

The Earned Income Tax Credit for Childless Workers Largely Fails to Increase Employment or Earnings: Better Alternatives Needed

Robert Rector, Jamie Bryan Hall, and Noah Peterson

KEY TAKEAWAYS

Some lawmakers want to spend tens of billions to expand the Earned Income Tax Credit, which is targeted to low-income parents, to other adults without children.

Experiments in expansion of EITC to these adults in New York City and Atlanta, however, failed either to reduce poverty or to increase employment.

A better policy would be to reform the marriage penalties and remove the waste and fraud in the EITC so that the program encourages Americans to thrive.

The Earned Income Tax Credit (EITC) is the government's second-largest means-tested cash benefit.¹ In 2017, the program paid \$56.7 million in cash benefits to 23 million families. The EITC was originally designed as a program to help low-wage parents support their children through a refundable tax credit.

In 1993, a small benefit was added for adults without dependent children. Progressives argue that the EITC is unfair because a single mother with three children can receive up to \$6,557 in EITC benefits while a childless worker can get only \$500. This argument ignores the simple fact that the single mother gets \$6,000 more because she has to feed, house, and clothe three extra persons.

The median childless EITC recipient earns \$10.00 per hour, but these recipients have low annual earnings primarily because they work only around 700

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hours per year. If the typical childless recipient worked full-time through the year (2,000 hours), he or she would have a post-tax income of \$17,700, or 30 percent above poverty. Poor recipients have low earnings because they work little, but raising their EITC benefits would not increase that work and would not significantly reduce poverty.

Moreover, fraud and erroneous payments are prevalent in the childless worker credit as they are in the EITC in general. Around 30 percent of childless adult recipients are ineligible for the benefits they receive. EITC expansion would only make that problem worse.

Yet progressives still urge that the EITC cash grant for adults without dependents be increased. They contend that this increase would reduce the EITC bias in favor of parents, increase employment among the covered population by as much as 10 percent, reduce crime and recidivism, and increase marriage. They argue that the expansion would particularly benefit the most disadvantaged groups such as low-wage males, noncustodial parents, and former prison inmates. Using these rationales, both President Barack Obama and former Congressman Paul Ryan (R-WI) supported raising the maximum EITC for adults without dependents to \$1,000 per year.

Random assignment experiments on the effects of raising the EITC for childless adults have been conducted in New York City and Atlanta. Called Paycheck Plus, these experiments quadrupled the maximum value of the EITC for childless adults from \$500 to \$2,000 and raised the income point at which the credit phased down to zero from around \$15,000 to around \$30,000.

The Paycheck Plus experiments refuted most of the optimistic expectations of those who advocate higher EITC benefits for childless adults. Specifically, quadrupling the maximum value of the EITC credit:

- Had no statistically significant increase on employment among the eligible group in Atlanta;
- Increased employment by 1.8 percentage points among the eligible group in New York City;
- Failed to increase earnings in either city;

1. Many developed countries have pro-worker tax credits similar to the Earned Income Tax Credit in the United States. However, with the exception of the United Kingdom and Ireland, the U.S. credit is substantially more generous than the credits of other nations. Austin Nichols and Jesse Rothstein, "The Earned Income Tax Credit," Chapter 2 in *Economics of Means-Tested Transfer Programs in the United States, Volume 1*, National Bureau of Economic Research Conference Report, ed. Robert A. Moffitt (Chicago: University of Chicago Press, 2016), p. 157.

- Had no effect on the employment or earnings of the most disadvantaged groups (low-wage males, noncustodial parents, and former inmates);
- Did not reduce poverty;
- Weakened family formation;
- Had no impact on crime or recidivism; and
- Had no impact on overall family income, physical health, mental health, happiness, material hardship, or hunger.²

If the Paycheck Plus plan were implemented nationwide, it would triple the number of childless adults receiving refundable EITC cash payments. Nonmarried childless recipients would rise from the current level of around 3.5 million to 12.7 million. Roughly one in five nonmarried childless individuals between the ages of 21 and 64 throughout the United States would be eligible to receive refundable cash payments.

The cost of the refundable benefits to taxpayers would increase fourteen-fold from around \$1.44 billion per year to over \$17 billion per year. While the program might increase the number of employed persons by 200,000, that translates into one extra job for each \$80,000 in new spending.

Paycheck Plus had the least impact on the most disadvantaged workers. By contrast, an alternative policy called transitional jobs has the greatest impact on the hardest-to-employ workers. Transitional jobs programs are tightly targeted and provide jobs to individuals who have the greatest difficulty obtaining and sustaining employment.

Many transitional jobs programs assist formerly incarcerated persons. The Paycheck Plus program had zero impact on the employment of this group, but transitional jobs programs routinely increase employment of former inmates by 20 to 30 percentage points during the first year of enrollment.

Recidivism is a key concern among former inmates. Paycheck Plus had zero impact on recidivism. By contrast, some transitional jobs programs show

2. Cynthia Miller, Lawrence F. Katz, Gilda Azurdia, Adam Isen, and Caroline Schultz, *Boosting the Earned Income Tax Credit for Singles: Final Impact Findings from the Paycheck Plus Demonstration in New York City*, Manpower Demonstration Research Corporation, September 2018, https://www.mdr.org/sites/default/files/PaycheckPlus_FinalReport_0.pdf (accessed October 20, 2020), and other Paycheck Plus studies by Manpower Demonstration Research Corporation. Specific citations are provided in the main texts.

considerable promise on this issue, but the evidence is mixed, and most programs have no impact at all. The effectiveness of transitional jobs programs in reducing crime and recidivism can potentially be improved by funding programs for former inmates on a payment-for-outcome basis with providers receiving bonuses if recidivism among clients is actually decreased.

An EITC expansion for childless adults modeled after Paycheck Plus or similar proposals would be a massive policy change involving millions of recipients and tens of billions of dollars. But this huge program expansion would have minimal impact on employment and earnings and would have the least effect on the most disadvantaged workers. More effective and more wisely targeted policies are needed.

The History of the EITC

Originally called “the work bonus plan,” the Earned Income Tax Credit was devised as a mechanism to provide assistance to low-income families with children while at the same time encouraging work.³ Proponents felt that families could be better aided and poverty more efficiently reduced if taxpayer-funded assistance encouraged and augmented self-support rather than displacing it.

Enacted in 1975, the EITC differed strongly from all traditional welfare programs; those programs gave the greatest benefits to those who did not work and reduced aid as work increased. In contrast, EITC eligibility was limited to parents who worked, and in the lower income range, aid was increased as work and earnings increased. The original EITC was available to low-income parents with children and paid 10 percent of earnings up to a maximum to \$400 at \$4,000 of earnings. As earnings rose above \$4,000, the credit was phased down incrementally, reaching zero for earnings of \$8,000 or more per year.⁴

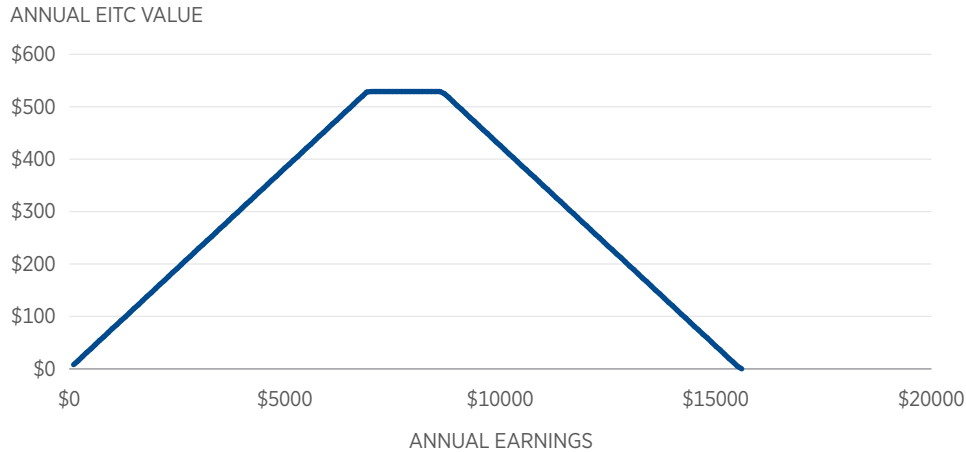
The original EITC was intended to help low-wage parents support their children. Since childless workers did not have dependents to support and could far more readily support themselves, they were not eligible for the credit. However, the Omnibus Budget Reconciliation Act of 1993 for the first time extended a small EITC payment to workers without dependent children. The intent of this change was not to increase employment or reduce

3. Margot L. Crandall-Hollick, “The Earned Income Tax Credit (EITC): A Brief Legislative History,” Congressional Research Service *Report for Members and Committees of Congress*, March 20, 2018, p. 2, <https://fas.org/sgp/crs/misc/R44825.pdf> (accessed October 20, 2020).

4. *Ibid.*, p. 3.

CHART 1

EITC for a Single Adult without Dependents, 2019



SOURCE: Tax Policy Center, “EITC Parameters,” <https://www.taxpolicycenter.org/statistics/eitc-parameters> (accessed November 17, 2020).

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poverty, but simply to offset the negative impact of a gasoline tax increase included elsewhere in the legislation on workers with low earnings.⁵

The Current EITC Credit for Persons Without Dependent Children

In 2019, the EITC for a single person without dependent children had a maximum value of \$529 per year.⁶ Like all current EITC benefits, the benefit structure of the credit for adults without dependents has a trapezoid shape consisting of a phase-up range, a plateau with the maximum benefit, and then a phase-down range.⁷ As Chart 1 shows, the value of the credit for each single equals 7.65 percent of earnings up to \$6,920 in earnings and a maximum credit of \$529. The credit begins to be phased down when earnings reach \$8,650 at a rate of 7.65 percent. The credit falls to zero value when earnings hit \$15,570.

5. Ibid.

6. The maximum value of the credit equals its original 1993 value adjusted for inflation.

7. Center on Budget and Policy Priorities, “The Earned Income Tax Credit,” *Policy Basics*, updated December 10, 2019, <https://www.cbpp.org/sites/default/files/atoms/files/policybasics-eitc.pdf> (accessed October 20, 2020).

The EITC has two aspects. The nonrefundable portion of the credit offsets federal income tax liability; it represents the amount of income tax the tax filer would ordinarily owe but does not pay because he is eligible for the EITC. By contrast, the “refundable” portion of the credit is provided when an eligible filer has no further income tax liability; it is a straight cash grant that is mailed once each year from the IRS to the tax filer. Some 69 percent of the EITC benefits provided to adults without dependents is in the form of “refundable” cash grants.⁸

Who Gets the Credit? According to IRS data, some 4.67 million individuals without dependent children received the refundable EITC benefits in 2017 at a total annual cost of \$1.44 billion. The average annual benefit was \$308.⁹

As Table 1 shows, median earnings among EITC beneficiaries without dependent children was \$8,000; the median number of hours worked during the year was around 800.¹⁰ The median wage was around \$10.00 per hour. The typical recipient had low earnings because he worked comparatively few hours during the year. Full-time work for a full year equals around 2,000 hours (40 hours per week times 50 weeks), but the childless EITC recipients work about a third of that amount. If the median recipient worked full-time during the year, he or she would have an annual post-tax income of around \$17,700, or 33 percent above the poverty level.

A common perception is that the childless adult EITC credit goes to young adults. This is misleading. In fact, the median age of current recipients is 39.

More than 80 percent of EITC recipients without children reside in multi-person households. Only a fifth reside alone as single persons. Some 56 percent reside with nondependent relatives or married partners; around 8 percent cohabit with a domestic partner, and 17 percent live with nonrelative roommates.

Living with others boosts living conditions by, among other things, providing economies of scale. This is particularly true regarding rent; a two-bedroom apartment costs 25 percent more than a one-bedroom apartment.¹¹ Thus, two persons sharing an apartment can cut housing costs by around 40 percent relative to two living separately.

8. Table 2.5, “Returns with Earned Income Credit, by Size of Adjusted Gross Income and Number of Qualifying Children, Tax Year 2018 (Filing Year 2019),” in U.S. Department of the Treasury, Internal Revenue Service, “SOI Tax Stats—Individual Statistical Tables by Size of Adjusted Gross Income: Individual Income Tax Returns with Earned Income Credit,” <https://www.irs.gov/statistics/soi-tax-stats-individual-statistical-tables-by-size-of-adjusted-gross-income> (accessed October 22, 2020).

9. *Ibid.*

10. The first three lines in Table 1 are taken from *ibid.* The remaining data are calculated from the Census Current Population Survey for 2017.

11. Calculated from U.S. Department of Housing and Urban Development, Office of Policy Development and Research, HUD User, “50th Percentile Rent Estimates,” <https://www.huduser.gov/portal/datasets/50per.html> (accessed October 20, 2020).

