

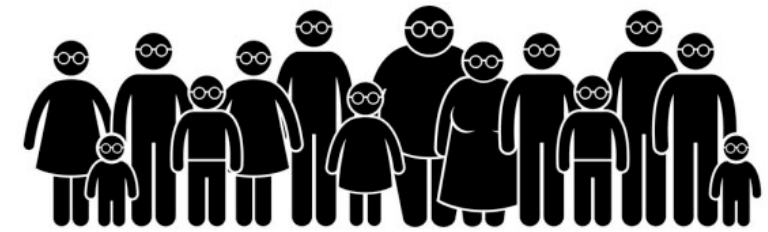


# The Effect of the Expansion of the Earned Income Tax Credit for Childless Young Adults on Material Well-being

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# Introduction

- Long line of research analyzing the impacts of the EITC on families with children
  - Increases labor force participation among unmarried mothers
  - Improves family and child outcomes on a host of dimensions: health, education, financial well-being
- Much less is known about the EITC for individuals without qualifying children (“childless” EITC)
  - Historically much smaller credit than provided for filers with qualifying children



# Research Questions

- How did the expansion of the childless EITC in 2021 affect the material well-being of young adults?
  - Food insufficiency
  - Difficulty with expenses
  - Housing hardship

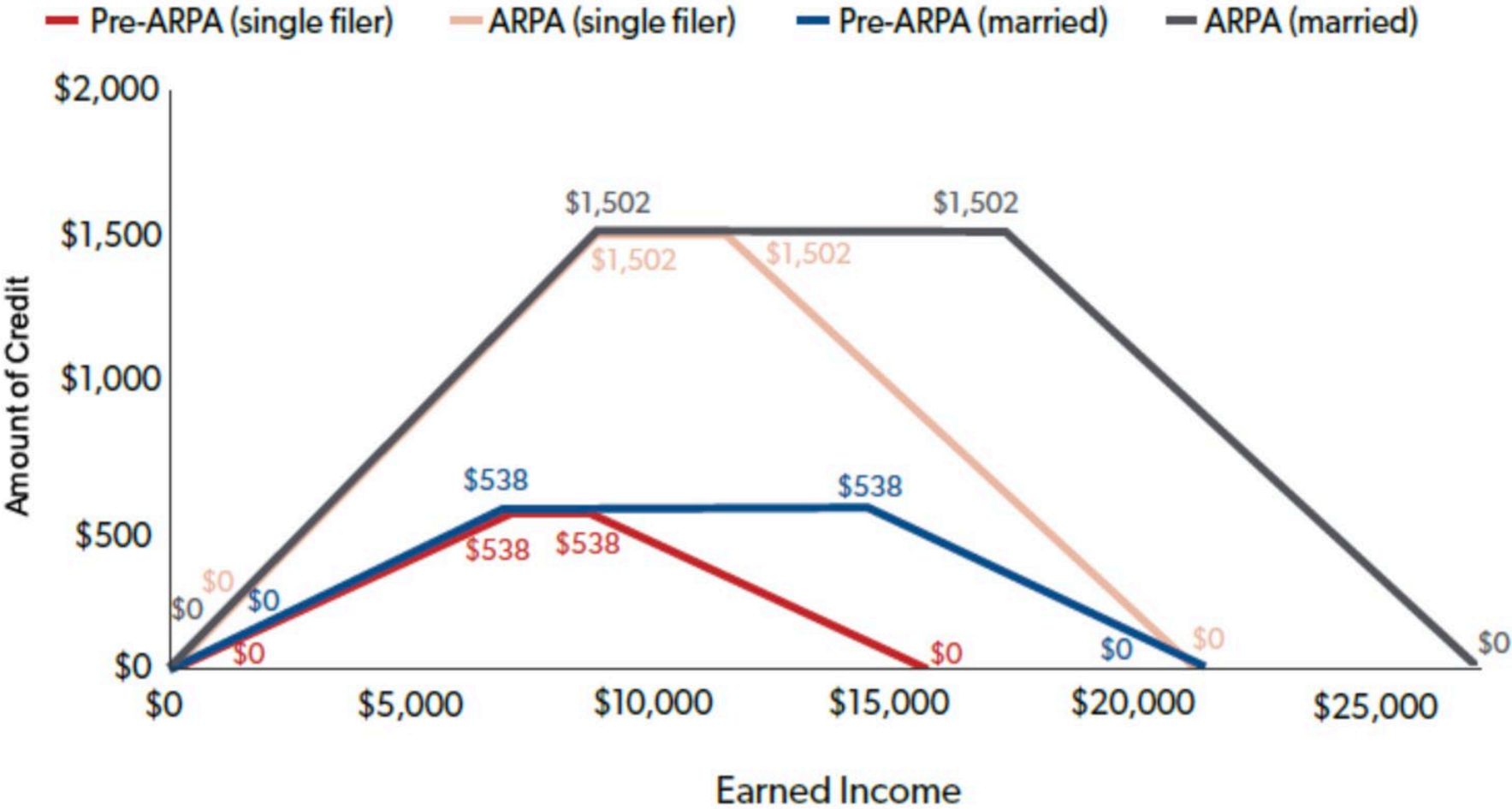
# EITC Background

- EITC for filers without qualifying children established in 1993
  - Offset an increase in gas taxes as part of the broader OBRA
- Largely unchanged since its inception, aside from increases in the credit due to inflation
- Prior to the 2021 reform, maximum credit was \$538 in 2020
  - Maximum EITC for filers with three qualifying children was \$6,660
- Must be aged 25-65 at the end of the calendar year
- Have income less than \$15,820
  - Approximately the annual earnings of someone earning the federal minimum wage, working full-time, year round
