERN-MEEKIN
KATHRYN EDIN
LAURA TACH
JENNIFER SYKES

The Safety Net: Old and New



Supporting lower-income families

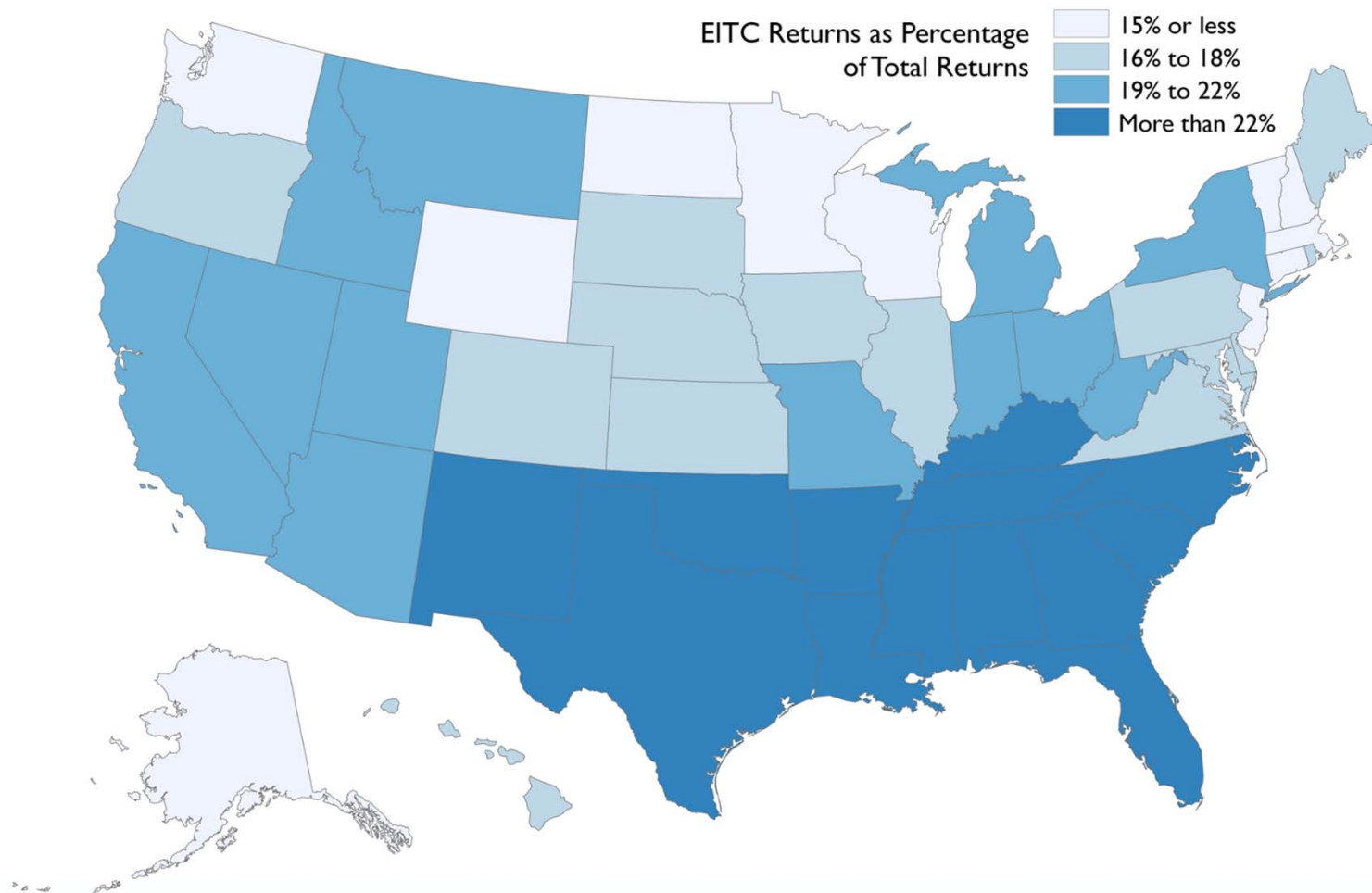
Earned Income Tax Credit for Unmarried Tax Filers (2017)



Where do EITC recipients live?

