Overview

The Earned Income Tax Credit (EITC) is a government benefit designed to reduce the federal tax burden on low-income workers and thus provide economic assistance and relief for working poor families. The benefit is available to all families with at least one full-time worker who do not owe federal income tax. The EITC is income-tested. Single or married-couple families with children, who earned less than $30,095 in 1998, may be eligible for the benefit. In addition, the EITC also allows some childless workers to receive the benefit (specifically, workers ages 25-65 who earned less than $10,030 in 1998). Workers who are eligible must complete the appropriate tax forms with the U.S. Internal Revenue Service (IRS), and may receive the benefit in the form of a refund or in allotments throughout the year in their paychecks. Because Hispanics are a significant proportion of working poor Americans, Hispanic families and households disproportionately benefit from the EITC.

Hispanic Poverty

- A large proportion of Hispanic families with children are poor. In 1997, one-third (30.4%) of Hispanic families with children under 18 years old were poor - a situation comparable to that of Black families (30.5%). By contrast, just over one in eight (13.0%) White families with children was poor that year.
- Hispanic married-couple families with children have a higher poverty rate than comparable White and Black families. In 1997, more than one in five (21.0%) Hispanic married-couple families with children were poor. In comparison, one in 15 (6.7%) White married-couple families and one in eleven (9.0%) Black married-couple families were poor.
- Hispanic families with one or more workers are more likely to be poor than comparable White and Black families. In 1997, nearly one in five (19.3%) Hispanic families with one or more workers was poor, relative to one in 15 (6.6%) comparable White families and one in six (17.1%) comparable Black families.

Hispanic Household Income

- The median income of Hispanic households has declined since 1990. In 1997, the median income of Hispanic households was $26,628, a decrease from $26,806 in 1990.* In comparison, the median income of White households was $38,972 and for Black households was $23,050, a decrease from $38,352, and an increase from $22,934 in 1990, respectively.
- The median income of Hispanic households with a year-round, full-time worker is lower than for similar White and Black households. The median income of Hispanic households with the householder working year-round, full-time was $36,701 in 1997. Similar data show that White household income that year was $53,045 and Black household income was $36,928.
- The median income of Hispanic households with one earner is lower than that for comparable White and Black households. In 1997, the median income for Hispanic households with one earner was $20,464, while the median income for comparable White households was $31,412 and for comparable Black households was $21,319.
- The median income of Hispanic male and female year-round, full-time workers is below that of their White and Black peers. The median income of Hispanic male and female year-round, full-time workers in 1997 was $21,799 and $19,676, respectively. By comparison, the median income for comparable White and Black male workers was $36,118 and $26,897, and for comparable female workers was $26,470 and $22,764, respectively.

* Numbers are inflation-adjusted to allow for comparison.
Hispanics and the EITC

- The proportion of Hispanic households that receive the EITC benefit has increased since 1993. In 1997, 32.9% of Hispanic households received the EITC, an increase of 6.5 percentage points from 1993. In contrast, in 1997 9.6% White households and 22.7% of Black households received the EITC (a decrease of 2.1 percentage points for White households and an increase of 2.1 percentage points for Black households from 1993).

- The EITC continues to have a substantial impact on the income and poverty rate of Hispanic workers. The average EITC benefit distributed to Hispanic households was $1,750, while White households averaged $1,257, and Black households averaged $1,561 in 1997. In fact, that same year the EITC helped reduce the overall after-tax Hispanic poverty rate by 4.1 percentage points.

Sources