  - Filers with three or more children can earn up to \$56,844 and still receive a credit (if married)

# 2021 ARPA reform to the EITC

- Nearly tripled the size of the credit (maximum credit increased from about \$500 to \$1,500)
- Increased the phase-in range, extended the plateau
  - From 7.65% phase-in to 15.3% phase-in rate
  - Filers with earnings up to \$21,410 (\$27,380 if married) eligible
- Expanded the eligible age range, making 19-24 year olds (and those over the age of 65) eligible for the credit for the first time
- All expansions expired at the end of the 2021 tax year

# How did ARPA change the EITC benefit schedule for childless filers?



# How much did the ARPA increase EITC benefits?

	Childless adults, household income <\$50k	
Household level childless EITC	Aged 19-24	Aged 25-29
Tax year 2020	\$44 (27)	\$102 (51)
Tax year 2021 (ARPA)	\$689 (200)	\$457 (203)
Tax year 2022	\$45 (30)	\$105 (55)
Net gain in tax year 2021	\$645 (170)	\$353 (155)

# Data

- Census Household Pulse Survey
  - Surveys from pre-expansion spring (Jan-May 2021, 2020TY), **post-expansion spring (Jan-May 2022, 2021 TY)**, and post-expiration spring (Jan-May 2023, 2022 TY)
  - Adults aged 19-34 years old, with pre-tax income <\$50,000
  - No children under the age of 18 living in the household
  
- Outcomes:
  - Food insufficiency
  - Difficulty with expenses
  - Not caught up on rent/mortgage
  - Hardship index including all three



