INSTITUTE ON TAXATION AND ECONOMIC POLICY

Promoting Greater Economic Security Through A Chicago Earned Income Tax Credit:

Analyses of Six Policy Design Options

LISA CHRISTENSEN GEE

OVERVIEW

In February 2019, the Chicago Resilient Families Initiative Task Force released a report on challenges residents face in achieving economic security and actions the city could take to empower greater financial stability and resilience for more Chicagoans.[1] The challenges included jobs that don't pay a living wage, unstable hours and contingent work, eroded benefits, racial and gender inequities, widening income inequality, the erosion of the middle class, and the threat of automation of jobs.

One of the bold policy solutions proposed by the task force is to enact a city-level Earned Income Tax Credit (EITC), which would complement the federal and Illinois state EITCs.[2] Building on this recommendation, the Institute on Taxation and Economic Policy (ITEP) has analyzed a range of city-level EITC options to illustrate the potential impact a Chicago credit could have in helping advance economic security.

EFFECTIVE POLICY: THE SUCCESS OF FEDERAL & STATE EARNED INCOME TAX CREDITS

The federal Earned Income Tax Credit (EITC) is widely recognized as an effective anti-poverty strategy that has been providing targeted tax reductions and income supplements to low-income workers since 1975.[3] The federal EITC rewards work by providing a tax credit for each additional dollar earned from salaries or wages up to a qualifying income amount.

There are many established benefits of the federal EITC:

The EITC reduces poverty by supplementing the wages of poor or near-poor workers

- In 2017, the EITC moved 5.7 million people out of poverty, 3 million of whom were children[4]
- In 2017, the EITC also reduced the severity of poverty for an additional 19.5 million people, 7.3 million of whom were children[5]

The EITC provides a short-term safety net for recipients

- Most EITC recipients claim the credit for short periods (a year or two)[6]
- Research shows that most families use the EITC to pay for necessities, home repairs, vehicle maintenance (used for commuting to work), and to access educational opportunities in order to secure higher-paying work[7]

The economic and other benefits of the EITC extend beyond the time a worker receives the credit[8]

- EITC recipients experience higher wage growth in subsequent years
- As a result of higher wages, EITC recipients can contribute more into Social Security and receive more in retirement
- Research shows that children of EITC recipients also benefit in terms of improved birth outcomes, health, and education and earnings attainment[9]

The EITC acts as a true "economic stimulus" for neighborhoods and local economies

- Higher wages for working families leads to increased consumer spending, creating ripple effects for local businesses and communities[10]

Given the number of Americans working for low wages with diminishing purchasing power,[11] it is unsurprising that nearly two-thirds of the states (29) have created their own state Earned Income Tax Credits building on the effectiveness of the federal credit. The majority of these states calculate their EITC as a percentage of the federal credit, making it easier for state taxpayers to claim (since they have already calculated the amount of their federal credit).[12] Illinois first enacted its EITC in 2000 and has subsequently strengthened it to 18% of the federal credit as of January 2018.

In addition to amplifying the positive economic and health impacts of the federal EITC, state EITCs also help offset the unfairly high tax responsibilities of low-income working families, which are particularly onerous in Illinois. The combined impact of Illinois state and local taxes results in a much higher burden on poor and middle-class workers than on wealthy taxpayers, with families in the bottom income quintile paying 14.4 percent of their incomes in state and local taxes while those in the top 1 percent pay only 7.4 percent.[13] Illinois' state EITC begins to redress this inequity and regressivity.

LEADING LOCAL GOVERNMENTS BUILD ON THE SUCCESS OF FEDERAL AND STATE EITCS

Wise to not miss out on a good thing, some city and county governments have offered their own EITCs to further supplement the federal- and state-level credits. Notable among the jurisdictions leading on local EITC development are the District of Columbia, New York City, and Montgomery County, Maryland.

Like most state EITCs, each of these highlighted local credits is calculated as a percentage of the federal credit. And like state EITCs, these local credits vary dramatically in their generosity—and correspondingly in their effectiveness to remove barriers to economic security. On the low end, New York City's EITC amounts to 5 percent of the federal credit, while the District of Columbia offers a credit at 40 percent of the federal EITC. Furthermore, recognizing the limitations of the federal credit for workers without children in the home, Montgomery County and the District of Columbia have extended eligibility criteria beyond the federal EITC to more workers—such as young workers without children and, in the case of The District of Columbia, also non-custodial parents.

TOWARD A CHICAGO CREDIT: POLICY OPTIONS TO CONSIDER

To highlight the impact of enacting a Chicago-level EITC, ITEP modeled a range of policy design options using its Microsimulation Tax Model.[14] All options assume a fully refundable EITC, meaning the credit not only offsets exiting personal income tax liability but can also result in cash in workers' pockets.

There are countless local EITC designs Chicago policymakers could consider. The six options presented here are not comprehensive but rather illustrative of a range of choices between simpler structures that piggyback directly onto the federal credit and replicate current local level credits v. various degrees of expanding and modernizing the credit to reach more workers.