TABLE 1

Refundable-Cash EITC Payments for Recipients without Dependent Children Under Current Law, 2017

Childless Recipients of Refundable Cash EITC Payments	4,675,598
Total Expenditures on Refundable EITC Credits for Childless Recipients	\$1,440,318,000
Average Annual Expenditure per Recipient	\$308
CHARACTERISTICS OF CREDIT RECIPIENTS	
Average Annual Earnings	\$8,037
Median Annual Earnings	\$8,000
Average Annual Hours Worked	857
Median Annual Hours Worked	800
Median Age	39
RESIDENCE STATUS OF CREDIT RECIPIENTS	
Share Residing in One-Person Households	19.2%
Share Residing in Multiperson Families without a Cohabiting Partner	55.4%
Share Residing in Multiperson Families with a Cohabiting Partner	0.5%
Share Residing without Relatives but with a Cohabiting Partner	8.0%
Share Residing with Neither Family nor a Cohabiting Partner but with a Roommate	16.9%
CHARACTERISTICS OF CREDIT RECIPIENT FAMILY UNITS*	
Average Family Size	2.2
Family Unit Poverty Rate	44.2%
Average Annual Family Income	\$43,030
Median Annual Family Income	\$19,948
Average Annual Family Income Relative to Official Poverty Threshold	203.0%
Median Annual Family Income Relative to Official Poverty Threshold	120.7%
CHARACTERISTICS OF CREDIT RECIPIENT HOUSEHOLDS**	
Average Household Size	2.9
Household Poverty Rate	28.4%
Average Annual Household Income	\$57,624
Median Annual Household Income	\$35,042
Average Annual Household Income Relative to Official Poverty Threshold	258.4%
Median Annual Household Income Relative to Official Poverty Threshold	176.0%
CHARACTERISTICS OF CREDIT RECIPIENT COHABITING COUPLES	
Average Annual Combined Earnings	\$43,782
Median Annual Combined Earnings	\$31,000
Household Poverty Rate	15.4%

* A family unit consists of the recipient and any spouse or relative of the recipient residing in the domicile.

** A household consists of the recipient and any spouse, relative, co-habiting partner, or non-related roommate residing in the domicile.

SOURCE: Authors' calculations based on data from U.S. Census Bureau, Current Population Survey, 2017, and Internal Revenue Service, Statistics of Income, 2017, Individual Complete Report, Table 2.5. For more information, see Appendix 1.

Eligibility for the EITC for childless persons is determined on separate tax filer income, but childless EITC recipients often reside with relatives who have independent incomes. These relatives are not included in the tax filing/eligibility unit, but living together enables the recipient and relatives to share resources and raise their standard of living. Because family members and relatives living together generally pool income and expenditure, official government poverty statistics are always calculated on a family unit basis rather than on an individual (tax filer) basis.

The Census defines a family as “a group of two people or more...related by birth, marriage, or adoption and residing together.”¹² Thus, a family would include the head of household and any other persons in the residence who are the spouse, parent, grandparent, child, grandchild, sibling, aunt, uncle, niece, nephew, cousin, or step-relative of the household head. By this definition, family units do not include cohabiting partners or non-related roommates.¹³

Overall, childless EITC recipients have an average family unit income of \$43,000 per year. (This includes single-person units.) The fact that the majority of EITC recipients without children reside with other adult relatives means that, despite their individual low work levels, over half of these recipients are not poor by official government measures. Overall, 55 percent of EITC recipients without dependents live in family units that are not poor, while 45 percent are poor.¹⁴ (This figure includes those that live alone.)¹⁵

Poverty can also be measured at the “household” level. The Census defines a household as “all the people who occupy a housing unit.”¹⁶ This would include the recipient and any spouse, relative, cohabiting partner or nonrelated roommate residing with the recipient. (A person living alone is considered one household.) The average household income of childless EITC recipients is \$57,600. Measured on the basis of household income, only 28

12. U.S. Department of Commerce, U.S. Census Bureau, Current Population Survey, “Subject Definitions: Family,” last revised August 27, 2020, <https://www.census.gov/programs-surveys/cps/technical-documentation/subject-definitions.html#:~:text=Hispanic%20White%20origin,-Family,as%20members%20of%20one%20family> (accessed October 23, 2020).

13. For most purposes, the Census also counts a single person living alone as a one-person family unit.

14. Economist John Karl Scholz, using Current Population Survey data from 2000, calculated that 77 percent of recipients of the EITC for childless persons were poor on an individual tax filer basis, but only 47 percent were poor on a family income basis. John Karl Scholz, “Employment-Based Tax Credits for Low-Skilled Workers,” Brookings Institution, Hamilton Project *Discussion Paper* No. 2007-14, December 2007, p. 11, https://www.hamiltonproject.org/assets/legacy/files/downloads_and_links/Employment-Based_Tax_Credits_for_Low-Skilled_Workers.pdf (accessed October 20, 2020).

15. The income of nonrelative roommates and cohabiting spouses is not included in this calculation. EITC benefits also are not included.

16. U.S. Department of Commerce, U.S. Census Bureau, Current Population Survey, “Subject Definitions: Household,” last revised August 27, 2020, <https://www.census.gov/programs-surveys/cps/technical-documentation/subject-definitions.html#:~:text=Hispanic%20White%20origin,-Family,as%20members%20of%20one%20family> (accessed October 23, 2020).

percent of these recipients are poor.¹⁷ The poverty rate for childless EITC recipients living with cohabiting partners is particularly low at 15 percent.

Fairness and the EITC. The EITC was created explicitly to give aid to low-wage parents who would have difficulty supporting their children without assistance. Oddly, this practical fact has now been transmuted into an argument that the EITC is biased in favor of parents and discriminates against workers without dependents to support.¹⁸

Advocates routinely complain that the EITC is inequitable because it provides a single mother with three children a maximum benefit of \$6,557, while a single adult with no children to support receives “only” \$527. This argument ignores the obvious fact that the single mother receives roughly \$6,000 more because she has three extra persons to feed, house, and clothe. Moreover, the single mother will generally be the sole or predominant economic support for her family, but that is not the case for EITC recipients without dependents.

Many full-time working parents truly need support from the EITC to raise their family’s income above poverty. For example, a single mother working full-time at the federal minimum wage needs support from both the EITC and food stamps to lift her family above the poverty level.¹⁹ This is rarely the case for single workers without dependents. A childless individual without dependents who works full-time at the federal minimum wage has a post-tax income (without the EITC) roughly equal to the federal poverty threshold for a single person living alone.²⁰ Most low-skilled workers earn more than the federal minimum wage. Few live alone; most live in households with other members with incomes.

Marriage Penalties. The current EITC credit for persons without dependents has an explicit marriage penalty. If a couple is not married, they will be eligible for two credits with a combined maximum value of \$1,058, but if they marry, they become eligible only for a single credit with a maximum value of \$529.

Moreover, for a married couple, the EITC credit is based on the pair’s combined incomes rather than their separate incomes; typically, when a couple marries, their combined income makes them ineligible for the

17. This figure includes single-person households.

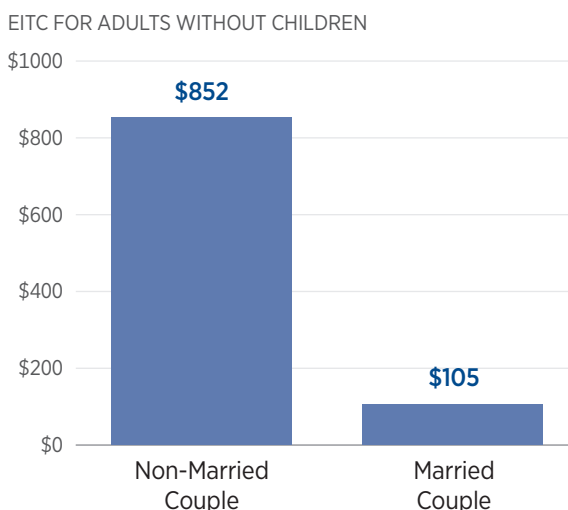
18. Hillary Hoynes, “The Earned Income Tax Credit,” *Annals of the American Academy of Political and Social Science*, Vol. 686 (November 2019), pp. 180–203.

19. Robert Rector and Rachel Sheffield, “Five Myths About Welfare and Child Poverty,” Heritage Foundation *Backgrounders* No. 3176, December 20, 2016, <http://thf-reports.s3.amazonaws.com/2016/BG3176.pdf>.

20. A single individual working full-time through the year (2,000 hours) will have an annual income of \$14,500. This individual will pay federal income tax of \$210 and a Social Security and Medicare tax of 7.65 percent or \$1,109. Combined taxes will equal \$1,319. Post-tax income will be \$13,180, while the federal poverty threshold for a single nonelderly person living alone is \$13,300.

CHART 2

EITC Marriage Penalty for Adult Couples without Dependent Children



NOTE: Figures shown represent the annual EITC payments under current law for an adult couple without children. Each adult earns \$10,000 per year. The couple will lose nearly \$750 in EITC benefits if they marry.

SOURCE: Authors' calculations.

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credit entirely. Although this loss is slightly mitigated by raising the credit phase-down point for married couples, the marriage penalty still remains explicit and obvious. For example, if a nonmarried, childless couple each earn \$10,000 per year, they will receive combined EITC credits worth \$852; however, if they marry, the credit will be cut to \$105. (See Chart 2.)

Marriage penalties between parents are even more severe. In that case, the EITC for single persons is eliminated entirely, and if the couple earns more than \$24,820, the overall EITC for family with children is cut as well. Overall, if parents with two children each earn \$20,000, the family will lose around \$6,000 in EITC and food stamps if they marry.²¹ Although liberals sometimes offer lip service in favor of married two-parent families, nearly all proposals to expand the EITC for singles without dependents would increase marriage penalties.²²

21. Robert Rector and Jamie Bryan Hall, "Reforming the Earned Income Tax Credit and Additional Child Tax Credit to End Waste, Fraud, and Abuse and Strengthen Marriage," Heritage Foundation *Backgrounder* No. 3162, | November 16, 2016, <https://www.heritage.org/sites/default/files/2018-04/BG3162.pdf>.

22. An exception is the EITC policy advanced by Gordon L. Berlin in "Rewarding the Work of Individuals: A Counterintuitive Approach to Reducing Poverty and Strengthening Families," *The Future of Children*, Vol. 17, No. 2 (Fall 2007), pp.17-42, https://www.mdrc.org/sites/default/files/full_497.pdf (accessed October 20, 2020).

Fraudulent and Erroneous Benefits. Erroneous and fraudulent EITC overpayments are prevalent for all EITC recipients including those without dependent children.²³ IRS audits reveal that between 30 percent and 38 percent of all EITC benefits payments to childless filers are erroneous overpayments.²⁴ Contrary to common claims, erroneous overpayments in the EITC are not the result of the law's complexity; instead, they result from tax filers submitting false information concerning residence, amount of earnings, and relationship to a child to obtain higher benefits. Some 85 percent of these overpayments goes to individuals who are completely ineligible for the EITC but obtain benefits by providing erroneous information on their tax form.²⁵

Efforts to Expand the EITC for Childless Persons

In recent years, there has been a push for a substantial increase in EITC benefits for persons without dependent children. According to advocates, this policy would increase incomes, reduce inequities between parents and nonparents, reduce poverty, and substantially increase employment.²⁶ Economist John Scholz, for example, predicted that doubling the value of the EITC for persons without dependents would bring employment to over 700,000 people.²⁷ Critically, the policy is viewed as especially beneficial to disadvantaged groups such as low-skilled men who have had very low wage growth for decades.²⁸

Advocates contend that the policy would bring social as well as economic benefits.²⁹ The expanded EITC for persons without dependents, they assert, would “help address some of the challenges that less-educated young people (particularly young African American men) face, including low and falling

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23. Rector and Hall, “Reforming the Earned Income Tax Credit and Additional Child Tax Credit to End Waste, Fraud, and Abuse and Strengthen Marriage.”
 24. Table 2b, “EITC Compliance Estimates by Number of Qualifying Children Claimed: Dollar Overclaim Percentages and Distribution by Taxpayer Eligibility Weighted Population Estimates, Annual Average, NRP TY 2006–2008,” in Kara Leibel, *Taxpayer Compliance and Sources of Error for the Earned Income Tax Credit Claimed on 2006–2008 Returns*, U.S. Department of the Treasury, Internal Revenue Service *Technical Paper*, Publication No. 5161 (8-2014), p. 23., <https://www.irs.gov/pub/irs-soi/15rpeitctaxpayercompliancepaper.pdf> (accessed October 20, 2020).
 25. Ibid.
 26. Hoynes, “The Earned Income Tax Credit.”
 27. Scholz, “Employment-Based Tax Credits for Low-Skilled Workers,” p. 13.
 28. AEI/Brookings Working Group on Poverty and Opportunity, *Opportunity, Responsibility, and Security: A Consensus Plan for Reducing Poverty and Restoring the American Dream*, American Enterprise Institute for Public Policy Research and Brookings Institution, 2015, pp. 24 and 45, <https://www.brookings.edu/wp-content/uploads/2016/07/full-report.pdf> (accessed October 20, 2020).
 29. See, for example, Chuck Marr and Chye-Ching Huang, “Strengthening the EITC for Childless Workers Would Promote Work and Reduce Poverty,” Center on Budget and Policy Priorities, updated February 20, 2015, <https://www.cbpp.org/sites/default/files/atoms/files/7-15-13tax.pdf> (accessed October 20, 2020).

labor-force participation rates, low marriage rates, and high incarceration rates.”³⁰ As advocates explain, “increasing the return to work for childless workers will lower unemployment rates and achieve the dual social benefits of reducing incarceration rates and increasing marriage rates.”³¹ (The claim that the expansion policy would increase marriage in low-income communities is perplexing given the fact that the policy would explicitly increase penalties against marriage within the welfare system.³²) Finally, it is argued that increasing the EITC would benefit all of society by reducing crime.³³

In 2014, support for this idea gained momentum when the Obama Administration proposed that the maximum value of the EITC for childless workers be doubled from around \$500 to \$1,000.³⁴ The benefit termination point (at which benefits were phased down to zero) would have been raised from \$14,790 to over \$18,000. If enacted, these changes would have increased the number of persons eligible for the credit from 7.7 million to 13.5 million.³⁵

The Administration suggested that the proposal could increase employment among the eligible population by 10 percent.³⁶ It emphasized that the pro-employment impacts of the expanded credit would be particularly critical for “groups with low or declining labor force participation rates,” especially less educated and African American men.³⁷ It also argued that the policy would increase marriage despite the fact that it explicitly increased marriage penalties.