# Outcome means, before and after ARPA expansion

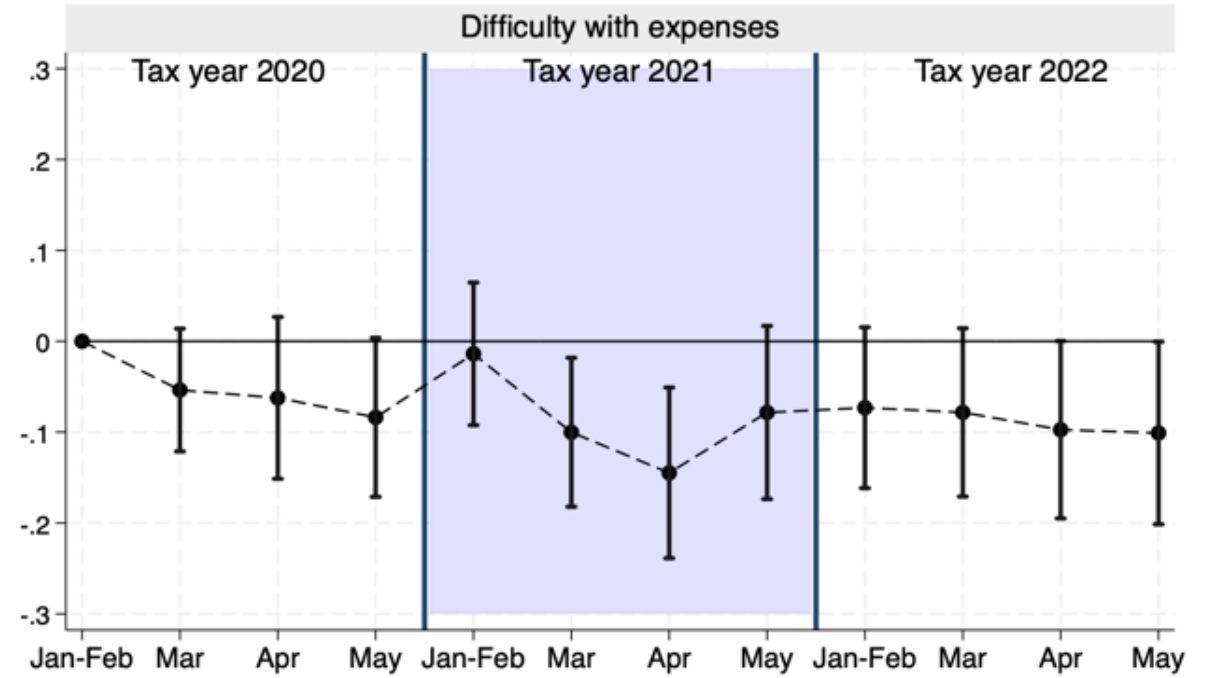
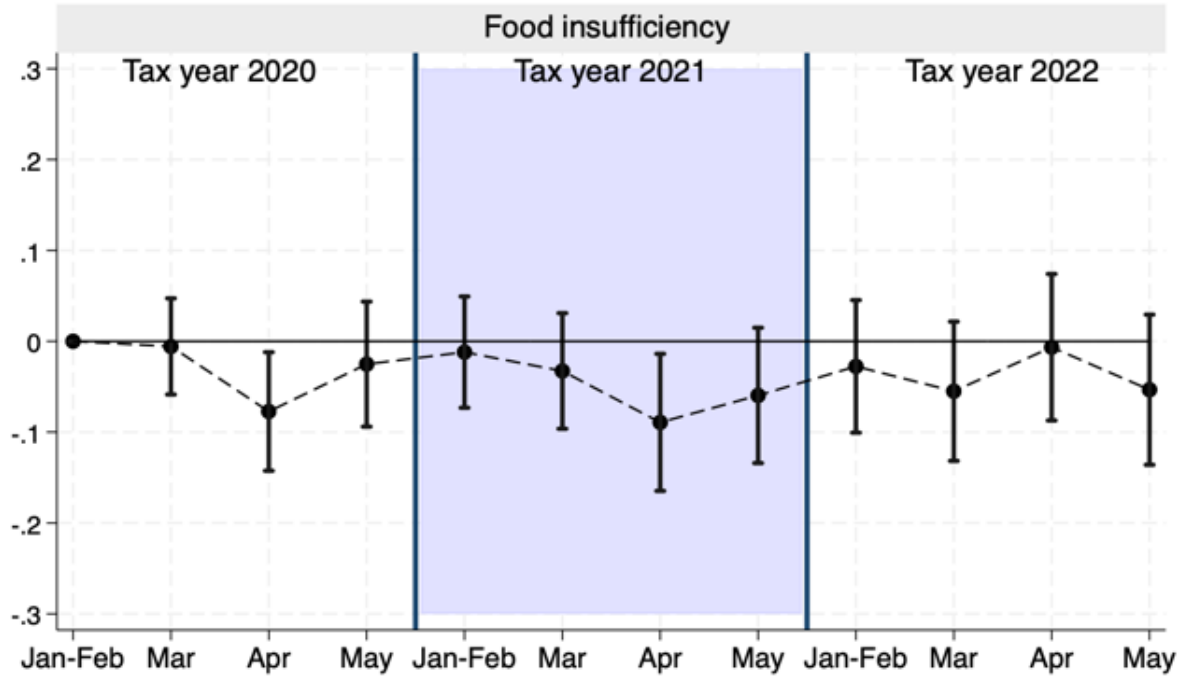
	Childless adults aged 19-24		Childless adults aged 25-34	
	Tax years 2020, 2022	Tax year 2021 (ARPA)	Tax years 2020, 2022	Tax year 2021 (ARPA)
Food insufficiency	0.19	0.18	0.18	0.20
Difficulties with expenses	0.47	0.45	0.49	0.47
Missed rent or mortgage	0.13	0.10	0.12	0.11
Total number of hardships (SD)	0.77 (0.85)	0.71(0.87)	0.77 (0.87)	0.77 (0.87)

