Emergency EITC Policy Summary: Emergency Money to the People
Ensuring Stimulus Goes To Those Who Need It Most
March 2020

As Congress considers emergency measures to protect Americans from a potential recession, Emergency Money to the People for the working- and middle-class builds on the EITC’s proven track record of delivering help to those who need it most. With a few temporary changes to provide more money for more people more quickly, it would put at least $1,000 into the wallets of people earning up to $100,000--more than 200 million Americans.

MORE MONEY

Deliver Emergency Money to the People to anybody who received an EITC in tax year 2019.

- The centerpiece of this policy proposal is also the simplest. Millions of Americans are receiving Earned Income Tax Credit (EITC) payments – in the form of tax refunds for their 2019 returns – right now. Emergency Money to the People would start with a second payment, at the same level or greater, to the same, already-known needy population based on their 2019 earnings. This payment would be a true “extra” stimulus payment, not an advance on the 2020 EITC.

Provide a Deep Poverty Boost of at least $1,000 to those in the greatest need.

- The EITC is admired for its work incentive. But its traditional structure – which allows no credit for those without wages – leaves no relief for the hardest hit. A rising number of Americans report no source of wage income, and that number is likely to grow during dire economic straits. To address this issue, Congress should institute a modified work incentive structure for this emergency EITC for the limited duration of this crisis, maintaining the work incentive of the EITC but providing a basic credit amount for all low-income people.
- Modeling the design off of University of Massachusetts economist Arin Dube’s 2018 proposal, Congress should set the Emergency Money to the People benefit amount at $1,000 for workers with no earned income, and increase the available credit using the existing phase-in rate as worker income grows, until it reaches the existing allowable maximum.

FOR MORE PEOPLE

Guarantee a $1,000 Emergency Money to the People for childless adults making up to $50,000 and families with children making up to $100,000.

While the existing EITC helps many of those who need help the most, many are left behind, and reaching the current EITC population alone may not provide enough stimulus to calm our economic turmoil or create the necessary perception of broad relief. Americans with children who make more than $56,000 and those without children who make more than $21,370 would be completely shut out under existing EITC eligibility criteria, leaving millions of Americans in the bottom half of the income distribution in the cold during this pandemic.

To resolve this, Congress should extend eligibility for Emergency Money to the People higher up the income range to capture more middle-class filers. Emergency Money to the People will start to phase out at $50,000 for childless adults and $100,000 for those with children.

- The initial phase-out period should begin at the existing EITC thresholds. However, Emergency Money to the People phase-out will plateau at $1,000. Credits would remain at that level until a final phase-out begins at $50,000 and $100,000, at a 15 percent rate.
- All children claimed under the Child Tax Credit for 2019, including those claimed under the Other Dependent Credit, should be deemed eligible children for purposes of computing family composition for Emergency Money to the People, in order to ensure that newly-eligible families with children receive their full benefit amount.

Provide Emergency Money to the People benefit of at least $1,000 for childless workers, expanding eligibility to include childless workers ages 19 to 24 and 65 and over.

- Workers without dependent children receive very little benefit from the existing EITC and many workers are barred because they are too old or too young. All low- and middle-income workers need help in this crisis and are included in Emergency Money to the People.
- In order to ensure that this progressive stimulus reaches Americans who do not have children, Congress should add an additional $1,000 credit to the amount they would receive under the existing EITC – even if the amount they would otherwise receive is $0.
- Their total benefit would phase out beginning at $50,000 of income, as described above.

End the exclusion for working- and middle-class immigrant taxpayers.

- Workers who pay taxes and file with ITINs are barred from receiving the EITC (and many cannot receive the Child Tax Credit), but are included in Emergency Money to the People.

MORE QUICKLY

Distribute Emergency Money to the People in fast, quarterly payments.

- Periodic payment of Emergency Money to the People will quickly provide funds to Americans when they need it, while also ensuring a stable source of support for low-income Americans who are likely to feel substantial effects from this crisis for a longer period than those who are better-off.
- Smaller periodic payments will also incentivize recipients to spend, rather than save, their Emergency Money to the People – thereby increasing its stimulative effects.
• The first payment, equal to 50 percent of the total Emergency Money to the People, should be sent to recipients immediately. The next two payments, each equal to 25 percent of the total Emergency Money to the People, should be sent out three and six months later, respectively.

Automatically distribute Emergency Money to the People.
• The IRS already has all of the information to calculate and distribute Emergency Money to the People to Americans who have filed their 2019 tax returns, even if they were not eligible for the traditional EITC. Congress should direct the IRS to do so automatically and immediately.

Create an extremely simple online form for the newly eligible who cannot be automatically identified.
• In order to make Emergency Money to the People easy to claim for those who did not file taxes in 2019, Congress should require the IRS to create an extremely short and simple form, which could be filled out on paper or online, that would act as an amended or original tax year 2019 return.

Boost uptake through partnerships with federal and state agencies.
• The Social Security Administration should engage in outreach to seniors, many of whom would be eligible for Emergency Money to the People, and provide them with the simplified form.
• Congress should require state agencies administering federal programs – like Medicaid and SNAP – to engage in similar outreach, targeting those with zero or close-to-zero income in 2019 who were not eligible for substantial credit under the traditional EITC.

Graphs: Emergency Money to the People and Combined benefits (existing EITC paid in 2020 + this Emergency EITC)
Emergency Money to the People
Value of additional emergency EITC and income thresholds

Credit Amount ($)

Married, 2 children

Single, no children

Pre-Tax Earnings ($)

Total Combined 2020 EITC: Single, no children
Combined value of emergency EITC and 2020 regular EITC: single filers, no children

Credit Amount ($)

Combined 2020 EITC + Emergency Money to the People

2020 EITC

Pre-Tax Earnings ($)
Total Combined 2020 EITC: Married, 2 children

Combined value of additional emergency EITC and 2020 regular EITC: married filers, 2 children

Credit Amount ($) vs. Pre-Tax Earnings ($)