In 2014, Congressman Paul Ryan, then Chairman of the House Budget Committee, issued a welfare reform blueprint that endorsed the Obama plan to expand the EITC for childless persons. Echoing Obama’s arguments, Ryan declared that the current EITC was inequitable for persons without dependents. He predicted that expanding the EITC for childless workers would substantially increase employment.³⁸ Facing considerable criticism from conservatives, especially over the fact that his proposal would have

30. Ibid., p. 4.

31. Ibid.

32. Ibid., p. 7.

33. Ibid.

34. Executive Office of the President and U.S. Treasury Department, *The President’s Proposal to Expand the Earned Income Tax Credit*, March 2014, p. 5, https://obamawhitehouse.archives.gov/sites/default/files/docs/eitc_report_0.pdf (accessed October 20, 2020).

35. This figure covers both the refundable and nonrefundable portions of the credit and therefore includes persons who received only the nonrefundable portion of the credit that is used to reduce income tax liability.

36. Executive Office of the President and U.S. Treasury Department, *The President’s Proposal to Expand the Earned Income Tax Credit*, pp. 9 and 10.

37. Ibid., p. 11.

38. House Budget Committee Majority Staff, *Expanding Opportunity in America: A Discussion Draft from the House Budget Committee*, July 24, 2014, p. 25, https://www.ncsha.org/wp-content/uploads/2016/06/expanding_opportunity_in_america.pdf (accessed October 20, 2020).

explicitly increased existing penalties against parental marriage, Ryan dropped this idea from subsequent welfare proposals.³⁹

Pressure to expand the EITC for persons without dependents continues. The House Ways and Means Committee approved the Economic Mobility Act of 2019 (H.R. 3300), introduced by Congressman Richard Neal (D–MA), on June 20, 2019. The bill would nearly triple the EITC for persons without dependents, raising the maximum payment from the current \$529 per year to \$1,464.⁴⁰

Paycheck Plus Experiments

Political interest in expansion of the EITC has led to experiments called the Paycheck Plus demonstrations. These are randomized control trial (RCT) evaluations designed specifically to estimate the economic and behavioral effects of expanding the EITC for single adults without dependent children.⁴¹ The Paycheck Plus demonstrations were conducted by the Manpower Demonstration Research Corporation (MDRC) in New York City and Atlanta.

The features of the Paycheck Plus experimental policy are shown in Chart 3. The policy quadrupled the maximum value of the EITC for singles without children from around \$500 to \$2,000 per year.⁴² The range of eligibility was also greatly expanded as the benefit termination point (at which benefits were phased down to zero) was raised from \$15,570 to \$29,900. The minimum age for eligibility was dropped from 25 to 21.⁴³ If implemented nationwide, these changes would roughly triple the number of persons eligible for the childless worker refundable benefits.

39. American Enterprise Institute, “Expanding Opportunity in America: A Conversation with House Budget Committee Chairman Paul Ryan,” July 24, 2014, <https://www.aei.org/events/expanding-opportunity-in-america-a-conversation-with-house-budget-committee-chairman-paul-ryan/> (accessed October 20, 2020).

40. House Committee on Ways and Means, “Economic Mobility Act of 2019: Section-by-Section,” <https://waysandmeans.house.gov/sites/democrats.waysandmeans.house.gov/files/documents/Economic%20Mobility%20Act%20of%202019%20Section-By-Section.pdf> (accessed October 20, 2020).

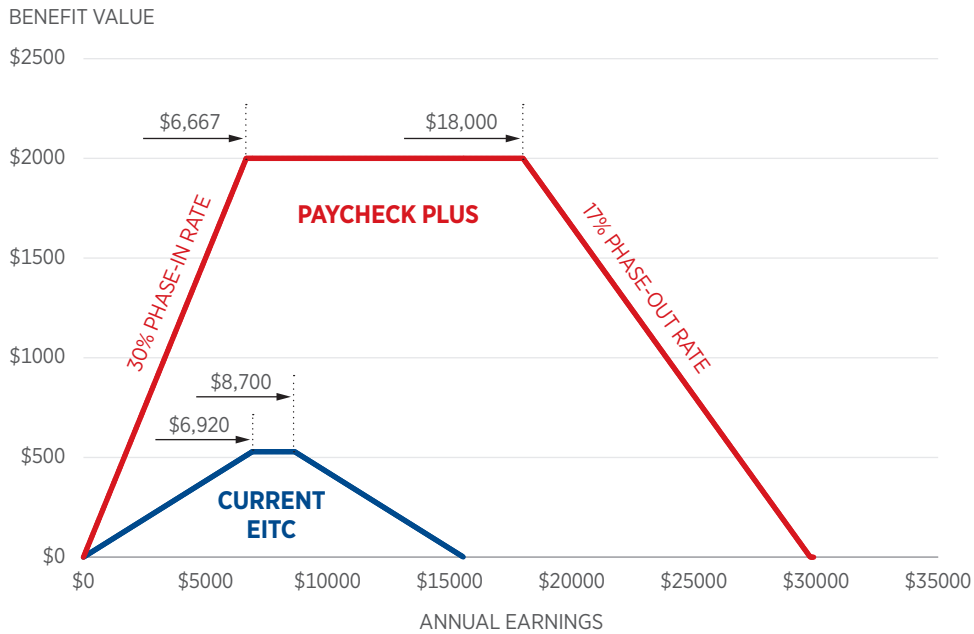
41. In RCT experiments, a study population is divided by random assignment into an experimental group that is enrolled in the new policy/intervention and a control group that is not enrolled. The differences in outcomes between the two groups measure the behavioral impact of the proposed program. Random assignment is intended to ensure that the experimental and control groups are nearly identical before the intervention; however, additional statistical procedures are often employed to adjust for minor differences between the two groups.

42. The Paycheck Plus bonus was added on top of the existing federal EITC for the experimental group to bring their total credit up to a maximum of \$2,000. As the MDRC report states “Thus, if a worker were eligible for \$2,000 from Paycheck Plus and received \$300 from the federal EITC, the Paycheck Plus bonus would equal \$1,700. ¶ Paycheck Plus was designed so that the process of applying for and receiving the bonus would be as similar as possible to the federal EITC, even though it operates outside of the tax system.” Miller, Katz, Azurdia, Isen, and Schultz, *Boosting the Earned Income Tax Credit for Singles: Final Impact Findings from the Paycheck Plus Demonstration in New York City*, p. 5.

43. *Ibid.*, p. 6.

CHART 3

Paycheck Plus Compared to Current EITC for Childless Workers



SOURCE: Manpower Demonstration Research Corporation, “Paycheck Plus: Making Work Pay for Low Income Single Adults,” July 2014, <https://www.mdrc.org/sites/default/files/Paycheck%20Plus%20Two-pager%2007-25-14.pdf> (accessed November 17, 2020).

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The New York City Paycheck Plus demonstration was begun in 2014. Some 6,000 individuals were recruited to participate. Individuals were eligible to participate if they were not married, had a valid Social Security number, were not planning to claim a dependent child in the subsequent year, had earnings below \$30,000 in the prior year, and were not receiving or applying for disability benefits through Supplemental Security Income (SSI) or Old-Age, Survivors, and Disability Insurance (OASDI). The 6,000 were divided at random into experimental and control groups of approximately equal size.⁴⁴

In 2017, a duplicate evaluation was begun in Atlanta with a sample of 4,000.⁴⁵ At present, the three-year evaluation of Paycheck Plus has been

44. The evaluation focused on disadvantaged persons. Of those recruited, some 58 percent were non-Hispanic blacks, 30 percent were Hispanic, and 12 percent were non-Hispanic whites. Some 30 percent had not worked at all in the prior year, and 18 percent were former inmates. *Ibid.*, p. 12.

45. Cynthia Miller, Lawrence F. Katz, Edith Yang, Alexandra Bernardi, Adam Isen, and Kali Aloisi, *A More Generous Earned Income Tax Credit for Singles: Interim Findings from the Paycheck Plus Demonstration in Atlanta*, U.S. Department of Health and Human Services, Administration for Children and Families, Office of Planning, Research, and Evaluation, *OPRE Report* No. 2020-28, February 2020, https://www.acf.hhs.gov/sites/default/files/opre/paycheck_plus_atlanta_interim_508_final.pdf (accessed October 20, 2020).

completed in New York City, and the first two years have been completed in the Atlanta program.

Impacts of Paycheck Plus

The actual results of the experiments were at best underwhelming. In New York, the MDRC evaluators issued a report stating that the program “modestly increased employment rates.”⁴⁶ A smattering of other weak positive findings were reported. Nonetheless, *The New York Times* trumpeted these meager results in an article titled “How to Cut Poverty Now.”⁴⁷

Straight Talk on Evidence, an organization devoted to reviewing random assignment evaluations, panned MDRC’s report on the New York Paycheck Plus experiment as “Not Accurately Reported” and stated that “[f]ollowing an all-too-common pattern in the evaluation literature, it selectively reports positive study findings while omitting other key findings that cast real doubt on the program’s effectiveness as a poverty-fighting tool.”⁴⁸ Straight Talk further reported that the Paycheck Plus authors cherry-picked a tiny number of positive findings, ignoring the much larger number of findings of no impact that in many cases contradicted the modest positive impacts reported.⁴⁹ Moreover, the New York Paycheck Plus study reported nearly 300 outcome measurements covering different, often related variables for different sub-groups in different periods. With such a large number of measured outcomes, a substantial number of false positive effects can be generated by random chance.⁵⁰

46. Miller, Katz, Azurdia, Isen, and Schultz, *Boosting the Earned Income Tax Credit for Singles: Final Impact Findings from the Paycheck Plus Demonstration in New York City*, p. iii.

47. David Leonhardt, “How to Cut Poverty Now,” *The New York Times*, September 25, 2018, <https://www.nytimes.com/2018/09/25/opinion/columnists/earned-income-tax-credit-new-york.html> (accessed October 23, 2020).

48. Straight Talk on Evidence, “Main Findings Misreported in Major Study of Earned Income Tax Credit (EITC) Expansion,” November 13, 2018 <https://www.straighttalkonevidence.org/2018/11/13/main-findings-misreported-in-major-study-of-earned-income-tax-credit-eitc-expansion/> (accessed October 21, 2020).

49. “The study’s overview of ‘Main Findings’ that introduces the study report and is reproduced in MDRC’s press release and web page on the study *only* reports positive findings. No mention is made of the disappointing findings for primary outcomes such as total household income, worker earnings, overall poverty rates, criminal justice involvement, and family formation.” Ibid. Emphasis in original. It should be noted that the criticisms in the current paper are not intended to single out the Manpower Demonstration Research Corporation. The MDRC provides high-quality, well-designed evaluations. Rather, the issue represents an industry-wide tendency to view and present evaluation results through rose-colored glasses.

50. In any evaluation, if a large number of outcomes on various sub-groups and periods are reported, a few will show statistically significant results just by random chance. For example, if 100 outcome variables are examined, five can be expected to have statistically significant impacts at the 95 percent significance level just by chance. The New York Paycheck Plus study reported nearly 300 outcome measurements covering different, often related variables for different sub-groups in different periods. A large number of false positive effects could be expected as a result. Statistical procedures are available to adjust for this problem but were not performed. This calls into question even the meager results in the report. See John A. List, Azeem M. Shaikh, and Yang Xu, “Multiple Hypothesis Testing in Experimental Economics,” National Bureau of Economic Research *Working Paper* No. 21875, January 2016, https://www.nber.org/system/files/working_papers/w21875/w21875.pdf (accessed October 21, 2020).

The interim Atlanta report was even bleaker. Although participants in the experimental group did receive the enhanced EITC payments and had somewhat higher post-benefit incomes as a result, no other outcome was found. The program did not increase employment or earnings.⁵¹

Specific Outcome Findings from Paycheck Plus

The following specific outcomes were reported from the New York and Atlanta experiments.⁵²

Employment. As noted, the Obama Administration suggested that *doubling* the maximum value of the EITC for childless workers could increase employment in the affected population by 10 percent. But the Paycheck Plus experiments showed that *quadrupling* the value of the credit produced an employment increase of only 1.8 percentage points in New York City and no statistically significant increase in Atlanta.

As Table 2 shows, over the three years the Paycheck Plus experiment ran in New York, the percentage of persons in the experimental group who had any employment during a year was, on average, 77.3 percent, while the number for those in the control group was 75.4 percent: a statistically significant difference of 1.8 percentage points. In Atlanta, there was no statistically significant difference in employment between the experimental and control groups.