# Empirical Strategy

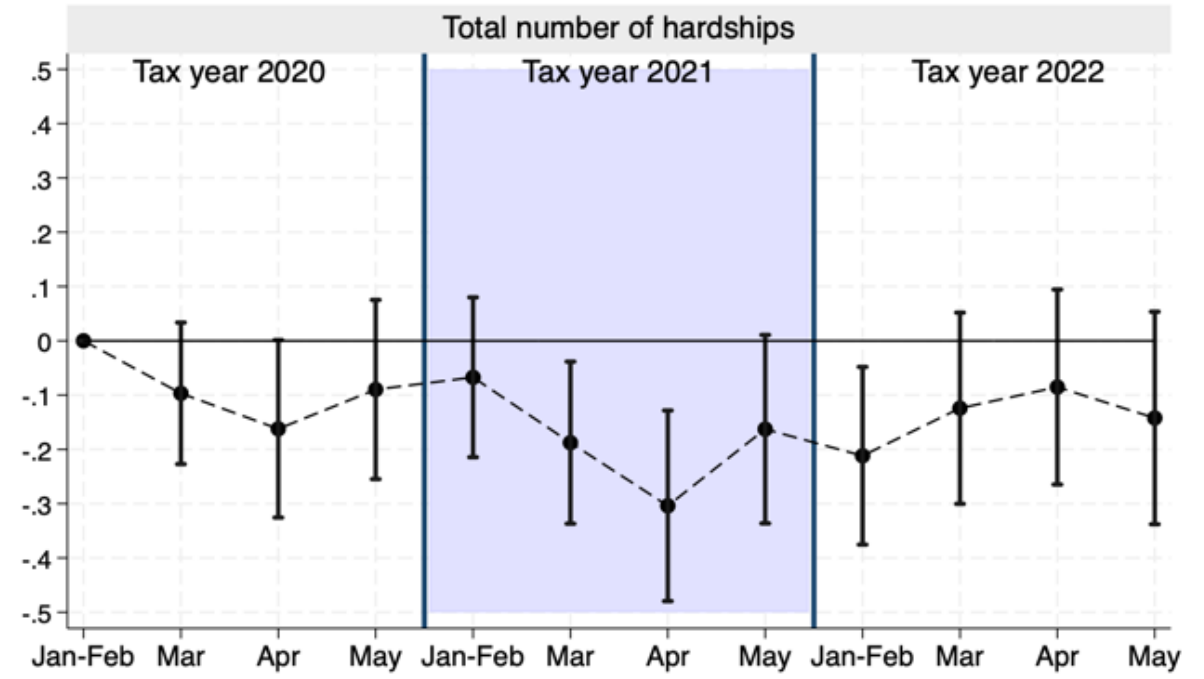
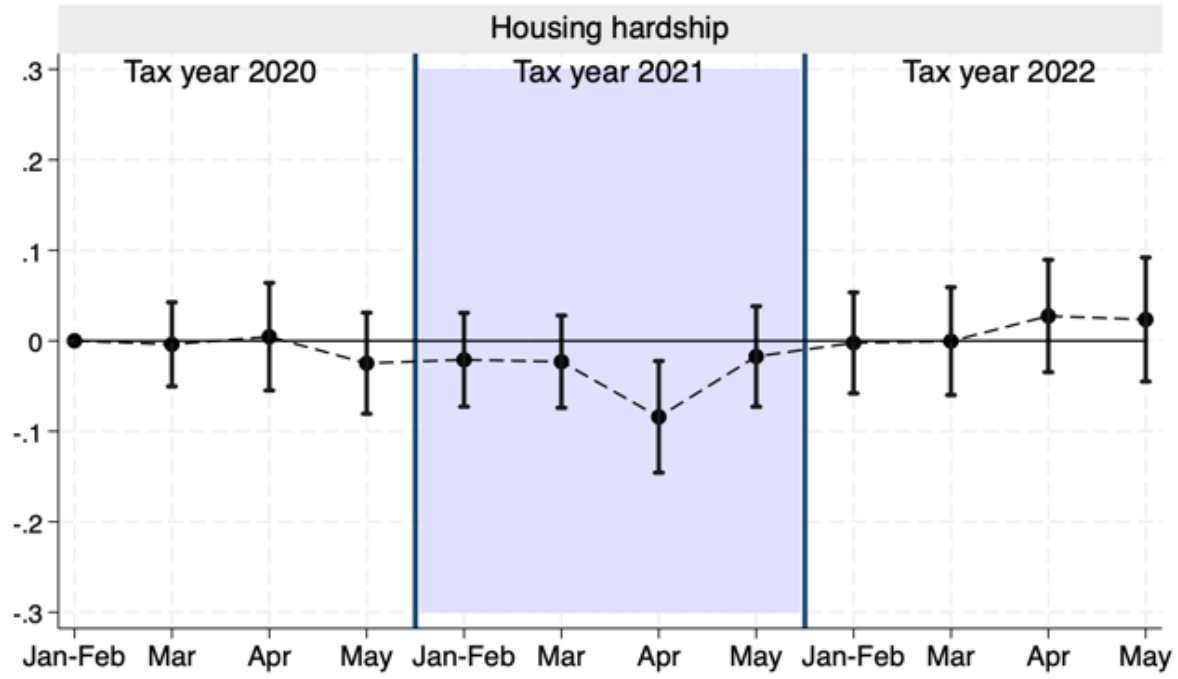
- $$Y_i = \beta_0 + \beta_1 Age19\_24_i + \beta_2 2021TY_i + \beta_3 Age19\_24_i * 2021TY_i + \beta_4 X_i + \varepsilon_i$$