There are six options presented, from A to F. The simplest options (A and B) use the same eligibility criteria as the existing federal EITC and show credit values respectively of 5 percent and 10 percent of the federal credit. Option C shows the impact of adopting the District of Columbia's EITC in Chicago, which deviates from the federal credit by offering a more generous credit for young workers without children and extending the credit to non-custodial parents.

Options D to F are design choices that show the potential of a more robust EITC as described in the Chicago Resilient Families Initiative Task Force report, *Big Shoulders, Bold Solutions: Economic Security for Chicagoans*.[15] These options increase the credit to provide a more substantial economic boost and also broaden eligibility for the credit to include unpaid family caregivers with qualifying dependents as well as earners into the middle class who still experience gaps between earnings and the cost of living in Chicago.[16]

See the Technical Appendix to this report for the detailed policy parameters used to model each policy option.

ANALYSIS LIMITATIONS

Due to current data limitations, the EITC design options presented in this brief do not reflect the impact of designing a city-level EITC that would extend to all workers considered by the Chicago Resilient Families Initiative Task Force, including low-income students enrolled in qualifying colleges or universities, or full-time caregivers of dependents of any age with disabilities or of elderly adults.

Additionally, one could envision a truly inclusive Chicago credit that recognizes and rewards work that supports communities and strengthens our economy regardless of workers' citizenship status. As ITEP continues to work with cities and states that seek to enact bold economic policies, it is also working to increase its capacity to accurately model the impacts of these types of expansions as well.

IMPACT

For each of these options modeled, ITEP's microsimulation analysis includes estimates of the number of Chicago workers who would benefit from the creation of a Chicago EITC, the number of Chicago resident children living in households who are eligible recipients of a city-level EITC, analysis highlighting how the credit would be distributed among residents at different income levels, and estimates of how many dollars would be returned to working families on an annual basis via the credit. The results are ordered from the lowest to highest impact—in terms of the economic impact the credit has on low- and middle-income workers. The Technical Appendix to this report includes ITEP's complete distributional findings.

Option A. New York City

Description: Create a refundable Chicago EITC at 5 percent of the federal EITC. Use the same eligibility as federal EITC. (Mirrors New York City's EITC.)

Annual Economic Boost for Working Families
$41,000,000

Number of Workers Receiving Credit	546,000
% of Chicago Residents Getting Credit	22%

Number of Children in Recipient Homes	276,000
% Chicago Children in Recipient Homes	40%

2018 Incomes, Chicago Residents	Lowest 20%	Second 20%	Middle 20%
Income Range	Less than $27,000	$27,000 – $46,000	$46,000 – $71,000
Average Income in Group	$15,000	$36,000	$58,000

% with Credit	42%	22%	8%
Avg. Credit for Those with Credit	$210	$292	$108
Share of Total EITC	53%	40%	6%

Discussion: An estimated 546,000 Chicagoans are eligible to receive the federal EITC, representing 22 percent of all Chicago households. An estimated 276,000 children live in these households, representing 40 percent of all Chicago children. Since this EITC option uses the same eligibility criteria as the federal EITC, the number and makeup of eligible households would remain constant. A new city-level credit at 5 percent of the federal EITC would provide an additional income boost averaging between $108 and $292 a year for eligible households, with more than 50 percent of the total credit going to households in the lowest income quintile (or those with annual incomes under $27,000). The total dollars that would be returned to working families under this credit design is $41 million annually.[17]

Option B. Double New York City

Description: Create a refundable Chicago EITC at 10 percent of the federal EITC. Use the same eligibility as federal EITC. (Twice that of New York City's EITC.)

Annual Economic Boost for Working Families
$83,000,000

Number of Workers Receiving Credit	546,000
% of Chicago Residents Getting Credit	22%

Number of Children in Recipient Homes	276,000
% Chicago Children in Recipient Homes	40%

2018 Incomes, Chicago Residents	Lowest 20%	Second 20%	Middle 20%
Income Range	Less than $27,000	$27,000 – $46,000	$46,000 – $71,000
Average Income in Group	$15,000	$36,000	$58,000

% with Credit	42%	22%	8%
Avg. Credit for Those with Credit	$419	$584	$216
Share of Total EITC	53%	40%	6%

Discussion: Similar to Option A, this EITC option uses the same eligibility criteria as the federal EITC so the number and makeup of eligible households receiving the new city credit would remain constant. A new city-level credit at 10 percent of the federal EITC would provide an additional income boost averaging between $216 and $584 a year for eligible households, with more than 50 percent of the total credit going to households in the lowest income quintile (or those with annual incomes under $27,000). The total dollars returned to working families under this credit design is twice that of Option A or $83 million annually.

Option C. Washington, D.C.

Description: Create a refundable Chicago EITC at 40 percent of the federal EITC. Use the same eligibility as the District of Columbia's EITC, including extending the credit to non-custodial parents and offering a larger credit to workers without children in the home equivalent to 100 percent of the federal credit. (Mirrors District of Columbia's EITC.)