Moreover, while advocates of expanding the childless EITC had focused their concern on lower-wage males as a disadvantaged group that for decades had suffered from flat wages and falling labor force participation, the New York experiment showed no increase in men's employment. Nearly all of the small employment increase that did occur was among females. In Atlanta, the outcome was worse: Neither women nor men experienced an employment increase. In addition, none of the other disadvantaged target groups (previously incarcerated persons, noncustodial

51. Miller, Katz, Yang, Bernardi, Isen, and Aloisi, *A More Generous Earned Income Tax Credit for Singles: Interim Findings from the Paycheck Plus Demonstration in Atlanta*, p. iv.

52. Statistics can be presented as *percentage* changes and *percentage point* changes. These are not the same. For example, if the share of people who are victims of crime is 10 percent in one year and 20 percent in the next, the rate has doubled, so the *percentage* change is 100 percent. By contrast, the percentage point change is 20 minus 10 or 10 *percentage points*. Percentage point differences are the best way to represent differences between experimental and control groups in randomized control trials. The differences between the groups in the MDRC Paycheck Plus evaluation are presented as percentage point differences unless they report an absolute amount such as dollars earned. All percentage point differences in this Heritage *Background* are labeled as such.

TABLE 2

Paycheck Plus: Employment Outcomes

Percent of Individuals with Any Employment During the Year	Experimental Program Group	Control Group	Percentage Point Difference	Statistical Significance
ALL PERSONS				
New York Three-Year Average	77.3	75.4	1.9**	***
Atlanta Year One	80.0	79.9	0.1	None
Atlanta Year Two	77.0	76.0	1.0	None
MEN				
New York Three-Year Average	73.1	72.5	0.5	None
Atlanta Year One	77.9	78.1	-0.2	None
Atlanta Year Two	73.9	71.9	2.0	None
WOMEN				
New York Three-Year Average	83.2	80.0	3.2***	***
Atlanta Year One	83.4	82.9	0.5	None
Atlanta Year Two	81.8	82.6	-0.9	None
PREVIOUSLY INCARCERATED				
New York Three-Year Average	63.0	60.4	2.6	None
Atlanta Year One	77.2	75.5	1.8	None
Atlanta Year Two	71.0	69.3	1.7	None
NON-CUSTODIAL PARENTS				
New York Three-Year Average	70.5	68.8	1.7	None
Atlanta Year One	80.3	80.5	-0.3	None
Atlanta Year Two	76.9	76.4	5.0	None
DISADVANTAGED MEN				
New York Three-Year Average	65.4	62.5	2.8	None
Atlanta Year One	77.8	78.2	-0.3	None
Atlanta Year Two	72.8	72.1	0.1	None

NOTES:

Statistical significance levels are indicated as: ***= 1 percent; **= 5 percent; *= 10 percent; None = less than 10 percent
Disadvantaged men are non-custodial fathers with open child support orders or formerly incarcerated men.

SOURCES:

Cynthia Miller, Lawrence F. Katz, Gilda Azurdia, Adam Isen, and Caroline Schultz, “Boosting the Earned Income Tax Credit for Singles: Final Impact Findings from the Paycheck Plus Demonstration in New York City,” Manpower Demonstration Research Corporation, September 2018, <https://www.mdrc.org/publication/boosting-earned-income-tax-credit-singles> (accessed October 29, 2020), and Cynthia Miller et al., “A More Generous Earned Income Tax Credit for Singles: Interim Findings from the Paycheck Plus Demonstration in Atlanta,” OPRE Report 2020-28, February 2020, https://www.acf.hhs.gov/sites/default/files/opre/paycheck_plus_atlanta_interim_508_final.pdf (accessed October 29, 2020).

parents, and disadvantaged males) experienced increased employment in either city.⁵³

Earnings. A second expectation was that the enhanced EITC would lead to an increase in hours worked and earnings among those who were employed. This expectation was also frustrated. In both New York and Atlanta, the EITC increase generated no significant increase in earnings for any group including all persons, all women, all men, previously incarcerated persons, noncustodial parents, and disadvantaged men. (See Table 3.)

Income Including the Paycheck Plus Bonus. The Paycheck Plus experiment provided greater cash bonuses to employed people in the experimental group. In New York, this led to an increase in combined income (earnings plus bonuses) of \$625 per year in the experimental group.⁵⁴

In Atlanta, there was an increase in combined income of \$733 per person in the first year but no significant increase in the second year.⁵⁵ To the extent that the Atlanta program increased combined income, it seems to have done so in advantaged rather than disadvantaged groups. For example, the program raised combined income for advantaged men but not for disadvantaged men.⁵⁶ The Atlanta program failed to increase combined income for noncustodial parents but did increase it for those who were not noncustodial parents.⁵⁷

Poverty. The New York City experiment did not reduce the percentage of participants who were poor. It did, however, reduce the number who were in deep poverty (defined as those whose household incomes were less than 50 percent of the poverty threshold). Relative to the control group, some 3.4 percent of the experimental group were lifted out of deep poverty. For the most part, these individuals were shifted into the more moderate poverty group (those with incomes between 51 percent and 100 percent of poverty).⁵⁸ Poverty and deep poverty impacts were not measured in the Atlanta evaluation.

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53. Program designers were concerned that the lowest-income participants might not be able to respond to the work incentive provided by the enhanced EITC if they had difficulty obtaining jobs. Therefore, a random sub-group of participants in the experimental group who had earnings below \$10,000 per year before the start of the evaluation were provided with job referral services aimed at increasing their access to jobs. This group did appear to have greater employment gains than comparable members of the experimental group with individuals without such services. See Miller, Katz, Azurdia, Isen, and Schultz, *Boosting the Earned Income Tax Credit for Singles: Final Impact Findings from the Paycheck Plus Demonstration in New York City*. Such employment services could not readily be provided to millions of tax filers; they therefore could not play a main role in a national EITC expansion. However, the finding may be helpful for the design of other programs for hard-to-employ persons such as transitional jobs.
 54. Miller, Katz, Azurdia, Isen, and Schultz, *Boosting the Earned Income Tax Credit for Singles: Final Impact Findings from the Paycheck Plus Demonstration in New York City*, p. 21.
 55. Miller, Katz, Yang, Bernardi, Isen, and Aloisi, *A More Generous Earned Income Tax Credit for Singles: Interim Findings from the Paycheck Plus Demonstration in Atlanta*, p. 21.
 56. Table 6, "Effects for More Disadvantaged Men Compared with Other Men," in *ibid.*, p. 25.
 57. Appendix Table A.6, "Effects by Noncustodial Parent Status," in *ibid.*, p. 37.
 58. Most persons eligible for the Paycheck Plus benefit live in two-person families. The poverty threshold for a nonelderly two-person family in 2019 was \$17,120. Deep poverty would therefore mean having a family income below \$8,560.

TABLE 3

Paycheck Plus: Earnings Outcomes

	Experimental Program Group	Control Group	Difference	Statistical Significance
ALL PERSONS				
New York Three-Year Average	\$12,716	\$12,560	\$157	None
Atlanta Year One	\$10,281	\$9,914	\$367	None
Atlanta Year Two	\$122,238	\$12,069	\$169	None
MEN				
New York Three-Year Average	\$11,629	\$11,937	-\$309	None
Atlanta Year One	\$9,696	\$9,053	\$643*	*
Atlanta Year Two	\$11,484	\$11,003	\$481	None
WOMEN				
New York Three-Year Average	\$14,190	\$13,514	\$676	None
Atlanta Year One	\$11,227	\$11,258	-\$32	None
Atlanta Year Two	\$13,493	\$13,737	-\$244	None
PREVIOUSLY INCARCERATED				
New York Three-Year Average	\$7,796	\$7,584	\$212	None
Atlanta Year One	\$8,598	\$8,011	\$587	None
Atlanta Year Two	\$9,831	\$9,473	\$358	None
NON-CUSTODIAL PARENTS				
New York Three-Year Average	\$11,582	\$10,267	\$1,315	None
Atlanta Year One	\$9,787	\$9,889	-\$102	None
Atlanta Year Two	\$11,797	\$12,395	-\$598	None
DISADVANTAGED MEN				
New York Three-Year Average	\$8,980	\$8,445	\$535	None
Atlanta Year One	\$9,252	\$8,997	\$255	None
Atlanta Year Two	\$10,944	\$11,021	-\$76	None

NOTES:

Statistical significance levels are indicated as: ***= 1 percent; **= 5 percent; *= 10 percent; None = less than 10 percent
Disadvantaged men are non-custodial fathers with open child support orders or formerly incarcerated men.

SOURCES:

Cynthia Miller, Lawrence F. Katz, Gilda Azurdia, Adam Isen, and Caroline Schultz, “Boosting the Earned Income Tax Credit for Singles: Final Impact Findings from the Paycheck Plus Demonstration in New York City,” Manpower Demonstration Research Corporation, September 2018, <https://www.mdrc.org/publication/boosting-earned-income-tax-credit-singles> (accessed October 29, 2020), and Cynthia Miller et al., “A More Generous Earned Income Tax Credit for Singles: Interim Findings from the Paycheck Plus Demonstration in Atlanta,” OPRE Report 2020-28, February 2020, https://www.acf.hhs.gov/sites/default/files/opre/paycheck_plus_atlanta_interim_508_final.pdf (accessed October 29, 2020).

Impacts on Formerly Incarcerated Persons. In New York, the Paycheck Plus program failed to increase employment, earnings, or after-bonus income among formerly incarcerated persons.⁵⁹ In Atlanta, the program failed to increase employment and earnings among this group but did increase post-benefit income in one year out of two.⁶⁰ In New York, the program did not reduce poverty for this group but did reduce deep poverty substantially.⁶¹

In New York, the program was found to have zero impact on recidivism.⁶² In Atlanta, recidivism was not measured.

Child Support. Paycheck Plus provided weak to nonexistent results concerning the impact of the increased Paycheck Plus benefits on child support. In New York, there was a statistically significant increase in child support payments in one year out of three. In addition, there was a marginally significant effect in two other child support metrics but no effect in nine others. Overall in New York, out of a total of 12 outcome measures, the program had one statistically significant effect and two marginal effects.⁶³

In Atlanta, the Paycheck Plus program had no effect on child support, and the insignificant impact that did occur was at times reversed (experimentals paid slightly less than controls).⁶⁴

Other Outcomes. The New York evaluation found that the program had no effect on overall family income, physical health, mental health, happiness, material hardship, or hunger. The program had a slight negative effect on household formation as persons in the experimental group were less likely to live with a partner.⁶⁵

59. Appendix Table A.5, “Effects by Former Incarceration Status,” in Miller, Katz, Azurdia, Isen, and Schultz, *Boosting the Earned Income Tax Credit for Singles: Final Impact Findings from the Paycheck Plus Demonstration in New York City*, p. 59.

60. Appendix Table A.7, “Effects by Incarceration Status Prior to Study Entry,” in Miller, Katz, Yang, Bernardi, Isen, and Aloisi, *A More Generous Earned Income Tax Credit for Singles: Interim Findings from the Paycheck Plus Demonstration in Atlanta*, p. 38.

61. Appendix Table A.5, “Effects by Former Incarceration Status,” in Miller, Katz, Azurdia, Isen, and Schultz, *Boosting the Earned Income Tax Credit for Singles: Final Impact Findings from the Paycheck Plus Demonstration in New York City*, p. 60. Poverty for formerly incarcerated persons was not reported in Atlanta.

62. Miller, Katz, Azurdia, Isen, and Schultz, *Boosting the Earned Income Tax Credit for Singles: Final Impact Findings from the Paycheck Plus Demonstration in New York City*, p. 45.

63. The New York evaluation provided four outcome metrics of child support measured in each of the three years for a total of 12 metrics; of these, one was significant at the 99 percent confidence level, and two were significant at the 90 percent level. The remaining nine were not significant. See Table 13, “Effects on Child Support Payments and Debt Among Noncustodial Parents,” in *ibid.*, p. 43.

64. Table 9, “Effects on Child Support Payments and Arrears, Among Noncustodial Parents Who at Baseline Had a Current Order or Arrears in the Division of Child Support Services System,” in Miller, Katz, Yang, Bernardi, Isen, and Aloisi, *A More Generous Earned Income Tax Credit for Singles: Interim Findings from the Paycheck Plus Demonstration in Atlanta*, p. 29.

65. Appendix Table C.3, “32-Month Effects on Marital Status and Living Arrangements,” in Miller, Katz, Azurdia, Isen, and Schultz, *Boosting the Earned Income Tax Credit for Singles: Final Impact Findings from the Paycheck Plus Demonstration in New York City*, p. 87.

Nationwide Implementation of Paycheck Plus: Estimated Scope and Costs

As noted, the Paycheck Plus policy would quadruple the maximum value of the EITC. It would also raise the upper limit of eligibility from \$15,570 to \$29,900 and drop the minimum age of eligibility from 25 to 21.

In Table 4, we estimate the fiscal and demographic impact if Paycheck Plus were implemented nationwide.⁶⁶ The table presents only the refundable or cash grant component of the program. We have estimated the figures in Table 4 and all the cost and caseload projections in this paper by applying the eligibility rules and benefits from the Paycheck Plus program to national demographic data from the Census Current Population Survey.⁶⁷

It is important to remember that, in contrast to current law, the Paycheck Plus policy was limited to nonmarried workers without dependent children.⁶⁸ We follow this policy in Table 4; all married workers without children are excluded. The exclusion of married recipients means that the figures for recipients under current law in Table 4 differ from the figures in Table 1, which included married but childless recipients. For example, the number of current-law recipients of refundable credits in Table 4 is 3.5 million compared to the figure of 4.6 million in Table 1.

