



The EITC and direct cash payments will boost family financial security and drive the recovery

Bigger, regular, lasting cash payments will help Americans starting immediately, and modernizations to the Earned Income Tax Credit will deliver sustained, targeted support to ensure that everyone can be part of the economic recovery.

ONGOING CASH SUPPORT STABILIZES FAMILIES TO DRIVE THE RECOVERY

Direct payments are essential to helping families get their heads above water immediately. This crisis has upended families' financial security, magnifying deep fractures that already existed in our economy. The situation is particularly precarious for those who had little financial cushion before: many [Black and Latinx](#) families that systemic and institutional racism has effectively locked out of opportunities to build financial security; people in [rural communities](#) that never fully recovered the last recession; and nearly [40% of Americans](#) who couldn't afford a \$400 emergency before the crisis.

Cash gives people tools to solve their own problems and meet their basic needs. Direct payments in the CARES Act were a good start, and it's critical that the next package include more direct payments that are [bigger, regular, inclusive, and lasting](#) until the economy recovers. To complement these, Congress should modernize targeted and successful refundable tax credits like the Earned Income Tax Credit (EITC) to ensure an even and sustained recovery.

A modern EITC will help drive a resilient, sustained recovery.

The EITC can help Americans fully rebound and sustain the economic recovery. The pandemic will affect families' financial futures for years to come. Recovery should aim for resiliency, not the same pervasive financial precarity and income inequality that we had before.

In normal times, there is no better policy to provide economic stability to working people than the EITC. It lifts more families out of poverty than food stamps, housing subsidies, and unemployment insurance combined, and complements the Child Tax Credit. In recessions, EITC is a [proven tool](#) that will stimulate the economy at tax time next year. Expanding the credit for [childless workers](#) and [increasing credit amounts](#) are a good start, but should go further to account for the uneven impacts of this crisis. Many, such as family caregivers, will play an essential role in the recovery, yet they are being left behind in relief efforts that have largely hinged on paid employment.

KEY EITC MODERNIZATIONS DELIVER TARGETED, SUSTAINED SUPPORT

More people can claim EITC in a downturn, but it is limited by narrow eligibility, infrequent delivery, and tying benefits to wages when unemployment is high. We can fight the recession by expanding EITC to family caregivers, making the credit bigger and broader, restructuring the phase-in, and delivering credits quickly and automatically.

△ **Expand the credit to family caregivers.**
 This recession will reshape the workforce, forcing millions out of work, and many – especially [women of color](#) – into unpaid family care. Yet in the CARES Act, caregivers were largely overlooked. It has never been clearer that we need to recognize caregiving as valuable and essential work. The next package should provide a minimum credit for family caregivers, with no phase-in.

△ **Make the credit bigger and broader.**
 Families must make less than \$57,000 to qualify for the EITC. The credit amounts for many, especially childless workers, don't even approach the scale of the economic devastation people are experiencing. To get the most help to more who need it, including those in the middle class who have seen their incomes drop, Congress should raise income limits, increase credit amounts, and allow credits for adults of all ages, including students.

△ **Reduce the risk of undermining families most in need.** Phasing in the credit amount based on wages makes little sense in a recession, when work may be hard to find for years, and many families with a mid-year income drop will receive a smaller credit at the exact time they need more help. As with the direct stimulus payments, Congress should temporarily [eliminate](#) or [accelerate](#) the phase-in to help those who have lost pay, instead of unintentionally harming them.

△ **Deliver credits more effectively.** Tax credits are only useful if people actually get them. Congress should instruct the IRS to develop a system for automatic filing to capture the one in five eligible households who don't currently receive the credit. To help families pay bills and sustain the economic stimulus, Congress should also offer an option to receive the credit monthly.

SUMMARY OF CURRENT PROPOSALS TO EXPAND EITC

	Current Earned Income Tax Credit	Economic Security Project	Working Families Tax Relief Act	Take Responsibility for Workers and Families Act
Childless workers	Age: 25-64 Max credit: \$538 Phase-in: 7.65%	Age: 18 and up Max credit: \$4,000 Phase-in: none	Age: 19-67 Max credit: \$2,074 Phase-in: 16%	Age: 19-66 Max credit: \$1,464 Phase-in: 15.3%
Credit boost for families with kids	N/A	\$4,000 (single)/ \$8,000 (married)	~25% increase	None
Unpaid Caregivers	Not eligible	Eligible for max credit	Not eligible	Not eligible
Unpaid Students	Not eligible	Eligible for max credit	Not eligible	Not eligible

Both the Working Families Tax Relief Act and the Take Responsibility for Workers and Families Act propose substantial expansions to the Child Tax Credit as well.