Annual Economic Boost for Working Families
$225,000,000

Number of Workers Receiving Credit	630,000
% of Chicago Residents Getting Credit	26%

Number of Children in Recipient Homes	276,000
% Chicago Children in Recipient Homes	40%

2018 Incomes, Chicago Residents	Lowest 20%	Second 20%	Middle 20%
Income Range	Less than $27,000	$27,000 – $46,000	$46,000 – $71,000
Average Income in Group	$15,000	$36,000	$58,000

% with Credit	56%	23%	17%
Avg. Credit for Those with Credit	$903	$1,229	$417
Share of Total EITC	56%	33%	10%

Discussion: Option C illustrates the impact of adopting the District of Columbia's EITC in Chicago. The District's EITC starts with federal eligibility criteria but also expands income eligibility for workers without children in the home beyond the federal limits (up to $24,000) and increases the credit value for these workers from 40 percent to 100 percent of the federal credit. (This boost in credit value for workers without children in the home compensates for the significant shortcomings of the federal credit in regard to these workers.[18])

Given this expanded eligibility, under Option C an additional 84,000 Chicago workers would receive the credit (reaching 4 percent more of Chicago households). And with a 40 percent credit value for workers with children (and 100 percent for those without children in the home), credit values would average between $417 and $1,229—a much more significant infusion of cash that could help families stay afloat in the face of financial emergencies. Under Option C, $225 million annually would be returned to working families via the credit, with an even higher share of the overall dollars going to workers in the lowest-income quintile (those with annual incomes under $27,000).

Option D. Expanded Eligibility, "Low Scenario"

Description: Create a refundable Chicago EITC at 25 percent of the federal EITC, adding a basic (minimum) credit at $800. Extend income eligibility up to the larger of $50,000 or federal eligibility level based on filing status and family size ($25,000 for workers without children). Expand eligibility to include full-time family caregivers of qualifying dependents (results reflect those caring for dependents under 6 years old).[19]

Annual Economic Boost for Working Families
$224,000,000

Number of Workers Receiving Credit	689,000
% of Chicago Residents Getting Credit	28%

Number of Children in Recipient Homes	322,000
% Chicago Children in Recipient Homes	46%

2018 Incomes, Chicago Residents	Lowest 20%	Second 20%	Middle 20%
Income Range	Less than $27,000	$27,000 – $46,000	$46,000 – $71,000
Average Income in Group	$15,000	$36,000	$58,000
% with Credit	78%	20%	11%
Avg. Credit for Those with Credit	$817	$901	$478
Share of Total EITC	70%	21%	7%

Discussion: The Chicago Resilient Families Initiative Task Force report presented three expanded EITC options. Option D, described as the "low scenario," expands eligibility beyond the federal criteria by allowing workers with up to $50,000 to qualify for the credit ($25,000 for workers without children). It also recognizes full-time caregiving for qualifying dependents as eligible work. These eligibility expansions extend the credit to 143,000 more Chicagoans than currently qualify for the federal or state EITC, representing 6 percent of Chicago residents. It also increases the number of children in recipient homes by 46,000.

A credit value of 25 percent of the federal EITC as well as ensuring a basic (or minimum) credit of $800 for more workers increases this average city credit value to between $478 and $901, returning $224 million to working families every year (very similar economic impact as Option C—the credit design mirroring the District of Columbia's credit).

Option E. Expanded Eligibility, "Medium Scenario"

Description: Create a refundable Chicago EITC at 30 percent of the federal EITC, adding a basic (minimum) credit at $1,000. Extend income eligibility to $70,000 ($35,000 for workers without children). Expand eligibility to include full-time family caregivers of qualifying dependents (results reflect those caring for dependents under 6 years-old).

Annual Economic Boost for Working Families
$384,000,000

Number of Workers Receiving Credit	1,004,000
% of Chicago Residents Getting Credit	41%

Number of Children in Recipient Homes	410,000
% Chicago Children in Recipient Homes	58%

2018 Incomes, Chicago Residents	Lowest 20%	Second 20%	Middle 20%
Income Range	Less than $27,000	$27,000 – $46,000	$46,000 – $71,000
Average Income in Group	$15,000	$36,000	$58,000

% with Credit	81%	55%	25%
Avg. Credit for Those with Credit	$1,037	$783	$763
Share of Total EITC	54%	29%	15%

Discussion: Option E reflects the second of the expanded EITC options described in the Chicago Resilient Families Initiative Task Force report (“medium scenario”).

This option extends income eligibility further up the income ladder to reach workers with up to $70,000 ($35,000 for workers without children). Like Option D, it also recognizes full-time caregiving for qualifying dependents. These eligibility expansions extend the credit to 458,000 more Chicagoans than currently qualify for the federal or state EITC, representing 19 percent of Chicago residents. It also increases the number of children in recipient homes by 125,000, which means a majority (58 percent) of children in the city would grow up in homes with workers receiving a city EITC.