- Where  $Y_i$  represents our material hardship outcomes of interest: food insufficiency, bill hardship, housing hardship
- $Age19\_24_i$  is an indicator for whether the individual is aged 19-24
- $2021TY_i$  indicates the tax year is 2021 (relative to 2020 and 2022)
- $X_i$  is a vector of controls, individual level and state-month level
- $\beta_3$  is the coefficient of interest: indicates how hardships changed among 19-24 year olds in the 2021 tax year relative to 25-34 year olds over the same time period
- Identifying assumptions: outcomes were trending similarly before the 2021 expansion; no other policies occurred at the same time that differentially affected 19-24 year olds

# Results: Event Study



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# Regression Results

Outcome		Household income <\$25k
Food insufficiency	Age 19-24*2021TY	-0.021
	SE	(0.018)
	Baseline mean	0.198
Difficult with expenses	Age 19-24*2021TY	-0.025
	SE	(0.023)
	Baseline mean	0.466
Missed rent or mortgage	Age 19-24*2021TY	-0.032*
	SE	(0.014)
	Baseline mean	0.111
Total number of hardships	Age 19-24*2021TY	-0.096
	SE	(0.050)
	N	8,679

\* p<.05 \*\* p<.01 \*\*\* p<.001

# Regression Results

Outcome		Household income <\$35k	Household income <\$50k
Food insufficiency	Age 19-24*2021TY	-0.004	-0.008
	SE	(0.013)	(0.011)
	Baseline mean	0.178	0.184
Difficult with expenses	Age 19-24*2021TY	0.003	-0.009
	SE	(0.018)	(0.015)
	Baseline mean	0.474	0.471
Missed rent or mortgage	Age 19-24*2021TY	-0.020	-0.021*
	SE	(0.011)	(0.009)
	Baseline mean	0.133	0.128
Total number of hardships	Age 19-24*2021TY	-0.031	-0.047
	SE	(0.039)	(0.032)
	N	15,650	23,955

# Placebo tests and robustness checks

- Use an alternative age group:
  - 25-44 year olds (treat 35-44 year olds as treated)
  - All individuals in that age range should be eligible for similar benefits before and after the 2021 expansions
- Use an alternative income group:
  - Run same model (19-24 year olds vs 25-34 year olds), but on higher-income families, those with income above \$50,000
  - Households with income above \$50,000 should largely be ineligible for the childless EITC (though some measurement error depending on composition of household)
- Initial robustness checks
  - Test whether results differ if we isolate the transition on (2020→2021) vs the transition off (2021→2022)
  - Test different model specifications (additional controls)

# Placebo tests

Outcome		Alternative age group: Age 25-44	Alternative income group: HH income > \$50k
Food insufficiency	Treat*2021TY	0.019	0.004
	SE	(0.018)	(0.007)
	Baseline mean	0.38	0.078
Difficult with expenses	Treat*2021TY	0.001	0.005
	SE	(0.020)	(0.012)
	Baseline mean	0.682	0.29
Missed rent or mortgage	Treat*2021TY	0.027	-0.001
	SE	(0.017)	(0.009)
	Baseline mean	0.255	0.081
Total number of hardships	Treat*2021TY	0.045	0.029
	SE	(0.045)	(0.043)
	N	9,261	43,583



# Conclusion

- Expansion of the childless EITC appears to have reduced housing hardships for 19-24 year olds between 2020 and 2021 tax years, relative to slightly older young adults
  - Housing hardships appear to have returned to baseline in the 2022 tax year
- Some suggestive evidence on reductions in food insufficiency and bill hardship, though not statistically significant or robust
- Young adults without children largely excluded from social safety net programs, a potentially vulnerable population
  - Many may also be supporting children with whom they do not live
  - Expansions to the childless EITC could potentially have spillover effects on children, help young adults in the transition to adulthood

# Thank You!



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