Share of Filers Claiming EITC by State, Tax Year 2010*

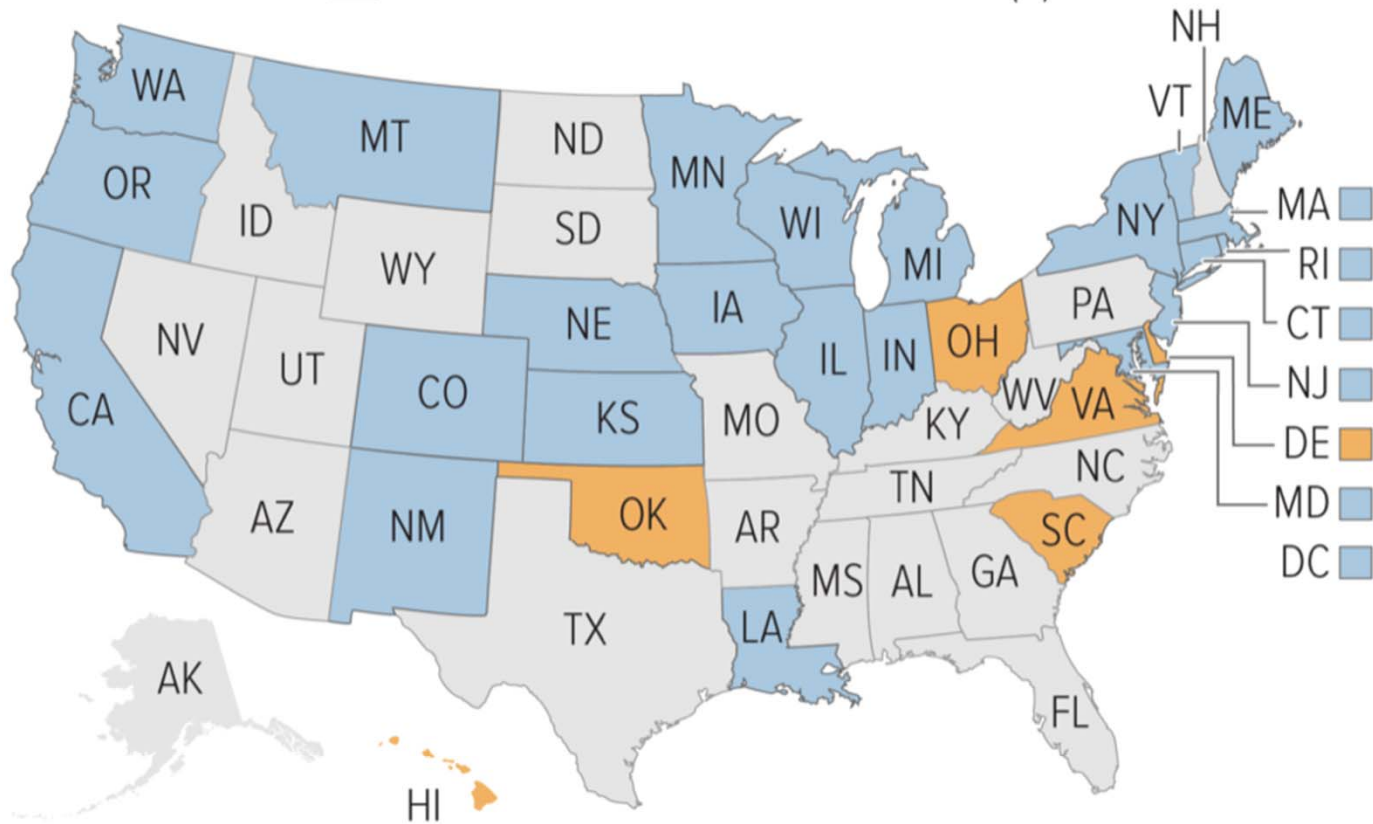
*Part-Year Data (Returns filed between January and June)



Source: Brookings Institution analysis of IRS Data

Twenty-nine States and DC Have Enacted EITCs, 2017

- States with refundable* EITCs (24)
- States with non-refundable EITCs (6)



*Refundable EITCs give working households the full value of the credit they earn even if it exceeds their income tax liability.