An increased credit value of 30 percent of the federal EITC as well as ensuring a higher basic (or minimum) credit of $1,000 for more workers increases this average city credit value to between $763 and $1,037. Under Option E, $384 million a year would be returned to working families through the Chicago EITC. And while the majority of total credit dollars will be allocated to those with incomes in the bottom income quintile (less than $27,000 annually), a larger share of the credit under this option will go to help working families in the second and third income quintiles as well (incomes between $27,000 and $71,000).

Option F. Expanded Eligibility, "High Scenario"

Description: Create a refundable Chicago EITC at 50 percent of the federal EITC, adding a basic (minimum) credit at $1,200. Extend income eligibility up to $75,000 ($37,500 for workers without children). Expand eligibility to include full-time family caregivers of qualifying dependents (results reflect those caring for dependents under 6 years-old).

Annual Economic Boost for Working Families
$588,000,000

Number of Workers Receiving Credit	1,043,000
% of Chicago Residents Getting Credit	43%

Number of Children in Recipient Homes	411,000
% Chicago Children in Recipient Homes	59%

2018 Incomes, Chicago Residents	Lowest 20%	Second 20%	Middle 20%	Fourth 20%
Income Range	Less than $27,000	$27,000 – $46,000	$46,000 – $71,000	$71,000 – $120,000
Average Income in Group	$15,000	$36,000	$58,000	$92,000

% with Credit	81%	60%	26%	6%
Avg. Credit for Those with Credit	$1,426	$1,236	$1,208	$898
Share of Total EITC	48%	33%	16%	2%

Discussion: Option F reflects the third of the expanded EITC options described in the Chicago Resilient Families Initiative Task Force report ("high scenario").

This option extends income eligibility further up the income ladder to reach workers with up to $75,000 ($37,500 for workers without children). Like Options D and E, it also recognizes full-time caregiving for qualifying dependents as eligible work to qualify for the credit. These eligibility expansions extend the credit to 497,000 more Chicagoans than currently qualify for the federal or state EITC (and an additional 39,000 over Option E), representing 21 percent of Chicago residents. It also increases the number of children in recipient homes by 135,000, so the majority (59 percent) of children in the city would grow up in homes with workers receiving a city EITC.

An increased credit value of 50 percent of the federal EITC as well as ensuring a higher basic (or minimum) credit of $1,20020 for more workers increases this average city credit value to between $898 and $1,426. Under Option F, $588 million a year would be returned to working families through the Chicago EITC. Under this option, the highest average credits will be received by those with incomes in the bottom income quintile (less than $27,000 annually), but a larger total share of the credit would go to help working families in the second and third income quintiles (incomes between $27,000 and $71,000), as well as reaching some middle-income working families at the bottom of the fourth income quintile.

POLICY DESIGN TRADEOFFS

One key observation from this analysis is the direct correlation between impact—as measured both by effect on individual Chicago workers and their families as well as the scope of workers reached—and cost. Simpler, more modest EITC designs such as those represented by Options A or B are understandably likely to be more appealing to those responsible for crafting a complex city budget and to policymakers tasked with weighing other policy priorities, building consensus, and weighing political costs and benefits. Few workers would scoff at what an additional $100 a year could mean for their financial footing, but it is still the case that smaller-scale EITC options will inherently be much more limited in their impact (as well as uptake21). In weighing all factors, policymakers should be sure to guard against the risk of enacting new policies that are more symbolic statements of value rather than affecting the ability of Chicago's families to secure their footing in a shifting economy.

The bolder options modeled here (C through F) demonstrate the key levers at play when determining impact—who qualifies (what kind of work is recognized, how much income do they have) and what the credit will be (maximum value as a percent of the federal EITC, minimum or basic credit values, phase-out schedules). The cost of a credit can only be brought down by reducing the number of people who qualify for the credit and/or reducing the value of the credit being offered. To reach even more workers but at a constant cost, the average value of the credit among workers will have to be reduced. There is no getting around these underlying tradeoffs.

ADDITIONAL CONSIDERATIONS

Envisioning what a Chicago EITC could look like is only the first step toward implementation of a successful policy that will help improve economic security for more residents.

Along with greater refinement of desired policy parameters, additional steps include:

- Addressing tensions between how to ensure the sustainability of Chicago local government pensions without depressing investments in core public goods and sacrificing opportunities to lead on new policy initiatives that can shore up the economic footing of all residents;
- Identifying appropriate funding mechanisms (e.g., a payroll tax like those employed in California, New Jersey, New York, Rhode Island, Washington state, and the District of Columbia or increasing property taxes on high valued homes); and
- Defining administrative processes that optimize efficiency in operations and uptake among intended credit recipients.

CONCLUSION

Moving from the concept of a city-level EITC in Chicago to greater economic security for more residents will require a comprehensive vision of city priorities and a finance plan that moves the city forward on all of its critical needs.

It will also require leadership to shift the political will from the status quo toward a new vision of what is economically possible, socially and politically desirable, and morally called for as well as emphasizing the role city policy can play in bringing about a more secure future for more Chicagoans. The Chicago Resilient Families Initiative Task Force took the first steps in identifying underlying challenges and pointing toward promising policy solutions. We hope that envisioning and analyzing what a city-level EITC could look like for Chicago continues this important conversation.

