

# DC's Earned Income Tax Credit

## A Powerful Tool for Racial, Gender, and Economic Equity

DC's earned income tax credit (EITC) for working families and individuals offers a cash boost to low paid workers to help them make ends meet. Combined with the federal credit, DC's EITC makes a big difference in the lives of DC families with low- and moderate-incomes.

**By 2026, DC will match 100 percent the federal credit, making it the most generous credit in the nation.**

**The impact will be profound.**

For many families, the credit will be paid out monthly to help smooth out household finances and reduce the use of predatory loans. If the credit expansion were fully implemented today, a worker with three kids making between about \$15,000 and \$19,000 per year would get a maximum federal credit of \$6,728. With a 100 percent DC match, this working family would receive a combined federal and local EITC of \$13,456. *That's a 70 to 90 percent boost to that family's income.*

**For the same family type, the \$6,728 or \$560 per month from DC's EITC means:**

**80%**

of average transportation costs



**60%**

of the average monthly cost of groceries



**25%**

of rent





# THE CREDIT



## HAS A LASTING EFFECT

Research finds that young children in families with low incomes that get a cash boost like that provided through the EITC tend to do better and go further in school, and work and earn more as adults, likely because the additional resources help parents better meet their needs. Children of color are even more likely to see these improvements.



## IMPROVES RACIAL AND GENDER EQUITY

Black and brown residents—especially women—are disproportionately likely to be in low wage work and eligible for the EITC. In fact, nearly seven in ten eligible EITC filers in DC are Black and about that many EITC filers or their spouses are women. The credit also goes a long way in helping single parents, who are likelier to be women of color, and research shows it can improve the earnings record of women, resulting in larger Social Security benefits upon retirement.



## HELPS WORKING FAMILIES

Especially those with incomes between \$10,000 and \$30,000—meet basic needs, like paying for food, bills, transportation, and child care. Nearly 14 percent of families with children and 24 percent of single mother families with children in DC lived below the official poverty line in 2019 (about \$26,000 for a single parent family of four). Many more DC families that live modestly above that income level also have difficulty affording necessities. Meeting these needs helps parents keep working and may help them stay employed until better opportunities arise. Three in five filers who receive the federal credit use it temporarily, for just one or two years at a time.