

State Earned Income Tax Credit: Social Savings & Positive Outcomes for Families

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One of the most cost-effective antipoverty policies currently implemented in the United States is the Earned Income Tax Credit (EITC). The federal earned income tax credit, or EITC, lifts 6 million people (including 3 million children) over the poverty threshold each year. Earned Income Tax Credits reduce the tax burden of low- to moderate working individuals and households, boosts the resources of near-poor households who struggle to make ends meet such as the ALICE (Asset Limited, Income Constrained, Employed) population, and reduces the depth of poverty for many more.



Benefit- Cost Analysis of a Pennsylvania Earned Income Tax Credit

United Way of Pennsylvania is currently leading a broad-based and growing EITC coalition to advocate for an elective, refundable state EITC program that may offer benefits of at least 10% and up to 25% of the federal credit. The annual economic benefits of a refundable state EITC of 10% of the federal EITC amount to **at least \$562 million per year at the cost of \$80.5 million per year**. For a 25% credit, the likely benefits amount to at least **\$1.2 billion per year at a cost of \$366 million per year**.

United Way of Pennsylvania in partnership with University of Texas' Child and Family Partnership found that **for every \$1 spent on a state Earned Income Tax Credit by the Commonwealth, Pennsylvania receives \$4 back in economic growth and saves \$3 dollars in social spending**.

Summary of Benefits

Benefits	10% State EITC	25% State EITC
Fiscal Benefits	\$386,201,705	\$965,637,868
Human Services Cost Avoidance	\$176,014,906	\$213,803,447
Total Annual Benefit	\$562,216,611	\$1,179,441,315

Read the full Benefit-Cost Analysis
<https://bit.ly/UWP-EITC-Report>



United Way
of Pennsylvania
www.uwp.org

Social Savings Explained:

Pennsylvania may avoid significant future costs in health and human services programs as a result of implementing a state EITC. EITCs have been shown in rigorous research to produce a host of positive outcomes for families and society in terms of better social, health, economic, and educational trajectories for both children and adults. Better outcomes in these areas, such as increased high school graduation rates, better infant health, and lower rates of foster care entry, may save the state significant public funds.

Fiscal Benefits Per Year with a 10% and 25% Refundable State EITC		
Benefit Category	Public Cost Avoidance and Private Benefits (10% EITC)	Public Cost Avoidance and Private Benefits (25% EITC)
Low Birthweight Hospital Costs	\$6,732,089	\$10,983,518
Special Education	\$491,130	\$803,998
Foster Care Entry	\$38,169,294	\$38,169,294
Crime/Public Safety	\$108,472,897	\$108,472,897
Child Health Coverage	\$22,149,496	\$55,373,740
Total Benefits	\$1,817,139,906	\$2,750,630,447

- A 10% state EITC may lift over 2,635 Pennsylvania children out of poverty and increase household resources for children in near-poor households. A 20% state EITC may lift 10,538 children above the federal poverty level, or 21,077 children with a 30% credit. Pennsylvania may also see 1,317 fewer children entering foster care each year and may save \$38 million in foster care spending per year after implementing a refundable EITC.
- With a 10% state EITC, Pennsylvania may avoid over \$6.7 million in state Medicaid spending per year through a reduction in low birthweight incidence (or almost \$11 million with a 25% credit). Pennsylvania may also avoid over \$22 million in uncompensated public health care spending each year with a 10% state EITC (or \$55 million with a 25% credit).
- Pennsylvania may save \$491,130 in a given school year with 135 fewer students needing special education as a result of the birthweight impacts of a 10% state EITC (or \$803,998 with a 25% credit). Pennsylvania may also see a \$1.1 billion benefit from a reduction in infant mortality as a result of a 10% state EITC, or \$1.8 billion with a 25% credit.
- Pennsylvania may see over \$111 million in benefits from increased high school graduation rates each year as a result of a 10% state EITC (or \$267 million with a 25% credit).
- Pennsylvania may avoid over \$108 million in criminal justice spending because of 5,121 fewer violent crimes per year with a 10% refundable state EITC.
- With a new state EITC, Pennsylvania may prevent 41 or more suicides per year among adults, providing a societal benefit of over \$410 million based on the value of a statistical life.