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ENDNOTES

1 "Big Shoulders, Bold Solutions: Economic Security for Illinoisans," Chicago Resilient Families Task Force, February 2019. https://docs.wixstatic.com/ugd/c3a825_4f18fb8689714ac083c3c0d38a1133a4.pdf.

2 This policy recommendation has also been made by entities like the Metropolitan Planning Council, which included enactment of a city-level EITC in "Our Equitable Future: A Roadmap for the Chicago Region," available online at https://www.metroplanning.org/costofsegregation/roadmap.aspx.

3 "Policy Basics: The Earned Income Tax Credit," Center of Budget and Policy Priorities, June 6, 2019. https://www.cbpp.org/research/federal-tax/policy-basics-the-earned-income-tax-credit.

4 "Policy Basics: The Earned Income Tax Credit" (CBPP 2019).

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6 Chuck Marr et al. "EITC and Child Tax Credit Promote Work, Reduce Poverty, and Support Children's Development, Research Finds," Center on Budget and Policy Priorities, October 1, 2015. https://www.cbpp.org/research/federal-tax/eitc-and-child-tax-credit-promote-work-reduce-poverty-and-support-childrens.

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11 "The Struggles of Low Wage Work," CLASP. https://www.clasp.org/sites/default/files/publications/2018/05/2018_lowwagework.pdf

12 Aidan Davis. "Rewarding Work Through State Earned Income Tax Credits 2018," Institute on Taxation and Economic Policy, September 17, 2018. https://itep.org/rewarding-work-through-state-earned-income-tax-credits-in-2018/.

13 Meg Wiehe et al. "Who Pays? A Distributional Analysis of the Tax Systems in All 50 States." October 2018. https://itep.org/wp-content/uploads/whopays-ITEP-2018.pdf

14 "ITEP Microsimulation Tax Model Overview," Institute on Taxation and Economic Policy. Accessed August 13, 2019. https://itep.org/itep-tax-model-simple/.

15 "Big Shoulders, Bold Solutions," Chicago Resilient Families Task Force.

16 These results do not include estimates of the impact of expanding the credit to low-income students in eligible colleges or universities as proposed by the Chicago Resilient Families Initiative Task Force's report due to data limitations.

17 In 2014, New York City's 5% EITC went to 944,164 residents at a cost of $105 million.

18 Chuck Marr and Yixang Huang. "Childless Adults Alone Are Lone Group Taxed Into Poverty," Center on Budget and Policy Priorities. June 10, 2019. https://www.cbpp.org/research/federal-tax/childless-adults-are-lone-group-taxed-into-poverty.

19 See more detailed parameters in Technical Appendix.

20 A basic or minimum credit of $1,200 annually provides an additional $100 a month.

21 The District of Columbia's experience with improved uptake of the credit after increasing the credit's value for childless workers suggests that more economically significant credits are part of the key to ensuring that intended recipients actually receive the credit. See Richard C. Auxier. "District of Columbia Shows How to Expand the EITC For Childless Workers," Tax Policy Center. February 26, 2019. https://www.taxpolicycenter.org/taxvox/district-columbia-shows-how-expand-eitc-childless-workers.

Parameters for Policy Options Modeled

2018 Federal Parameters

Head of Household & Single Filers	3+ kids	2 kids	1 kid	No kids	Married Filing Jointly	3+ kids	2 kids	1 kid	No kids
Credit equals $0.XX cents per dollar	$0.45	$0.40	$0.34	$0.0765	Credit equals $0.XX cents per dollar	$0.45	$0.40	$0.34	$0.0765
For every dollar of earnings up to	$14,290	$14,290	$10,180	$6,780	For every dollar of earnings up to	$14,290	$14,290	$10,180	$6,780
For a maximum credit of	$6,431	$5,716	$3,461	$519	For a maximum credit of	$6,431	$5,716	$3,461	$519
Maximum credit is reduced by $0.XX cents per dollar	$0.2106	$0.2106	$0.1598	$0.0765	Maximum credit is reduced by $0.XX cents per dollar	$0.2106	$0.2106	$0.1598	$0.0765
For every dollar of earnings over	$18,660	$18,660	$18,660	$8,490	For every dollar of earnings over	$24,350	$24,350	$24,350	$14,170
Zeroing out entirely at	$49,194	$45,802	$40,320	$15,270	Zeroing out entirely at	$54,884	$51,492	$46,010	$20,950

Option A, New York City (5% of federal credit)