Source: CBPP analysis

Our study

- Boston metropolitan area
- Tax-time surveys with >300 tax filers
 - H&R Block
 - VITA sites
 - Head Start centers
- In-depth interviews ~ six months later
 - 115 families
 - All parents who received > \$1,000 refund
 - 1.5-5 hours, average = 2.5 hours

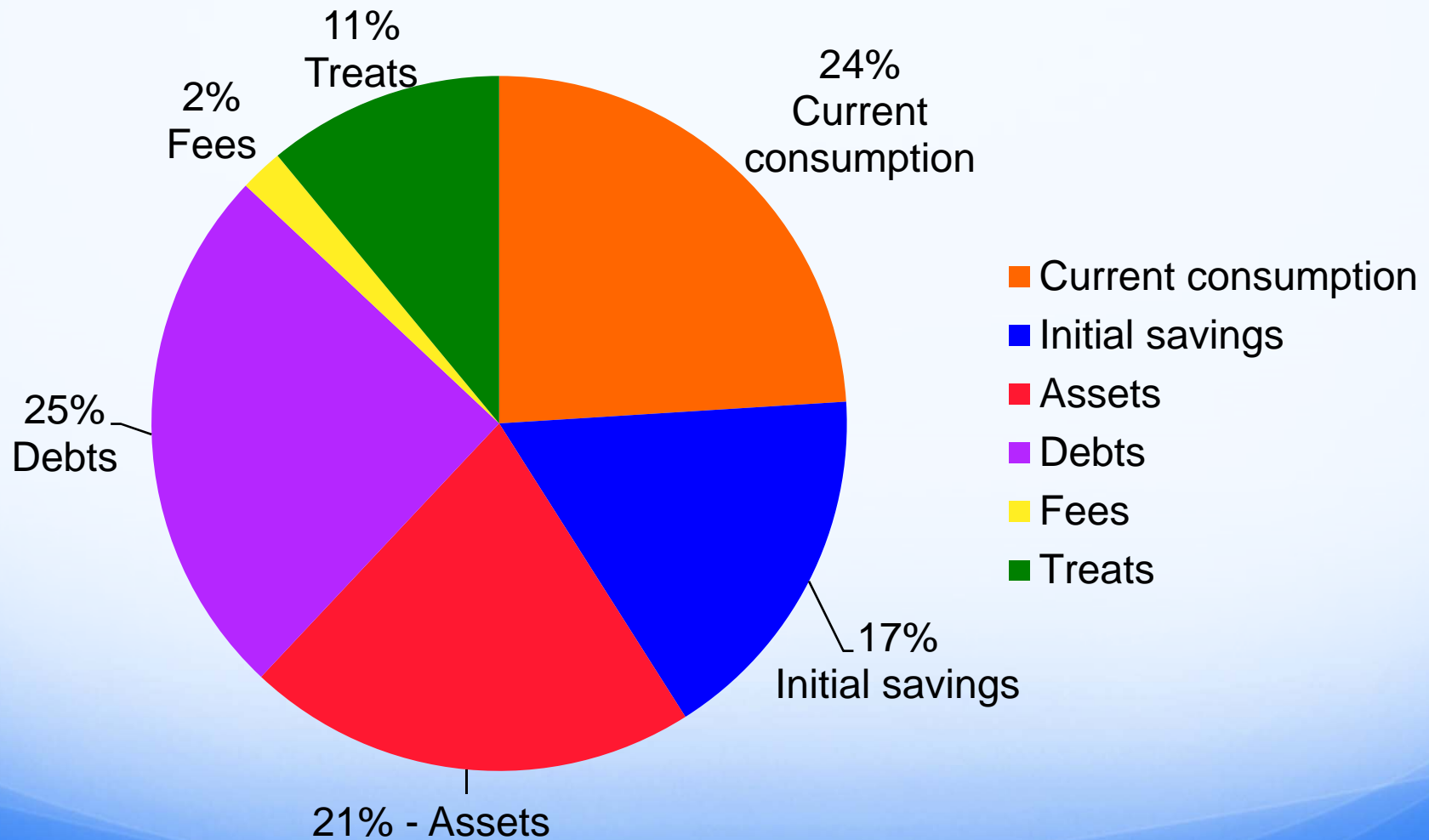
Average incomes & expenses

- Average monthly expenses = \$2,683
- Average monthly income = \$1,887
 - + government & family help = \$2,363
- **The typical month is in the red**
- Annual total expenses = \$32,198
- Annual total income = \$28,356
 - + tax refund = \$33,042
- **With the refund, the year ends in the black**

