
**HISPANIC WORKING POOR AND THE
EARNED INCOME TAX CREDIT (EITC)**

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-coupled 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 \$25,050, 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

U.S. Bureau of the Census, *Money Income in the United States: 1997*, Current Population Reports, P60-197; U.S. Bureau of the Census, *Poverty in the United States: 1997*, Current Population Reports, P60-1998; Center on Budget and Policy Priorities tabulations of March 1998 Current Population Survey, U.S. Bureau of the Census.