Head of Household & Single Filers	3+ kids	2 kids	1 kid	No kids	Married Filing Jointly	3+ kids	2 kids	1 kid	No kids
Credit equals $0.XX cents per dollar	$0.0225	$0.0200	$0.0170	$0.0038	Credit equals $0.XX cents per dollar	$0.0225	$0.0200	$0.0170	$0.0038
For every dollar of earnings up to	$14,290	$14,290	$10,180	$6,780	For every dollar of earnings up to	$14,290	$14,290	$10,180	$6,780
For a maximum credit of	$322	$286	$173	$26	For a maximum credit of	$322	$286	$173	$26
Maximum credit is reduced by $0.XX cents per dollar	$0.0105	$0.0105	$0.0080	$0.0038	Maximum credit is reduced by $0.XX cents per dollar	$0.0105	$0.0105	$0.0080	$0.0038
For every dollar of earnings over	$18,660	$18,660	$18,660	$8,490	For every dollar of earnings over	$24,350	$24,350	$24,350	$14,170
Zeroing out entirely at	$49,194	$45,802	$40,320	$15,270	Zeroing out entirely at	$54,884	$51,492	$46,010	$20,950

Option B, Double New York City (10% of federal credit)

Head of Household & Single Filers	3+ kids	2 kids	1 kid	No kids	Married Filing Jointly	3+ kids	2 kids	1 kid	No kids
Credit equals $0.XX cents per dollar	$0.0450	$0.0400	$0.0340	$0.0077	Credit equals $0.XX cents per dollar	$0.0450	$0.0400	$0.0340	$0.0077
For every dollar of earnings up to	$14,290	$14,290	$10,180	$6,780	For every dollar of earnings up to	$14,290	$14,290	$10,180	$6,780
For a maximum credit of	$643	$572	$346	$52	For a maximum credit of	$643	$572	$346	$52
Maximum credit is reduced by $0.XX cents per dollar	$0.0211	$0.0211	$0.0160	$0.0077	Maximum credit is reduced by $0.XX cents per dollar	$0.0211	$0.0211	$0.0160	$0.0077
For every dollar of earnings over	$18,660	$18,660	$18,660	$8,490	For every dollar of earnings over	$24,350	$24,350	$24,350	$14,170
Zeroing out entirely at	$49,194	$45,802	$40,320	$15,270	Zeroing out entirely at	$54,884	$51,492	$46,010	$20,950

Option C, District of Columbia (40% of federal for returns with children; 100% for returns without children)

Head of Household & Single Filers	3+ kids	2 kids	1 kid	No kids
Credit equals $0.XX cents per dollar	$0.1800	$0.1600	$0.1360	$0.0765
For every dollar of earnings up to	$14,290	$14,290	$10,180	$6,780
For a maximum credit of	$2,572	$2,286	$1,384	$519
Maximum credit is reduced by $0.XX cents per dollar	$0.0842	$0.0842	$0.0639	$0.0848
For every dollar of earnings over	$18,660	$18,660	$18,660	$18,660
Zeroing out entirely at	$49,194	$45,802	$40,320	$24,776

Married Filing Jointly	3+ kids	2 kids	1 kid	No kids
Credit equals $0.XX cents per dollar	$0.1800	$0.1600	$0.1360	$0.0765
For every dollar of earnings up to	$14,290	$14,290	$10,180	$6,780
For a maximum credit of	$2,572	$2,286	$1,384	$519
Maximum credit is reduced by $0.XX cents per dollar	$0.0842	$0.0842	$0.0639	$0.0848
For every dollar of earnings over	$24,350	$24,350	$24,350	$18,660
Zeroing out entirely at	$54,884	$51,492	$46,010	$24,776

Option D, "Low Scenario"

Head of Household & Single Filers	3+ kids	2 kids	1 kid	No kids
Credit equals $0.XX cents per dollar	$0.1125	$0.1000	$0.0850	$0.0850
For every dollar of earnings up to	$14,290	$14,290	$10,180	$11,765
For a maximum credit of	$1,608	$1,429	$865	$1,000
Maximum credit is reduced by $0.XX cents per dollar	$0.0527	$0.0527	$0.0400	$0.1500
For every dollar of earnings over	$18,660	$18,660	$18,660	$18,333
Until the credit equals basic (minimum) credit amount of	$800	$800	$800	
Basic credit is then reduced by $0.XX cent per dollar	$0.1027	$0.1027	$0.0900	
For every dollar of earnings over	$30,000	$30,000	$30,000	
Zeroing out entirely at	$50,000	$50,000	$50,000	$25,000

Married Filing Jointly	3+ kids	2 kids	1 kid	No kids
Credit equals $0.XX cents per dollar	$0.1125	$0.1000	$0.0850	$0.0850
For every dollar of earnings up to	$14,290	$14,290	$10,180	$11,765
For a maximum credit of	$1,608	$1,429	$865	$1,000
Maximum credit is reduced by $0.XX cents per dollar	$0.0527	$0.0527	$0.0400	$0.1500
For every dollar of earnings over	$24,350	$24,350	$24,350	$18,333
Until the credit equals basic (minimum) credit amount of	$800	$800	$800	
Basic credit is then reduced by $0.XX cent per dollar	$0.1027	$0.1027	$0.0900	
For every dollar of earnings over	$30,000	$30,000	$30,000	
Zeroing out entirely at	$54,884	$51,492	$50,000	$25,000

Full-time Caregivers of Children >6 years old	
Basic credit is	$800
Basic credit is then reduced by $0.XX cent per dollar	$0.05
For every dollar of earnings over	$30,000
Zeroing out entirely at	$50,000