Financial insecurity

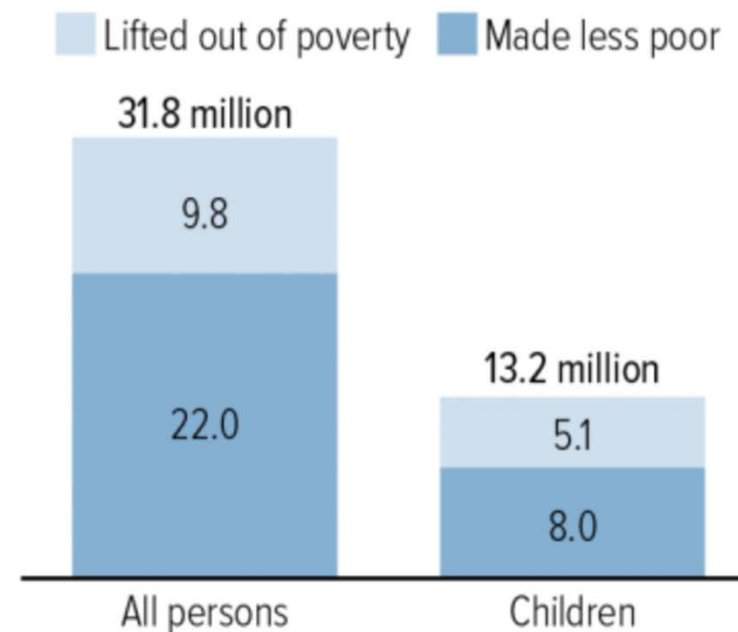
- “My dream basically is to get a house and be settled financially, everything. That’s all I ever wanted. No matter how much we try, there’s always something that just kicks us in the butt.” – Jerry Morales
- “My mom passed away. I just had [my youngest daughter]. Jerry got sick [and couldn’t work]. So, it was a stressed year.” – Tessa Morales

Tax refund allocations



Earned Income Tax Credit and Child Tax Credit Have Powerful Antipoverty Impact

Millions of persons lifted out of poverty or made less poor (using Supplemental Poverty Measure) by EITC and CTC, 2015



Note: Unlike the Census Bureau's official poverty measure, the SPM counts the effect of government benefit programs and tax credits.

Source: CBPP analysis of Census Bureau's March 2016 Current Population Survey and 2015 SPM public use file.

Impact of State EITCs

- State EITCs are tied to:
 - increased birth weights for infants¹
 - lower rates of maternal smoking during pregnancy¹
 - increased maternal employment & earnings¹
 - lower likelihood of eviction & foreclosure²
 - increased likelihood of children attending & graduating college³

1. Strully, K. W., Rehkopf, D. H., & Xuan, Z. 2011. Effects of prenatal poverty on infant health: State Earned Income Tax Credits and Birth Weight. *American Sociological Review* 75: 534-562.

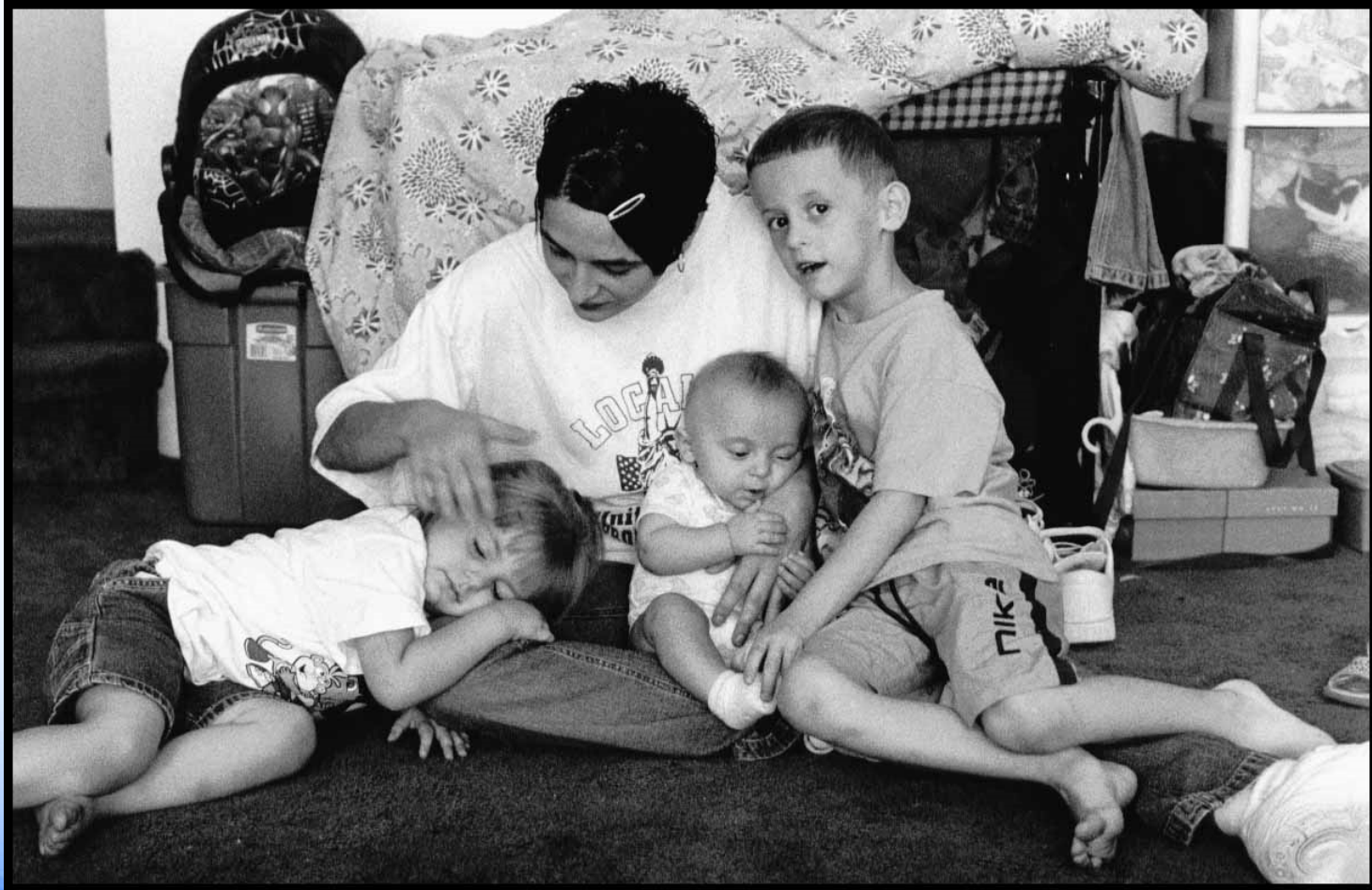
2. Berger, L., Collins, J.M., Lee, Y. & Smeeding, T. (2013). Income support programs and mortgage outcomes: Evidence from state variation. Manuscript, University of Wisconsin-Madison, Institute for Research on Poverty.