The exclusion of all married beneficiaries means that the real costs of implementing Paycheck Plus have been underestimated in Table 4. Real legislative proposals modeled along the lines of Paycheck Plus would almost certainly include a benefit expansion for married as well as nonmarried childless workers. This would raise the actual costs of the policy substantially.

As designed, the Paycheck Plus policy would more than triple the number of nonmarried childless adults receiving refundable EITC cash payments; nonmarried recipients would rise from the current level of around 3.5 million to 12.7 million. Roughly one in five nonmarried individuals without dependents between the ages of 21 and 64 in the whole nation would be eligible to receive the refundable cash payments.

66. All figures in Table 4 except the first three lines were estimated from the Census Current Population Survey covering 2017. That year was used to permit cross-checking with IRS data, which are not available after 2017. The CPS estimates in the first three lines have been adjusted downward to match IRS data from the Statistics of Income. For details, see Appendix 1, *infra*.

67. For a discussion of the estimation procedures, see Appendix 1, *infra*.

68. Entry into the Paycheck Plus experiment was limited to nonmarried persons. However, the program sought to avoid short-term disincentives to marriage; a participant who married during the experiment would continue to receive the bonus for three years, and the income for each spouse would be counted separately for purposes of eligibility. This provision had little impact on the program. Miller, Katz, Azurdia, Isen, and Schultz, *Boosting the Earned Income Tax Credit for Singles: Final Impact Findings from the Paycheck Plus Demonstration in New York City*, p. 7.

TABLE 4

Impact of Implementing Paycheck Plus Nationwide: Refundable-Cash Benefits for Childless, Non-married Persons Aged 21-64

	REFUNDABLE CREDIT ONLY		
	Current Law	Paycheck Plus	Change
Non-married Childless EITC Recipients of Refundable Cash EITC Payments	3,538,834	12,761,986	9,223,152
Total Expenditures on Refundable Cash EITC Payments for Non-married Childless Recipients	\$1,113,976,891	\$17,417,001,923	\$16,303,025,032
Average Expenditure per Recipient	\$315	\$1,365	\$1,050
CHARACTERISTICS OF CREDIT RECIPIENTS			
Median Hours Worked	720	1,300	580
Median Annual Earnings	\$7,072	\$13,200	\$6,128
Median Age	35	28	-7
HOUSEHOLD AND FAMILY STRUCTURE OF CREDIT RECIPIENTS			
Share Residing in One-Person Households	22.4%	18.6%	-3.8%
Share Residing in Multiperson Families without a Cohabiting Partner	46.8%	49.1%	2.3%
Share Residing in Multiperson Families with a Cohabiting Partner	0.6%	0.6%	0.0%
Share Residing without Family but with a Cohabiting Partner	10.5%	11.4%	0.8%
Share Residing with Neither Family nor a Cohabiting Partner but with a Roommate	19.6%	20.3%	0.7%
CHARACTERISTICS OF CREDIT RECIPIENT FAMILY UNITS*			
Average Family Size	2.0	2.1	0.1
Official (Family) Poverty Rate	46.8%	21.4%	-25.4%
Average Annual Family Income	\$45,068	\$54,034	\$8,966
Median Annual Family Income	\$17,855	\$23,030	\$5,175
Average Annual Family Income Relative to Official Poverty Threshold	215.3%	259.0%	43.7%
Median Annual Family Income Relative to Official Poverty Threshold	113.7%	161.2%	47.4%
CHARACTERISTICS OF CREDIT RECIPIENT HOUSEHOLDS**			
Average Household Size	2.9	3.0	0.1
Household Poverty Rate	27.4%	13.6%	-13.9%
Average Annual Household Income	\$62,894	\$70,797	\$7,903
Median Annual Household Income	\$40,288	\$48,500	\$8,212
Average Annual Household Income Relative to Official Poverty Threshold	284.0%	317.0%	33.0%
Median Annual Household Income Relative to Official Poverty Threshold	192.6%	231.4%	38.7%
CHARACTERISTICS OF CREDIT RECIPIENT COHABITING COUPLES			
Household Poverty Rate	15.4%	8.2%	-7.3%
Average Annual Combined Earnings	\$43,782	\$46,121	\$2,339
Median Annual Combined Earnings	\$31,000	\$38,500	\$7,500

* A family unit consists of the recipient and any spouse or relative of the recipient residing in the domicile.

** A household consists of the recipient and any spouse, relative, cohabiting partner, or non-related roommate residing in the domicile.

SOURCE: Authors' calculations based on data from U.S. Census Bureau, Current Population Survey, 2017, and Internal Revenue Service, Statistics of Income, 2017, Individual Complete Report, Table 2.5. For more information, see Appendix 1.

The total cost of refundable EITC benefits to childless, nonmarried recipients would increase sixteenfold from around \$1.1 billion per year to \$17.4 billion per year. Approximately 30 percent of the added spending would come from raising the benefits of current beneficiaries, and the remainder would come from benefits paid to new recipients added by eligibility expansion.

The median number of hours that recipients worked during the year would rise from the current level of 720 to 1,300. This would occur not because of an actual increase in work performed but simply because expanded eligibility for the credit would cover millions of new individuals who already had greater work and earnings. Overall, the main impact of the credit would still be to compensate individuals for part-time or part-year employment.

The median annual earnings of nonmarried recipients would rise from \$7,072 to \$13,200. (Again, this is due solely to the expansion of the range of eligibility up the income scale; it does not reflect any rise in earnings for individuals, because Paycheck Plus did not raise earnings.) The average EITC benefit would rise from \$315 to \$1,365. Nearly all recipients would continue to reside with relatives or other individuals. The residential breakdown of recipients between living alone, with a cohabiting partner, with relatives, or with nonrelative roommates would be largely unchanged.

Under the policy, childless EITC recipients would typically reside in two-person homes. The median income before receipt of the EITC across all recipient households (including single-person households) would be \$48,500.⁶⁹ This is 231 percent of the poverty level adjusted for household size. The average household income would be much higher at \$70,793 (or 317 percent of the poverty level), indicating that many recipients would reside in middle-income households.

Overall, only 21 percent of recipients without dependents would be poor before receipt of the EITC if measured on the official family unit basis.⁷⁰ Measured on a household basis, only 13.6 percent of recipients would be poor before receiving the EITC. About one in eight recipients would live with a cohabiting partner; only 8 percent of these couples would be poor before receiving the EITC.

Benefits and Costs. As noted, the New York experiment raised employment by around 2 percent, and the Atlanta experiment had no statistically significant effect. Splitting the difference, the combined effect might be a 1

69. The income of cohabiting partners and nonrelative roommates is not included. EITC benefits also are not included.

70. The income of nonrelative roommates and cohabiting spouses is not included in this calculation. EITC benefits also are not included.

percent change. If the plan were implemented nationwide, this would imply an increase of around 200,000 jobs.⁷¹ At a net added cost of \$16.3 billion in refundable-cash benefits, that translates into one extra job for each \$80,000 in new spending.

The New York experiment also shifted 3.4 percent of the eligible population from deep poverty (family income below 50 percent of the poverty threshold) to moderate poverty (income between 51 percent and 100 percent of the relevant poverty threshold). If Paycheck Plus were implemented nationwide, that would be about 680,000 persons. At an added cost of \$16.3 billion, that would represent a net cost of around \$23,500 for each person shifted from deep poverty to moderate poverty.

Paycheck Plus Combined Refundable and Nonrefundable Credits. Appendix Table A2 shows the combined demographic and fiscal impacts of the refundable (cash grant) and nonrefundable (income tax relief) components of Paycheck Plus if the policy were implemented nationwide. The number of nonmarried beneficiaries rises from 12.7 million (persons receiving refundable benefits in Table 4) to 20.1 million. The annual budgetary impact rises to \$29.2 billion, of which \$19.6 billion would be cash grants and \$9.6 billion would be income tax reduction.

The median wage of recipients remains at \$10 per hour, but the median annual hours worked rises to 1,730 because of the expansion in the eligible population. Consequently, annual median earnings rise to \$19,000, and median household income rises to \$52,000.

Are Projected Costs Understated or Overstated? On the one hand, the cost and caseload projections in Table 4 are clearly understated because, following the Paycheck Plus specifications, they are restricted to nonmarried persons without dependent children. As noted, actual legislation would almost certainly include some expansion of eligibility and increase in benefits for married persons without dependent children as well. Altering Paycheck Plus to cover married couples without children would most likely to expand the program to cover some 5.3 million families, including some 3.3 million that are currently ineligible for the EITC.⁷² This would likely increase the total Paycheck Plus refundable costs by at least \$5 billion.

71. This represents roughly 1 percent of the nearly 20 million individuals who would receive either the refundable or nonrefundable form of the credit. See Appendix Table A2, *infra*.

72. Under the current EITC, the upper-income threshold (income at which benefits end) for married couples without children is approximately \$5,500 above the threshold for singles without children (\$20,600 compared to \$15,010). Assuming that this differential was maintained in Paycheck Plus policy expanded to cover married couples, the upper-income threshold for married couples without children would be \$36,205. Some 5.3 million married couples with earned income but without children have incomes below that level. Even in this form, the policy would sharply increase marriage penalties.

On the other hand, some might argue that the increase in costs and beneficiaries shown in Table 4 overstates the effects of implementing Paycheck Plus because the EITC does not have a 100 percent participation rate: Not everyone eligible for the credit actually applies for and receives it. This point has some validity: The best estimates show that only 63 percent of individuals eligible for the EITC for childless persons actually receive it.⁷³ However, fraudulent and erroneous payments are extensive throughout the EITC program. The best data indicate that for each eligible person who does not receive the childless credit, there is at least one noneligible person who does receive it. The number of nonparticipating eligibles is offset by a similar number of noneligible participants.⁷⁴ The number of eligible persons therefore stands as a reasonable proxy for the number of actual recipients despite the apparently low participation rate.

Neither Paycheck Plus nor any similar proposals contain elements to reduce fraudulent and erroneous payments. Therefore, our estimates in Table 4 assume that the nonparticipation ratio (the percentage of eligible persons who receive the credit) and the erroneous payment ratio (the percentage of recipients who are actually ineligible) would continue at their current rates after the expansion. The number of eligible nonparticipants would still be approximately equal to the number of ineligible recipients. Thus, the proportionate expansions in eligibility and benefits embodied in Paycheck Plus can readily be used to project costs and caseloads that would occur under the policy even though the participation rate remained below 100 percent.

In fact, our estimates in Table 4 may well be significantly understated because increasing the dollar value of the EITC benefit may encourage a greater share of eligible people to apply for and receive the EITC, thereby raising the participation rate. If such an increase in the participation rate did occur, the figures in Table 4 would further underestimate recipients and costs under Paycheck Plus.

Labor Responses to EITC Benefit Increases. A number of policy experts have claimed that the EITC is extremely effective in increasing employment and reducing welfare dependence. They argue that during the 1990s, a preponderance of the strong decline in dependence, increase in single-mother employment, and drop in poverty was due to EITC expansion

73. Table 4, "Ratio of Alternative EITC Model Payments to the Internal Recipient File for Tax Year 2016," in Maggie R. Jones and James P. Ziliak, "The Antipoverty Impact of the EITC: New Estimates from Survey and Administrative Tax Records," University of Kentucky, Center for Poverty Research *Discussion Paper* No. DP 2019-01, June 2020, p. 39, http://ukcpr.org/sites/ukcpr/files/research-pdfs/DP2019-01_0.pdf (accessed October 21, 2020).