Option E, "Medium Scenario"				
Head of Household & Single Filers	**3+ kids**	**2 kids**	**1 kid**	**No kids**
Credit equals $0.XX cents per dollar	$0.1350	$0.1200	$0.1020	$0.1020
For every dollar of earnings up to	$14,290	$14,290	$10,180	$9,804
For a maximum credit of	$1,929	$1,715	$1,038	$1,000
Maximum credit is reduced by $0.XX cents per dollar	$0.0632	$0.0632	$0.0479	$0.1500
For every dollar of earnings over	$18,660	$18,660	$18,660	$18,333
Until the credit equals basic (minimum) credit amount of	$1,000	$1,000	$1,000	
Basic credit is then reduced by $0.XX cent per dollar	$0.1132	$0.1132	$0.9790	
For every dollar of earnings over	$50,000	$50,000	$50,000	
Zeroing out entirely at	$70,000	$70,000	$70,000	$35,000

Married Filing Jointly	**3+ kids**	**2 kids**	**1 kid**	**No kids**
Credit equals $0.XX cents per dollar	$0.1350	$0.1200	$0.1020	$0.1020
For every dollar of earnings up to	$14,290	$14,290	$10,180	$9,804
For a maximum credit of	$1,929	$1,715	$1,038	$1,000
Maximum credit is reduced by $0.XX cents per dollar	$0.0632	$0.0632	$0.0479	$0.1500
For every dollar of earnings over	$24,350	$24,350	$24,350	$18,333
Until the credit equals basic (minimum) credit amount of	$1,000	$1,000	$1,000	
Basic credit is then reduced by $0.XX cent per dollar	$0.1132	$0.1132	$0.0979	
For every dollar of earnings over	$50,000	$50,000	$50,000	
Zeroing out entirely at	$70,000	$70,000	$70,000	$35,000

Full-time Caregivers of Children >6 years old	
Basic credit is	$1,000
Basic credit is then reduced by $0.XX cent per dollar	$0.05
For every dollar of earnings over	$50,000
Zeroing out entirely at	$70,000

Note: Returns that qualify for both the EITC and caregiver credit receive the larger of either

Option F, "High Scenario"

Head of Household & Single Filers	3+ kids	2 kids	1 kid	No kids
Credit equals $0.XX cents per dollar	$0.2250	$0.2000	$0.1700	$0.1700
For every dollar of earnings up to	$14,290	$14,290	$10,180	$7,059
For a maximum credit of	$3,215	$2,858	$1,731	$1,200
Maximum credit is reduced by $0.XX cents per dollar	$0.1053	$0.1053	$0.0799	$0.2500
For every dollar of earnings over	$18,660	$18,660	$18,660	$32,700
Until the credit equals basic (minimum) credit amount of	$1,200	$1,200	$1,200	
Basic credit is then reduced by $0.XX cent per dollar	$0.3553	$0.3553	$0.3299	
For every dollar of earnings over	$70,200	$70,200	$70,200	
Zeroing out entirely at	$75,000	$75,000	$75,000	$37,500

Married Filing Jointly	3+ kids	2 kids	1 kid	No kids
Credit equals $0.XX cents per dollar	$0.2250	$0.2000	$0.1700	$0.1700
For every dollar of earnings up to	$14,290	$14,290	$10,180	$7,059
For a maximum credit of	$3,215	$2,858	$1,731	$1,200
Maximum credit is reduced by $0.XX cents per dollar	$0.1053	$0.1053	$0.0799	$0.2500
For every dollar of earnings over	$24,350	$24,350	$24,350	$32,700
Until the credit equals basic (minimum) credit amount of	$1,200	$1,200	$1,200	
Basic credit is then reduced by $0.XX cent per dollar	$0.3553	$0.3553	$0.3299	
For every dollar of earnings over	$70,200	$70,200	$70,200	
Zeroing out entirely at	$75,000	$75,000	$75,000	$37,500

Full-time Caregivers of Children >6 years old	
Basic credit is	$1,200
Basic credit is then reduced by $0.XX cent per dollar	$0.25
For every dollar of earnings over	$70,200
Zeroing out entirely at	$75,000

Note: Returns that qualify for both the EITC and caregiver credit receive the larger of either

Chicago: Six EITC Options

All Chicago Residents, 2018 Incomes

	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Income Range	Less than $27,000	$27,000 – $46,000	$46,000 – $71,000	$71,000 – $120,000	$120,000 – $253,000	$253,000 – $594,000	$594,000 or more
Average Income in Group	$15,000	$36,000	$58,000	$92,000	$166,000	$371,000	$2,000,000

OPTION A, New York City (5% of federal)

	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Change in Taxes as a % of Income	-0.6%	-0.2%	-0.01%				
Average Tax Credit	$89	$63	$8				
% with Credit	42%	22%	8%				
Average Credit for those w/Credit	$210	$292	$108				
Share of Total EITC	53%	40%	6%				