3. Micheltore, K. (2013). *The Effect of Income on Educational Attainment: Evidence from State Earned Income Tax Credit Expansions*. Department of Policy Analysis and Management, Cornell University.

Reward for work



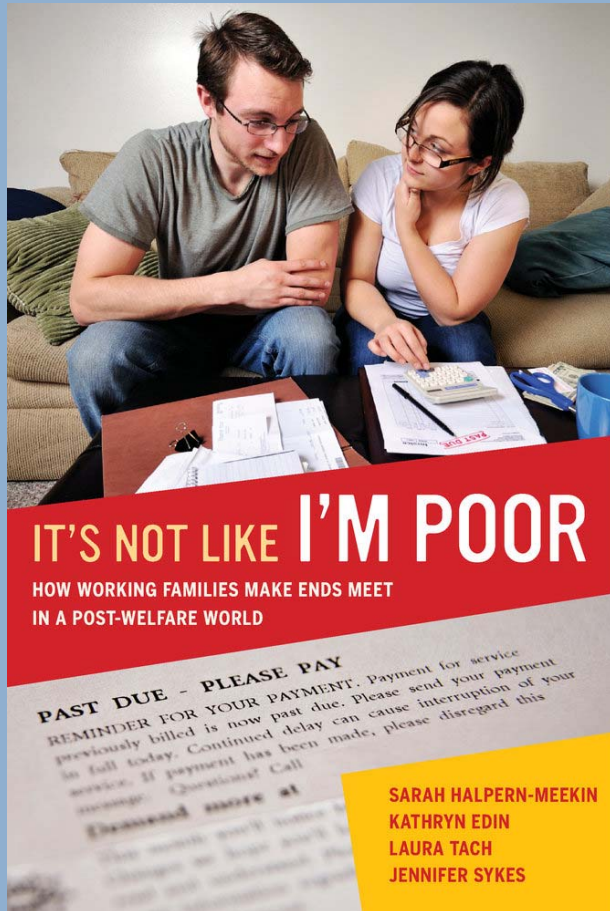
“Ordinary American kids”



Conclusion

- Low-income parents focus a substantial portion of their refund on securing economic stability by building a personal safety net
- Assistance via tax refunds is incorporating, rather than stigmatizing
- Low-income workers are better off than were welfare recipients pre-welfare reform
 - Volatility remains common, despite government assistance

Reflection Activity



- Reflect on a purchase you've made recently
 - Why did you buy it?
 - What did it mean to you?
 - What did it say about you to other people?
 - What might people think if someone with a low income made that purchase?