74. See Appendix 1, *infra*.

rather than welfare reform.⁷⁵ According to this viewpoint, traditional welfare reform measures such as work requirements for able-bodied recipients are antiquated and unnecessary; all that is needed to increase employment, reduce poverty, and improve the lives of the poor is to entice more people into the labor force with higher EITC benefits.⁷⁶

However, a recent and very thorough study by Princeton economist Henrik Kleven makes this viewpoint implausible. Kleven examined the employment impacts of the creation of the EITC in 1975 and all subsequent changes in the federal EITC as well as all state EITCs. He found that nearly all of the employment increases and welfare declines in the 1990s were driven by welfare reform and the economy, not by the EITC:

[T]he EITC has not had any clear effects on labor supply.... Apart from the expansion enacted in 1993, EITC reforms are not associated with increases in the employment of single mothers relative to single women without children. The 1993 reform, on the other hand, is associated with very large employment increases, but these increases align closely with the confounding effects of welfare reform and a booming macroeconomy.⁷⁷

The Paycheck Plus experiments provide additional data on this topic. Experts touting the efficacy of the EITC in increasing employment had estimated that an increase in EITC benefit levels producing a 10 percent increase in net effective wages would increase labor force participation in the affected group by from 6.9 percent to 11.6 percent.⁷⁸ The Paycheck

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75. For example, Jeffrey Grogger asserts that “[t]he effect of the EITC on employment is roughly double its effect on welfare use. The decomposition indicates that it explains 34% of the observed increase. Indeed, the sizable expansions of this particular antipoverty tool appear to be the most important single factor in explaining why female family heads increased their employment over 1993–1999.” Jeffrey Grogger, “The Effects of Time Limits, the EITC and Other Policy Changes on Welfare Use, Work, and Income Among Female-Headed Families,” *The Review of Economics and Statistics*, Vol. 85, No. 2 (May 2003), pp. 394–408. One reason that studies underestimate the impact of welfare reform is that their econometric models do not contain useful measures of the social messaging impacts or the effective procedures actually implemented during reform. For an analysis of the impact of workfare programs on TANF caseloads, see Robert E. Rector and Sarah E. Youssef, “The Determinants of Welfare Caseload Decline,” Heritage Foundation *Center for Data Analysis Report* No. CDA99–0, May 11, 1999, <https://www.heritage.org/welfare/report/the-determinants-welfare-caseload-decline>.
76. Lawrence M. Mead, “Overselling the Earned Income Tax Credit,” *National Affairs*, No. 45 (Fall 2014), <https://www.nationalaffairs.com/publications/detail/overselling-the-earned-income-tax-credit> (accessed October 21, 2020).
77. Henrik Kleven, “The EITC and the Extensive Margin: A Reappraisal,” National Bureau of Economic Research *Working Paper* No. 26405, revised February 2020, p. 35, https://www.nber.org/system/files/working_papers/w26405/w26405.pdf (accessed October 21, 2020). For a discussion of Kleven’s findings, see Dylan Matthews, “A Major New Study Finds the Biggest Federal Work Subsidy Doesn’t Promote Work,” *Vox News*, October 3, 2019, <https://www.vox.com/future-perfect/2019/10/3/20895338/earned-income-tax-credit-2019-henrik-kleven> (accessed October 21, 2020).
78. The current policy debate concerning the employment effects of the EITC is based on estimates of labor force elasticity. Labor force elasticity means the percentage change in labor force participation of an affected group divided by the percentage change (caused by the policy change) in the average in net wage of employed persons in the affected group. The relevant policy change in the current debate would be the increase in EITC benefits. The net wage equals earnings plus EITC minus taxes. According to some earlier studies, the estimated elasticity of labor force participation in response to EITC increases was between 0.69 and 1.16. See V. Joseph Hotz and John Karl Scholz, “The Earned Income Tax Credit,” Chapter 3 in *Means-Tested Transfer Programs in the United States*, National Bureau of Economic Research Conference Report, ed. Robert A. Moffitt (Chicago: University of Chicago Press, 2003), p. 183. See also Scholz, “Employment-Based Tax Credits for Low-Skilled Workers,” p. 13.

Plus experiments suggest otherwise. In those experiments, the added EITC bonus was worth around 9 percent of wages,⁷⁹ but this bonus led to an increase in employment of zero percent in Atlanta and only 1.8 percent in New York. The employment elasticity (change in percent employed over a percent change in net income) appears to have been between 0.0 and 0.2. This is roughly one-fifth of the magnitude of the prior estimates.

Of course, the earlier estimates concerned the labor force elasticity of single mothers; it is possible that the labor force elasticity of childless persons is far lower. But the lackluster employment response in Paycheck Plus reinforces Kleven's argument that the historic employment-generating aspects of the EITC had been greatly overestimated.

Comparison to Guaranteed Minimum Income. Altogether, the evidence from Paycheck Plus and the best econometric studies suggests that the EITC does not substantially increase or decrease employment. In that respect, the EITC is a significant improvement on traditional welfare programs and alternate designs such as the negative income tax (NIT) and guaranteed minimum income.⁸⁰ The impact of such programs on work was tested in a series of large-scale random-assignment controlled experiments in the 1970s called the negative income tax experiments.⁸¹ These experiments—which were conducted in Seattle, Washington; Denver, Colorado; Gary, Indiana; New Jersey; Pennsylvania; and rural areas in North Carolina and Iowa—showed that the benefits provided substantially *reduced* employment and earnings.

Although the goal of the experiments was to raise family income, the income gained through added welfare was offset to a considerable degree by the income lost through reduced employment. Each \$1,000 in added benefits was offset by a \$660 reduction in earnings. This meant that \$3,000 in government benefits was required to cause a net increase

79. The average earnings among the employed in Atlanta was \$14,144, and the average bonus among those who received it was \$1,350. This implies that the program increased the net wage of the average worker in the experimental group by around 9.5 percent. Miller, Katz, Yang, Bernardi, Isen, and Aloisi, *A More Generous Earned Income Tax Credit for Singles: Interim Findings from the Paycheck Plus Demonstration in Atlanta*, pp. 17 and 20. The increased benefit in New York equaled 9 percent of the average wage. Miller, Katz, Azurdia, Isen, and Schultz, *Boosting the Earned Income Tax Credit for Singles: Final Impact Findings from the Paycheck Plus Demonstration in New York City*, p. 11, note 17.

80. Expert Committee on Guaranteed Minimum Income, *Expert Committee Progress Report, The Concept of Guaranteed Minimum Income and Its Applications: Summary*, March 2017, https://fonsecaraquel.files.wordpress.com/2017/11/conceptrmg_sommaireeng.pdf (accessed October 21, 2020), and Expert Committee on Guaranteed Minimum Income, *Final Report from the Expert Committee on Guaranteed Minimum Income, Guaranteed Minimum Income in Québec: A Utopia? An Inspiration for Québec, Volume 1, Principles, Diagnosis and Recommendations*, November 2017, https://www.mtess.gouv.qc.ca/publications/pdf/RMG_Rapportfinal_volume1_V2_EN.pdf (accessed October 21, 2020).

81. See, for example, SRI International, *Final Report on Seattle-Denver Income Maintenance Experiment, Volume 1, Design and Results*, May 1983, https://books.google.com/books?id=d-VrrgEACAAJ&printsec=frontcover&source=gbs_ge_summary_r&cad=0#v=onepage&q&f=false (accessed October 21, 2020).

of \$1,000 in family income.⁸² Programs without a work requirement on able-bodied persons are very inefficient even at the limited goal of raising income.

Paycheck Plus and Disadvantaged Groups

A major problem for Paycheck Plus was its complete failure to increase employment among disadvantaged groups. Transitional jobs programs offer an alternative approach for this population.⁸³ These programs provide temporary subsidized jobs and work-support payments to disadvantaged persons who otherwise have difficulty obtaining and sustaining employment.⁸⁴ In complete contrast to Paycheck Plus, transitional jobs programs are most effective among the hardest-to-employ groups.

A recent review of random-assignment evaluations of 13 transitional jobs programs showed that all but one produced dramatic increases in employment during the first year of participation when a high share of enrollees were actively employed in subsidized jobs and receiving wage supports.⁸⁵ Typically, the employment rates of individuals in the experimental group were 20 to 35 percentage points higher than those of individuals in the

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82. Gary Burtless, "The Work Response to a Guaranteed Income: A Survey of Experimental Evidence," in *Lessons from the Income Maintenance Experiments*, Proceedings of a Conference Held at Melvin Village, New Hampshire, September 1986, sponsored by the Federal Reserve Bank of Boston and the Brookings Institution, Federal Reserve Bank of Boston *Conference Series* No. 30, ed. Alicia H. Munnell (Boston: Federal Reserve Bank of Boston, 1986), p. 26, <https://www.bostonfed.org/news-and-events/events/economic-research-conference-series/lessons-from-the-income-maintenance-experiments.aspx> (accessed October 21, 2020).
 83. Robert Rector and Rachel Sheffield, "Setting Priorities for Welfare Reform," Heritage Foundation *Issue Brief* No. 4520, February 24, 2016, <http://thf-reports.s3.amazonaws.com/2016/IB4520.pdf>, and Robert Rector and Vijay Menon, "Understanding the Hidden \$1.1 Trillion Welfare System and How to Reform It," Heritage Foundation *Backgrounders* No. 3294, April 5, 2018, <https://www.heritage.org/sites/default/files/2018-04/BG3294.pdf>.
 84. In a transitional jobs program, the sponsoring agency will typically find or create a job for a severely disadvantaged person and then subsidizes the wages paid in the job. The theory behind transitional jobs is that the individuals would have difficulty finding and obtaining employment without assistance and that employers would be reluctant to hire them without subsidies. In most transitional jobs programs, the nonprofit or government agency operating the program will enter into an arrangement with a specific employer to provide a job to a disadvantaged participant. The agency will then provide funds to the employer that are used fully or that partially subsidize the wages paid to the participant. In other cases, the agency will arrange for a job with an employer but will pay directly for all or part of the wages received by the participant. Danielle Cummings and Dan Bloom, *Can Subsidized Employment Programs Help Disadvantaged Job Seekers? A Synthesis of Findings from Evaluations of 13 Programs*, U.S. Department of Health and Human Services, Administration for Children and Families, Office of Planning, Research, and Evaluation, *OPRE Report* No. 2020-23, February 2020, https://www.acf.hhs.gov/sites/default/files/opre/sted_final_synthesis_report_feb_2020.pdf (accessed October 21, 2020). See also Dan Bloom, "Transitional Jobs: Background, Program Models, and Evaluation Evidence," Manpower Demonstration Research Corporation, February 2010, https://www.acf.hhs.gov/sites/default/files/opre/tj_09_paper_embed.pdf (accessed October 21, 2020). "This paper was prepared for the Administration for Children and Families (ACF) and the Office of the Assistant Secretary for Planning and Evaluation (ASPE) in the U.S. Department of Health and Human Services." *Ibid.*, p. ii.
 85. Cummings and Bloom, *Can Subsidized Employment Programs Help Disadvantaged Job Seekers? A Synthesis of Findings from Evaluations of 13 Programs*, p. ES-5. See also Bret Barden, Randall Juras, Cindy Redcross, Mary Farrell, and Dan Bloom, *New Perspectives on Creating Jobs: Final Impacts of the Next Generation of Subsidized Employment Programs*, Manpower Demonstration Research Corporation, May 2018, https://www.mdrc.org/sites/default/files/ETJD_STED_Final_Impact_Report_2018_508Compliant_v2.pdf (accessed October 21, 2020).

control group during that period.⁸⁶ This may be contrasted with Paycheck Plus, which generated no gains in employment for disadvantaged workers, zero gains for workers overall in Atlanta, and a 1.8 percentage point increase for general workers in New York. In other words, transitional jobs programs are more effective in creating jobs for the hardest-to-employ workers than Paycheck Plus was for ordinary lower-wage workers.

Transitional jobs programs are particularly effective in creating employment for former prison inmates, a group that has perhaps the greatest difficulty in obtaining and sustaining employment. In contrast to Paycheck Plus, which had zero employment impact on this group, transitional jobs programs have regularly been shown to produce substantial employment impacts for this difficult-to-serve population.

For example, the RecycleForce program in Indianapolis placed former inmates in jobs in various social enterprises, including “an electronics recycling plant staffed by formerly incarcerated workers, who provided training and supervision to participants and served as their peer mentors.”⁸⁷ During the first year of the experiment, 96 percent of persons in the experimental group were employed compared to 62 percent of those in the control group—a gain of 34 percentage points.⁸⁸ The RecycleForce program produced a stable long-term increase in employment as well; in the last year of the evaluation, after all subsidized employment had ended, the employment rate for those in the experimentals remained 9 percentage points higher than the employment rate for the controls.⁸⁹

Table 5 compares the main impacts of Paycheck Plus and six transitional jobs programs for former inmates. Five out of six of the transitional jobs programs produced large, statistically significant increases in employment among former inmates, increasing employment by 20 to 34 percent points during the year that the transitional jobs were offered. By contrast, Paycheck Plus did not increase employment for former inmates in either city in any time period.

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86. One further objective of many transitional jobs programs is to generate gains in employment and earnings that persist after the participant has left the subsidized job. This is a difficult goal to achieve. However, a review of the 13 transitional jobs programs did find that six of the 13 programs had earnings impacts at least a year after the subsidized jobs and work support payments ended. Cummings and Bloom, *Can Subsidized Employment Programs Help Disadvantaged Job Seekers? A Synthesis of Findings from Evaluations of 13 Programs*, p. ES-5. (It should be noted that this long-term employment gain was not an objective for Paycheck Plus; no one suggested that providing a greater EITC benefit in a single year and then terminating it would yield higher employment in subsequent years.)
87. Barden, Juras, Redcross, Farrell, and Bloom, *New Perspectives on Creating Jobs: Final Impacts of the Next Generation of Subsidized Employment Programs*, p. 8.
88. Cummings and Bloom, *Can Subsidized Employment Programs Help Disadvantaged Job Seekers? A Synthesis of Findings from Evaluations of 13 Programs*, p. 48.
89. Appendix Table G.1, “Impacts on Employment and Earnings: Indianapolis,” in Barden, Juras, Redcross, Farrell, and Bloom, *New Perspectives on Creating Jobs: Final Impacts of the Next Generation of Subsidized Employment Programs*, p. 179.