Annual Economic Boost for Working Families	$41,000,000
% of Returns w/Credit (Proxy for Households)	15%
% of Bottom 80% w/Credit	18%
Number of Total Recipients	546,000
% of Chicago Residents Getting Credit	22%
Number of Child Recipients	276,000
% Chicago Children in Recipient Homes	40%

OPTION B, Double New York City (10% of federal)

	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Change in Taxes as a % of Income	–1.2%	–0.3%	–0.03%				
Average Tax Credit	$178	$126	$16				
% with Credit	42%	22%	8%				
Average Credit for those w/Credit	$419	$584	$216				
Share of Total EITC	53%	40%	6%				

Annual Economic Boost for Working Families	$83,000,000
% of Returns w/Credit (Proxy for Households)	15%
% of Bottom 80% w/Credit	18%
Number of Total Recipients	546,000
% of Chicago Residents Getting Credit	22%
Number of Child Recipients	276,000
% Chicago Children in Recipient Homes	40%

Note: Model results do not include impact of extending Options D-F to caregivers of dependents over the age of 69 or caregivers of dependents with disabilities of any age.

Chicago: Six EITC Options, continued

All Chicago Residents, 2018 Incomes

	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Income Range	Less than $27,000	$27,000 – $46,000	$46,000 – $71,000	$71,000 – $120,000	$120,000 – $253,000	$253,000 – $594,000	$594,000 or more
Average Income in Group	$15,000	$36,000	$58,000	$92,000	$166,000	$371,000	$2,000,000

OPTION C, District of Columbia (40% of federal for returns with kids; 100% for returns without kids)

	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Change in Taxes as a % of Income	–3.4%	–0.8%	–0.1%				
Average Tax Credit	$509	$284	$71				
% with Credit	56%	23%	17%				
Average Credit for those w/Credit	$903	$1,229	$417				
Share of Total EITC	56%	33%	10%				

Annual Economic Boost for Working Families	$225,000,000
% of Returns w/Credit (Proxy for Households)	21%
% of Bottom 80% w/Credit	25%
Number of Total Recipients	630,000
% of Chicago Residents Getting Credit	26%
Number of Child Recipients	276,000
% Chicago Children in Recipient Homes	40%

OPTION D, "Low Scenario" (25% of federal, basic credit of $800, max income increased to $50,000, includes caregivers)

	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Change in Taxes as a % of Income	–4.2%	–0.5%	–0.1%				
Average Tax Credit	$637	$180	$53				
% with Credit	78%	20%	11%				
Average Credit for those w/Credit	$817	$901	$478				
Share of Total EITC	70%	21%	7%				

Annual Economic Boost for Working Families	$224,000,000
% of Returns w/Credit (Proxy for Households)	23%
% of Bottom 80% w/Credit	28%
Number of Total Recipients	689,000
% of Chicago Residents Getting Credit	28%
Number of Child Recipients	322,000
% Chicago Children in Recipient Homes	46%

Note: Model results do not include impact of extending Options D-F to caregivers of dependents over the age of 69 or caregivers of dependents with disabilities of any age.

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Chicago: Six EITC Options, continued

All Chicago Residents, 2018 Incomes

	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Income Range	Less than $27,000	$27,000 – $46,000	$46,000 – $71,000	$71,000 – $120,000	$120,000 – $253,000	$253,000 – $594,000	$594,000 or more
Average Income in Group	$15,000	$36,000	$58,000	$92,000	$166,000	$371,000	$2,000,000

OPTION E, "Medium Scendario" (30% of federal, basic credit of $1,000, max income increased to $70,000, includes caregivers)

	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Change in Taxes as a % of Income	–5.5%	–1.2%	–0.3%				
Average Tax Credit	$836	$434	$192				
% with Credit	81%	55%	25%				
Average Credit for those w/Credit	$1,037	$783	$763				
Share of Total EITC	54%	29%	15%				

Annual Economic Boost for Working Families	$384,000,000
% of Returns w/Credit (Proxy for Households)	35%
% of Bottom 80% w/Credit	42%
Number of Total Recipients	1,004,000
% of Chicago Residents Getting Credit	41%
Number of Child Recipients	401,000
% Chicago Children in Recipient Homes	58%

OPTION F, "High Scendario" (50% of federal, basic credit of $1,200, max income increased to $75,000, includes caregivers)

	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Change in Taxes as a % of Income	–7.6%	–2.0%	–0.5%	–0.1%			
Average Tax Credit	$1,150	$741	$313	$51			
% with Credit	81%	60%	26%	6%			
Average Credit for those w/Credit	$1,426	$1,236	$1,208	$898			
Share of Total EITC	48%	33%	16%	2%			

Annual Economic Boost for Working Families	$588,000,000
% of Returns w/Credit (Proxy for Households)	37%
% of Bottom 80% w/Credit	44%
Number of Total Recipients	1,043,000
% of Chicago Residents Getting Credit	43%
Number of Child Recipients	411,000
% Chicago Children in Recipient Homes	59%

Note: Model results do not include impact of extending Options D-F to caregivers of dependents over the age of 69 or caregivers of dependents with disabilities of any age.