

# The EITC Can Help Young Workers Stay Afloat

The COVID-19 recession has hit young workers hard. Over half of unemployed young people were out of work in 2020 because of the pandemic, and poverty rates among young workers have skyrocketed.<sup>1</sup> Among those still employed, young people are overrepresented in essential jobs that have kept the economy and communities afloat but are routinely underpaid.

The recently enacted American Rescue Plan boosts income for millions of young workers who were impacted by the COVID-19 recession by temporarily expanding the **Earned Income Tax Credit (EITC)** and making it available to more workers in 2022. Making this expansion permanent would help to build long-lasting economic security among the youngest generation of the American workforce.



## WHAT IS THE EITC?

The EITC is a federal tax credit that puts more money in the pockets of workers paid low to moderate wages. Workers in 29 states, the District of Columbia, and Puerto Rico can also claim a state-level version of the EITC. In 2018, the credit lifted about 5.6 million people, including 3 million children, out of poverty.<sup>2</sup> Until recently, workers aged 19 to 24 who don't have children or whose children don't live with them full time were unable to claim the EITC.

<sup>1</sup> <https://www.clasp.org/why-we-cant-wait-economic-justice>

<sup>2</sup> [https://www.cbpp.org/research/federal-tax/the-earned-income-tax-credit#:~:text=The%20Earned%20Income%20Tax%20Credit%20\(EITC\)%20is%20a%20federal%20tax,federal%20payroll%20and%20income%20taxes.](https://www.cbpp.org/research/federal-tax/the-earned-income-tax-credit#:~:text=The%20Earned%20Income%20Tax%20Credit%20(EITC)%20is%20a%20federal%20tax,federal%20payroll%20and%20income%20taxes.)

<sup>3</sup> <https://www.cbpp.org/research/poverty-and-inequality/american-rescue-plan-act-will-help-millions-and-bolster-the-economy#tax>

<sup>4</sup> CBPP Article

## How Does the American Rescue Plan Affect the EITC?

The American Rescue Plan helps young workers who don't have children or whose children don't live with them full time by temporarily<sup>3</sup>:

- ▶ Lowering the age of eligibility for the EITC from **25 to 19** (age 18 for homeless youth and for those transitioning out of foster care)
- ▶ Increasing the maximum EITC from **\$540 to about \$1,500**
- ▶ Raising the income cap for eligibility from **\$16,000 to \$21,000**

Students who attend school at least half time are not eligible for the credit until age 24, with the exception of homeless youth and former foster care youth. With these expansions, the credit gives workers more money at tax time in 2022 and targets relief to young workers who have been disproportionately affected by the pandemic. This expansion will boost the incomes of almost 3.5 million young workers<sup>4</sup>.

# HOW DOES THE **EITC** BENEFIT YOU?

The EITC can help you build financial security and address the things that are important, such as:



**PAYING DOWN STUDENT LOANS**



**PAYING BILLS**

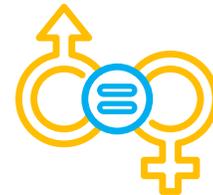


**SAVING FOR THE FUTURE**

Research shows that the EITC is one tool in the toolbox to help improve:



**PHYSICAL AND MENTAL HEALTH OUTCOMES<sup>5</sup>**



**GENDER EQUITY<sup>6</sup>**



**RACIAL EQUITY<sup>7</sup>**

<sup>5</sup> <https://www.cdc.gov/policy/hst/hi5/taxcredits/index.html#:~:text=Earned%20Income%20Tax%20Credits%20Can%20Improve%20Health%20for%20Mothers%20and,%2C%20Educational%2C%20and%20social%20outcomes>

<sup>6</sup> <https://nwlc.org/resources/a-tax-code-for-the-rest-of-us-a-framework-recommendations-for-advancing-gender-racial-equity-through-tax-credits/>

<sup>7</sup> <https://nwlc.org/resources/a-tax-code-for-the-rest-of-us-a-framework-recommendations-for-advancing-gender-racial-equity-through-tax-credits/>

Making the expanded EITC permanently available to young workers who don't have children or whose children don't live with them full time will help to mitigate the financial burden of the COVID-19 recession and build long-lasting economic security.

Visit [younginvincibles.org](https://younginvincibles.org) to learn more about the important changes to the EITC under the American Rescue Plan and voice your support for making these changes permanent.