TABLE 5

Impacts on Employment for Formerly Incarcerated Adults: Transitional Jobs Versus Paycheck Plus

Target Group	Percent Employed Program Group	Percent Employed Control Group	Percentage Point Difference in Employment	Statistical Significance
TRANSITIONAL JOBS				
RecycleForce Indianapolis	96.1	67.1	34.0	***
Transitional Jobs Reentry Demonstration (TJRD) Multiple Cities	92.8	59.5	33.2	***
Center for Employment Opportunities (CEO) Prisoner Reentry Program: New York	86.6	54.0	32.7	***
Center for Employment Opportunities (CEO) Prisoner Reentry Program: New York	81.5	57.5	23.9	***
Milwaukee Safe Street Prisoner Release Initiative (PRI) evaluation.	81.0	59.0	22.0	***
Ready Willing and Able: New York	88.0	68.7	20.7	***
Workforce Solutions of Tarrant County: Fort Worth Texas	73.6	72.0	1.6	None
EARNED INCOME TAX CREDIT				
Pay Check Plus: Atlanta First Year	77.2	75.5	1.8	None
Pay Check Plus: Atlanta Second Year	71.0	69.3	1.7	None
Pay Check Plus: New York First Year	71.9	69.9	2.0	None
Pay Check Plus: New York Second Year	57.5	55.9	1.5	None
Pay Check Plus: New York All Three Years	63.0	60.4	2.6	None

NOTES: All transitional jobs program measure employment in the first year of the program operation when subsidized jobs were offered. Statistical significance levels are indicated as: ***= 1 percent; **= 5 percent; *= 10 percent; none = less than 10 percent

SOURCE: See Appendix 2.

Typically, transitional jobs programs produced 20 to 30 times more employment among very hard-to-employ individuals than Paycheck Plus did among ordinary lower-wage workers. Although transitional jobs programs cost about five times as much per participant, they are much more cost-effective as employment-creating vehicles because of their higher job creation rates.⁹⁰

Each year, some 700,000 individuals are released from prison or jail. More than two-thirds of these will be reincarcerated within three years. Recidivism has enormous social costs through crime and human costs to the offenders themselves. Despite optimistic rhetoric, Paycheck Plus had zero effect on recidivism.

By contrast, some transitional jobs programs have shown signs of success in reducing recidivism. For example, the RecycleForce program in Indianapolis was found to reduce future arrests, convictions, and incarcerations by nearly a tenth over the 30-month evaluation period.⁹¹ On the other hand, many or most transitional jobs programs have no impact on recidivism. However, these programs could be improved by funding them on a payment-for-outcome basis linked to reducing recidivism.⁹²

Conclusion

The Paycheck Plus model shows us that expanding the Earned Income Tax Credit for childless adults would create a very broad, expensive program that would provide cash benefits to 12.7 million people at a cost of \$17.4 billion per year. The overwhelming majority of 9.2 million new recipients added by the program would not be particularly disadvantaged, and few would be poor.

The childless adults who are actually poor are poor because they work relatively little during the year. The Paycheck Plus program did not

90. Cummings and Bloom, *Can Subsidized Employment Programs Help Disadvantaged Job Seekers? A Synthesis of Findings from Evaluations of 13 Programs*, p. 35.

91. Kimberly Foley, Mary Farrell, Riley Webster, and Johanna Walter, "Reducing Recidivism and Increasing Opportunity: Benefits and Costs of the RecycleForce Enhanced Transitional Jobs Program," Manpower Demonstration Research Corporation *Brief*, June 2018, p. 5, https://www.mdrc.org/sites/default/files/ETJD_STED_Benefit_Cost_Brief_508.pdf (accessed October 22, 2020). Some 64.7 percent of the experimental group were arrested, convicted, or incarcerated over the 30-month period compared to 73.6 percent of the control group.

92. See Leslie Ford and Robert Rector, "Pay for Outcomes: Transforming Federal Social Programs to Expand Individual Well-Being," Heritage Foundation *Backgrounders* No. 3550, November 5, 2020, <https://www.heritage.org/welfare/report/pay-outcomes-transforming-federal-social-programs-expand-individual-well-being>.

substantially increase work or earnings among these individuals.⁹³ As a consequence, the program did not reduce poverty at all and caused only a small decrease in deep poverty.

While the program would redistribute income widely, it would have at best a tiny impact on increasing employment and no impact on reducing social ills. In particular, the program would have no effect on the employment, earnings, or other outcomes for the primary disadvantaged target groups: low-wage males including black men, noncustodial parents, and released prison inmates. It would have no current impact on recidivism and no potential for improvements that could lead to future impacts.

If the goal is merely to enlarge the existing \$1.1 trillion welfare state⁹⁴ and redistribute income without positively changing behaviors, then increasing the EITC for adults without dependents is an appropriate policy. If the goal is to alter those behaviors that generate low incomes and social ills, then other options should be explored. The nation—and those that suffer without jobs like men who leave prison and want to rebuild their lives—deserve better.

Robert Rector is a Senior Research Fellow in Domestic Policy Studies, of the Institute for Family, Community, and Opportunity, at The Heritage Foundation. **Jamie Bryan Hall** is Research Fellow in Quantitative Analysis in Domestic Policy Studies. **Noah Peterson** was the Summer 2020 Graduate Fellow in Welfare Studies in Domestic Policy Studies.

93. The experimental program did not raise the averages of the experimental group relative to controls, nor did it increase the average earnings of those in the experimental group who had zero earnings or earnings less than \$10,000 in the year before the onset of the experiment. This strongly suggests that the program did not increase earnings among poor recipients. Miller, Katz, Azurdia, Isen, and Schultz, *Boosting the Earned Income Tax Credit for Singles: Final Impact Findings from the Paycheck Plus Demonstration in New York City*, p. 45.

94. Rector and Menon, "Understanding the Hidden \$1.1 Trillion Welfare System and How to Reform It."

Appendix 1: Sources of EITC Data

There are two principal sources for information about the Earned Income Tax Credit. The first is the Statistics of Income (SOI) data series published by the IRS, which includes tables with individual income tax return (Form 1040) statistics. These provide summarized data from the actual 1040 tax returns processed by the IRS. SOI Table 2.5 presents EITC data concerning number of tax filers receiving the EITC and the amount of benefits provided.⁹⁵ These data are broken out by adjusted gross income and number of qualifying children. The table also separates EITC funding into refundable and nonrefundable portions of the credit.

While the published SOI data in Table 2.5 are accurate, they lack all data on the tax filer's family structure, poverty, age, hours worked during the year, and hourly wage rate. Moreover, the published IRS data cannot be used to estimate the number of recipients and value of benefits if the EITC were expanded along the lines of Paycheck Plus or similar proposals.

The second data source is the U.S. Census Bureau's Current Population Survey (CPS). In the CPS database, the Census estimates a family's or single individual's eligibility for the EITC based on family structure, number of children, and earnings and other income. The Census then imputes an EITC dollar benefit based on assessed eligibility. The assumptions behind this method are that all eligible units receive the correct EITC, that no ineligible units receive the credit, and that the earnings reported to the CPS are accurate or at least as accurate as those given to the IRS.

While the CPS does provide data on tax filers, it is based primarily on families and households. Therefore, the CPS can provide information on the types of family units receiving the EITC, the number of persons in the household not included in the tax filing unit, hours worked during the year, hourly wage rates, and age of the recipient. Unlike the published IRS data, the CPS data can be used to estimate the number of recipients and cost of benefits if the EITC were expanded along the lines of Paycheck Plus or similar proposals. For these reasons, most of the EITC data and estimates in this paper are based on CPS data.

There is however, one problem with the CPS data: The estimated number of EITC recipients and the total value of benefits reported in the CPS are

95. See Table 2.5, "Returns with Earned Income Credit, by Size of Adjusted Gross Income and Number of Qualifying Children, Tax Year 2018 (Filing Year 2019)," in U.S. Department of the Treasury, Internal Revenue Service, "SOI Tax Stats—Individual Income Tax Returns Publication 1304 (Complete Report)," <https://www.irs.gov/statistics/soi-tax-stats-individual-income-tax-returns-publication-1304-complete-report> (accessed October 22, 2020).

far less than the actual number of recipients and benefits reported in the IRS SOI tables. The IRS numbers are based on actual tax returns and are correct; the CPS habitually underestimates overall EITC receipt and cost. EITC budget estimates using CPS data must normally be adjusted upward for the substantial underreporting in the CPS.

Fortunately, for the subset of EITC recipients without dependent children, the IRS and CPS figures are relatively similar. Upward adjustment of the CPS totals is unnecessary. (Further information on matching CPS and IRS data for childless workers is given below.)

A third internal Census Bureau database also exists. This database links IRS 1040 data with CPS demographics at the individual case level. In other words, it provides accurate demographic information of actual tax filers. This integrated database can be used to determine the share of apparently eligible individuals in the CPS who actually receive the EITC as well as the number of persons who received the credit by IRS records but who were ineligible according to the demographic data provided to the CPS. (These ineligible persons are typically individuals who did not reside with the child they claimed.) This internal data set is not widely available to the public.

The latest published information on the EITC using this integrated Census and IRS data set is provided in “The Antipoverty Impact of the EITC: New Estimates from Survey and Administrative Tax Records,” by Maggie R. Jones of the Census Bureau and James Ziliak of the University of Kentucky.⁹⁶ Their data show that after linking the 2016 Census data and IRS tax records, the ratio of persons without children who are eligible for the EITC is 99 percent of the number of actual recipients according to IRS tax records.⁹⁷ However, the number of persons who are eligible and actually receive the EITC benefit is only 63 percent of the total that are eligible. Thus, the take-up or participation rate for childless adults would be 63 percent. The same figures also indicate that some 37 percent of childless recipients of the EITC are not eligible for the credit.⁹⁸ The number of eligible but nonparticipating persons is roughly equal to the number of ineligible persons who do receive the credit. Moreover, a number of adults who are

96. Maggie R. Jones and James P. Ziliak, “The Antipoverty Impact of the EITC: New Estimates from Survey and Administrative Tax Records,” University of Kentucky, Center for Poverty Research *Discussion Paper* No. DP 2019-01, June 2020, p. 39, http://ukcpr.org/sites/ukcpr/files/research-pdfs/DP2019-01_0.pdf (accessed October 21, 2020).

97. Table 4, “Ratio of Alternative EITC Model Payments to the Internal Recipient File for Tax Year 2016,” in *ibid.*, p. 39.

98. *Ibid.*

theoretically eligible for the childless credit do not receive it because they have filed for the larger parental credit when in fact they are not eligible to make that claim.⁹⁹

A final data set that is available are IRS tax compliance reports, which use detailed individual audits to assess the number and cost of erroneous or fraudulent EITC payments.¹⁰⁰ These audits show that between 30 percent and 38 percent of all EITC payments going to persons filing as childless adults are erroneous overpayments. Some 85 percent of these overpayment funds goes to individuals who are completely ineligible for the credit.¹⁰¹ These numbers correspond roughly to the payments to ineligible persons appearing in the Jones and Ziliak paper.

Adjusting CPS figures to Match IRS Totals

In the present study, eligibility and receipt of the EITC is imputed into the Current Population Survey data set through methods that are very similar to the standard Census methods.¹⁰² This imputation process yields an estimate of eligible childless beneficiaries and benefits for 2017 that is 6 percent to 7 percent higher than the number of actual childless beneficiaries and benefits reported in the IRS SOI tax records for that year. As noted, the excess number is due in part to the fact that a significant number of noncustodial parents who do not reside with their children and are not eligible to claim these children for EITC purposes do in fact claim the nonresident children and receive EITC benefits for them. These individuals appear as childless workers in the Census Bureau Current Population Survey but appear as qualified parents in the IRS data.

To avoid a potential overcount of childless workers, the number of childless recipients, the dollar value of benefits, and the average benefit per person figures at the top of Table 1 in this paper have been adjusted downward by 6 percent to 7 percent to match the published IRS figures exactly. These same figures have been adjusted downward in similar

99. Jones and Ziliak, "The Antipoverty Impact of the EITC: New Estimates from Survey and Administrative Tax Records," p. 10.

100. Leibel, *Taxpayer Compliance and Sources of Error for the Earned Income Tax Credit Claimed on 2006–2008 Returns*.

101. Table 2a, "EITC Compliance Estimates by Number of Qualifying Children Claimed: Dollar Amounts Reported vs. Amounts That Should Have Been Reported, Weighted Population Estimates, Annual Average, NRP TY 2006–2008," in *ibid.*, p. 22, and Table 2b, "EITC Compliance Estimates by Number of Qualifying Children Claimed: Dollar Overclaim Percentages and Distribution by Taxpayer Eligibility Weighted Population Estimates, Annual Average, NRP TY 2006–2008," in *ibid.*, p. 23.

102. Further information on methods is available on request.

proportions for both the current-law and Paycheck Plus columns in Table 4 to minimize possible overcounts. Thus, all the projected Paycheck figures in Table 4 are rooted in the actual IRS numbers for current recipients and benefits. These downward adjustments are presented in Appendix Tables A1 and A2.¹⁰³

103. The downward adjustments in Appendix Table A1 are based on the ratios of refundable costs and refundable recipients in SOI Table 2.5 for filers without qualified children compared to CPS-derived estimates. The downward adjustments for Appendix Table A2 are based on the ratios of total EITC costs and recipients in SOI Table 2.5 for filers without qualified children compared to CPS-derived estimates.

Appendix 2: Random Assignment Studies of Paycheck Plus and Transitional Jobs Programs

The following are the sources used for Table 5.

