



# Resolution Supporting the Establishment of a Federal Earned Income Tax Credit for Parents Who Pay Child Support

## Introduction

The Earned Income Tax Credit (EITC) has been a strong anti-poverty program for low-income families, especially for children. Research has found that:

1. More than half of the large increase in employment among single mothers between 1984 and 1996 has been attributed to EITC expansions enacted during this period.<sup>1</sup>
2. The EITC reduces child poverty and increased earnings for families with children, lifting 5.6 million people out of poverty in 2018, including about 3 million children.<sup>2</sup>

## Background

The EITC enjoys wide bipartisan support as one of the country's most effective anti-poverty programs. Targeted primarily at low-income working individuals with children, the maximum benefit for tax year 2020 ranges from \$3,584 to \$6,660 (depending on the number of qualifying children), and the income limit for a single parent with two children is \$47,440. Multiple studies have concluded that the EITC is responsible for substantially increasing the work effort of low-income single parents and lifting millions of children out of poverty each year.<sup>3</sup>

Parents who pay child support, however, have been largely left out. To qualify for the EITC, a child must have lived with the tax filer for more than half of the tax year, which does not take into account cases where the parent who pays child support enjoys a significant amount of parenting time with the child. Treated as tax filers without qualifying children, the maximum federal EITC for parents who pay child support is just \$538—and the income limit is similarly low at \$15,820 (\$21,710 for married filers). Thus, as currently structured, the federal EITC fails to substantially encourage or reward work among parents who pay child support, despite the fact that such parents have an obligation to financially support their children.

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<sup>1</sup> "Making Single Mothers Work: Recent Tax and Welfare Policy and its Effects," Russell Sage Foundation, 2001.

<sup>2</sup> "[Policy Basics: The Earned Income Tax Credit](#)," CBPP, Updated December 2019.

<sup>3</sup> The IRS calls it an important benefit providing a financial boost to working individuals and families. See [IRS Publication 596](#).



### **NCSEA Position**

The federal government should establish an EITC for parents who pay child support that aligns the benefits available to parents who pay child support for a qualifying child with those benefits provided to parents who receive support for the qualifying child. The new EITC should be limited to parents who can demonstrate compliance with a formal order for child support issued by either a court or child support agency.

#### **THEREFORE, NCSEA resolves to urge Congress to:**

Amend the existing federal law on earned income tax credits to allow parents who pay child support under qualifying circumstances to receive an earned income tax credit comparable to the earned income tax credit presently available only to parents with a qualifying child.

**Adopted by the NCSEA Board of Directors on August 10<sup>th</sup>, 2014**

**Updated and re-adopted by the NCSEA Board of Directors on**

**August 11th, 2018, and**

**February 11, 2021**