Transitional Jobs Programs

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Center for Employment Opportunities (CEO). Table 4.3, “Opportunities Impacts on Employment, by Time Between Prison Release and Random Assignment, Center for Employment Opportunities,” in Cindy Redcross, Dan Bloom, Gilda Azurdia, Janine Zweig, and Nancy Pindus, *Transitional Jobs for Ex-Prisoners: Implementation, Two-Year Impacts, and Costs of the Center for Employment Opportunities (CEO) Prisoner Reentry Program*, Manpower Demonstration Research Corporation, August 2009, p. 57, and Table 4.1, “Impacts on Employment and Earnings, Center for Employment Opportunities,” in *ibid.*, p. 48, https://www.mdrc.org/sites/default/files/full_592.pdf (accessed October 22, 2020).

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Milwaukee Safe Streets Prisoner Release Initiative (PRIP). Philip J. Cook, Songman Kang, Anthony A. Braga, Jens Ludwig, and Mallory E. O’Brien, “An Experimental Evaluation of a Comprehensive Employment-Oriented Prisoner Re-entry Program,” *Journal of Quantitative Criminology*, Vol. 31, No. 3 (September 2015), pp. 355–382, esp. p. 730.

EITC Expansion: Paycheck Plus

Cynthia Miller, Lawrence F. Katz, Gilda Azurdia, Adam Isen, and Caroline Schultz, *Expanding the Earned Income Tax Credit for Workers Without Dependent Children: Interim Findings from the Paycheck Plus Demonstration in New York City*, Manpower Demonstration Research Corporation, September 2017, pp. 47–48, https://www.mdrc.org/sites/default/files/PaycheckPlus_FR_2017.pdf (accessed October 21, 2020).

Appendix Table A.5, “Effects by Former Incarceration Status,” in Cynthia Miller, Lawrence F. Katz, Gilda Azurdia, Adam Isen, and Caroline Schultz, *Boosting the Earned Income Tax Credit for Singles: Final Impact Findings from the Paycheck Plus Demonstration in New York City*, Manpower Demonstration Research Corporation, September 2018, pp. 59–60, https://www.mdrc.org/sites/default/files/PaycheckPlus_FinalReport_0.pdf (accessed October 21, 2020).

Appendix Table A.7, “Effects by Incarceration Status Prior to Study Entry,” in Cynthia Miller, Lawrence F. Katz, Edith Yang, Alexandra Bernardi, Adam Isen, and Kali Aloisi, *A More Generous Earned Income Tax Credit For Singles: Interim Findings from the Paycheck Plus Demonstration in Atlanta*, U.S. Department of Health and Human Services, Administration for Children and Families, Office of Planning, Research, and Evaluation, *OPRE Report No. 2020-28*, February 2020, p. 38, https://www.acf.hhs.gov/sites/default/files/opre/paycheck_plus_atlanta_interim_508_final.pdf (accessed October 21, 2020).

APPENDIX TABLE A-1

Estimated Cost and Impact of Paycheck Plus If Implemented Nationwide for Unmarried Childless Workers, Refundable-Cash Benefits Only for Tax Year 2017 (Page 1 of 2)

	REFUNDABLE-CASH BENEFITS ONLY		
	Current Law	Paycheck Plus	Change
Unmarried Adults 21–64 Years Old, with No Qualifying Children	63,543,564	63,543,564	0
– Ineligible Due to Age Less Than 25 Years	10,747,796	0	-10,747,796
– Ineligible Due to Investment Income Exceeding \$3,450	6,224,711	6,494,155	269,444
– Ineligible Due to Earnings or AGI Exceeding Upper Eligibility Threshold	32,642,190	31,108,246	-1,533,944
– Ineligible Due to Lack of Earnings	10,123,670	12,218,598	2,094,929
Eligible Unmarried Adults 21–64 Years Old, with No Qualifying Children	3,805,198	13,722,565	9,917,367
Total Recipients Adjusted to Match Current IRS Figures	3,538,834	12,761,986	9,223,152
EXPENDITURES			
For Current Recipients	\$1,148,429,784	\$5,953,903,389	\$4,805,473,605
For New Recipients	\$0	\$12,001,768,697	\$12,001,768,697
Total Expenditures	\$1,148,429,784	\$17,955,672,086	\$16,807,242,301
Total Expenditure Adjusted to Match Current IRS Figures	\$1,113,976,891	\$17,417,001,923	\$16,303,025,032
AVERAGE EXPENDITURES PER RECIPIENT			
For Current Recipients	\$302	\$1,565	\$1,263
For New Recipients	\$0	\$1,210	\$1,210
Overall	\$302	\$1,308	\$1,007
Average Expenditure Adjusted to Match Current IRS Figures	\$315	\$1,365	\$1,050
CHARACTERISTICS OF CREDIT RECIPIENTS			
Average Age	39.2	33.8	-5.4
Median Age	35	28	-7
Average Hours Worked	767	1,274	507
Median Hours Worked	720	1,300	580
Average Annual Earnings	\$7,031	\$12,827	\$5,797
Median Annual Earnings	\$7,072	\$13,200	\$6,128
HOUSEHOLD AND FAMILY STRUCTURE OF CREDIT RECIPIENTS			
Share Residing in One–Person Households	22.4%	18.6%	-3.8%
Share Residing in Multiperson Families without a Cohabiting Partner	46.8%	49.1%	2.3%
Share Residing in Multiperson Families with a Cohabiting Partner	0.6%	0.6%	0.0%
Share Residing without Family but with a Cohabiting Partner	10.5%	11.4%	0.8%
Share Residing with Neither Family nor a Cohabiting Partner but with a Roommate	19.6%	20.3%	0.7%

APPENDIX TABLE A-1

Estimated Cost and Impact of Paycheck Plus If Implemented Nationwide for Unmarried Childless Workers, Refundable-Cash Benefits Only for Tax Year 2017 (Page 2 of 2)

	REFUNDABLE-CASH BENEFITS ONLY		
	Current Law	Paycheck Plus	Change
CHARACTERISTICS OF CREDIT RECIPIENT FAMILIES			
Average Family Size	2.0	2.1	0.1
Family Poverty Rate	46.8%	21.4%	-25.4%
Average Annual Family Income	\$45,068	\$54,034	\$8,966
Median Annual Family Income	\$17,855	\$23,030	\$5,175
Average Annual Family Income Relative to Official Poverty Threshold	215.3%	259.0%	43.7%
Median Annual Family Income Relative to Official Poverty Threshold	113.7%	161.2%	47.4%
CHARACTERISTICS OF CREDIT RECIPIENT HOUSEHOLDS			
Average Household Size	2.9	3.0	0.1
Household Poverty Rate	27.4%	13.6%	-13.9%
Average Annual Household Income	\$62,894	\$70,797	\$7,903
Median Annual Household Income	\$40,288	\$48,500	\$8,212
Average Annual Household Income Relative to Official Poverty Threshold	284.0%	317.0%	33.0%
Median Annual Household Income Relative to Official Poverty Threshold	192.6%	231.4%	38.7%
CHARACTERISTICS OF CREDIT RECIPIENT COHABITING COUPLES			
Household Poverty Rate	15.4%	8.2%	-7.3%
Average Annual Combined Earnings	\$43,782	\$46,121	\$2,339
Median Annual Combined Earnings	\$31,000	\$38,500	\$7,500
ADDENDUM			
Credit Recipients Ages 21-24 Years	0	4,324,149	4,324,149
Expenditures for Credit Recipients Ages 21-24 Years	\$0	\$6,015,281,277	\$6,015,281,277
Average Expenditures per Credit Recipient Ages 21-24 Years	\$0	\$1,391	\$1,391

* A family unit consists of the recipient and any spouse or relative of the recipient residing in the domicile.

** A household consists of the recipient and any spouse, relative, cohabiting partner, or non-related roommate residing in the domicile.

NOTE: The number of individuals in the Paycheck Plus model who are excluded due to excessive earnings or AGI is large because it includes many of the 10.7 million persons under age 25 who are otherwise potentially eligible.

SOURCE: Authors' calculations based on data from U.S. Census Bureau, Current Population Survey, 2017, and Internal Revenue Service, Statistics of Income, 2017, Individual Complete Report, Table 2.5. See Appendix 1.

APPENDIX TABLE A-2

Estimated Cost and Impact of Paycheck Plus If Implemented Nationwide for Unmarried Childless Workers, Combined Refundable and Non-refundable Credits for Tax Year 2017 (Page 1 of 2)

	COMBINED REFUNDABLE AND NON-REFUNDABLE CREDIT		
	Current Law	Paycheck Plus	Change
Unmarried Adults 21–64 Years Old, with No Qualifying Children	63,543,564	63,543,564	0
- Ineligible Due to Age Less Than 25 Years	10,747,796	0	-10,747,796
- Ineligible Due to Investment Income Exceeding \$3,450	6,224,711	6,494,155	269,444
- Ineligible Due to Earnings or AGI Exceeding Upper Eligibility Threshold	30,773,382	23,387,878	-7,385,504
- Ineligible Due to Lack of Earnings	10,123,670	12,218,598	2,094,929
Eligible Unmarried Adults 21–64 Years Old, with No Qualifying Children	5,674,006	21,442,933	15,768,927
Total Recipients Adjusted to Match Current IRS Figures	5,333,565	20,156,357	14,822,792
EXPENDITURES			
For Current Recipients	\$1,505,235,480	\$9,640,555,454	\$8,135,319,974
For New Recipients	\$0	\$19,566,919,906	\$19,566,919,906
Total Expenditures	\$1,505,235,480	\$29,207,475,360	\$27,702,239,880
Total Expenditure Adjusted to Match Current IRS Figures	\$1,503,730,245	\$29,178,267,885	\$27,674,537,640
AVERAGE EXPENDITURES PER RECIPIENT			
For Current Recipients	\$265	\$1,699	\$1,434
For New Recipients	\$0	\$1,241	\$1,241
Overall	\$265	\$1,362	\$1,097
Average Expenditure Adjusted to Match Current IRS Figures	\$282	\$1,448	\$1,166
CHARACTERISTICS OF CREDIT RECIPIENTS			
Average Age	39.5	34.3	-5.2
Median Age	35	29	-6
Average Hours Worked	955	1,521	565
Median Hours Worked	960	1,730	770
Average Annual Earnings	\$8,766	\$17,722	\$8,956
Median Annual Earnings	\$9,500	\$19,000	\$9,500
HOUSEHOLD AND FAMILY STRUCTURE OF CREDIT RECIPIENTS			
Share Residing in One-Person Households	23.5%	20.3%	-3.2%
Share Residing in Multiperson Families without a Cohabiting Partner	44.9%	45.6%	0.7%
Share Residing in Multiperson Families with a Cohabiting Partner	0.4%	0.5%	0.1%
Share Residing without Family but with a Cohabiting Partner	11.2%	12.2%	1.0%
Share Residing with Neither Family nor a Cohabiting Partner but with a Roommate	19.9%	21.4%	1.5%

APPENDIX TABLE A-2

Estimated Cost and Impact of Paycheck Plus If Implemented Nationwide for Unmarried Childless Workers, Combined Refundable and Non-refundable Credits for Tax Year 2017 (Page 2 of 2)

	COMBINED REFUNDABLE AND NON-REFUNDABLE CREDIT		
	Current Law	Paycheck Plus	Change
CHARACTERISTICS OF CREDIT RECIPIENT FAMILIES			
Average Family Size	2.0	2.0	0.0
Family Poverty Rate	37.6%	13.8%	-23.8%
Average Annual Family Income	\$43,513	\$55,830	\$12,317
Median Annual Family Income	\$16,285	\$30,000	\$13,715
Average Annual Family Income Relative to Official Poverty Threshold	211.3%	280.9%	69.6%
Median Annual Family Income Relative to Official Poverty Threshold	117.6%	206.7%	89.1%
CHARACTERISTICS OF CREDIT RECIPIENT HOUSEHOLDS			
Average Household Size	2.8	2.9	0.1
Household Poverty Rate	24.0%	9.0%	-15.1%
Average Annual Household Income	\$61,093	\$73,072	\$11,979
Median Annual Household Income	\$39,400	\$52,501	\$13,101
Average Annual Household Income Relative to Official Poverty Threshold	278.7%	337.2%	58.5%
Median Annual Household Income Relative to Official Poverty Threshold	192.8%	255.6%	62.7%
CHARACTERISTICS OF CREDIT RECIPIENT COHABITING COUPLES			
Household Poverty Rate	14.2%	5.0%	-9.1%
Average Annual Combined Earnings	\$46,089	\$51,809	\$5,720
Median Annual Combined Earnings	\$33,433	\$46,004	\$12,571
ADDENDUM			
Credit Recipients Ages 21-24 Years	0	6,008,808	6,008,808
Expenditures for Credit Recipients Ages 21-24 Years	\$0	\$8,802,958,467	\$8,802,958,467
Average Expenditures per Credit Recipient Ages 21-24 Years	\$0	\$1,465	\$1,465

* A family unit consists of the recipient and any spouse or relative of the recipient residing in the domicile.

** A household consists of the recipient and any spouse, relative, cohabiting partner, or non-related roommate residing in the domicile.

NOTE: Ineligible individuals are counted in the first applicable category in the sequence above. Many of the 10.7 million individuals ages 21-24 years, who are all ineligible due to age under current law, remain ineligible, but for some other reason, under Paycheck Plus.

SOURCE: Authors' calculations based on data from U.S. Census Bureau, Current Population Survey, 2017, and Internal Revenue Service, Statistics of Income, 2017, Individual Complete Report, Table 2.5. See Appendix 1.