

NC Earned Income **TAX CREDIT**



NC is spending too much money on a preventable problem, **but not enough on preventing it in the first place.** We can prevent child abuse, North Carolina, by investing in upstream strategies that can address the root causes of child abuse and neglect, ultimately saving both money and lives.

The State Earned Income Tax Credit is a concrete support for families that prevents child maltreatment.

A state-level Earned Income Tax Credit (EITC) provides a bottom-up tax cut to workers who earn low wages.

By design, the EITC only benefits *working* families. Children are one of the primary beneficiaries of the EITC since families with children receive a much larger credit than workers without qualifying children.¹ In fact, 97% of beneficiaries are families with children in the home--many of whom are single parent families.²

For its potential as a strong economic support to families, The Centers for Disease Control and Prevention advises that boosting a family's financial security can **reduce child abuse and neglect** by improving parents' ability to meet the family's basic needs, provide quality childcare, while reducing parental stress and depression.³

The Prenatal-to-3 Policy Impact Center has named a refundable, state Earned Income Tax Credit as one of the top 5 effective state policies to ensure a healthy start in life for infants and toddlers. The evidence base has clearly shown that the EITC contributes to healthier and more equitable birth outcomes, while also stabilizing working families by improving household economic security.

How does the EITC prevent child maltreatment?

The EITC is an economic support tool and strategic policy designed to help low-income families meet basic needs. Investments in economic supports for families save money in the welfare system but most importantly improve outcomes for children and families. This is particularly evident in cases of child maltreatment.

The EITC is associated with reductions in CPS involvement, especially for single mother families and larger families. A refundable EITC has been associated with an **11% decrease in foster care entries** compared to states without a state-level EITC after controlling for child poverty rate, racial/ethnic composition, education, and unemployment. In addition, a \$1,000 increase in income from a state EITC has been associated with an **8-10% reduction in CPS cases** for low-income single mother households.

The EITC minimizes risk factors for abuse and neglect.

One risk factor for child maltreatment is **maternal depression** and mothers receiving the EITC, or increased EITC payments, reported that they benefitted from improved physical and mental health and decreased depression scores. Additionally, babies in families receiving EITC have higher birth weights.⁴

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The EITC in North Carolina.

North Carolina spends in excess of \$2 billion annually on the downstream consequences of child abuse and neglect in our social services, criminal justice, health care, and education systems – and in lost worker productivity in the workforce.⁵

Lawmakers established the state EITC in 2007, in the middle of two economic downturns that occurred during the 2000s. That decade represented a lost decade for families in North Carolina who faced substantial job loss, spikes in poverty, a boom in low-wage work, and prolonged deterioration in household income.⁶ **In 2014 the state EITC was repealed in NC.**

Who benefits from the EITC?

According to the North Carolina Department of Revenue, each year more than 950,000 NC families could benefit from an EITC, including nearly 1.2 million children.⁷ A refundable state EITC is also associated with increases in parents' workforce participation, as it creates a financial incentive to participation in the labor force.⁸

A North Carolina EITC could serve as a vital form of cash assistance to help families weather the COVID-19 public health and economic crisis. The dollars delivered to working families through a state-level EITC are used to cover necessities and **invest this money back into local economies** where the dollars are spent.⁹

Eligible North Carolinians receive an average of \$2,500 annually in federal EITC benefits.¹⁰ Therefore, a refundable **state EITC set at 20 percent of the federal credit**, approximately the national average, would mean an extra \$500 dollars annually for working families in our state.¹¹

Endnotes

- 1 <https://www.taxpolicycenter.org/briefing-book/what-earned-income-tax-credit>
- 2 https://pn3policy.org/wp-content/uploads/2022/09/ER.05C.1022_StateEarnedIncomeTaxCredit.pdf
- 3 <https://pn3policy.org/pn-3-state-policy-roadmap-2022/>
- 4 <https://www.ncjustice.org/publications/state-eitc-could-improve-the-health-of-north-carolinians/>
- 5 <https://www.ncjustice.org/wp-content/uploads/2018/12/BTC-BRIEF-Prevent-Child-Abuse-Month-April.pdf>
- 6 <https://www.ncjustice.org/publications/first-in-flight-from-the-eitc/>
- 7 <https://www.ncjustice.org/publications/a-bottom-up-tax-cut-a-north-carolina-earned-income-tax-credit-boosts-local-communities-working-families/#easy-footnote-6-4119>
- 8 <https://pn3policy.org/policy-clearinghouse/2022-state-earned-income-tax-credit/>
- 9 Estimated Annual Cost of Child Abuse and Neglect, Prevent Child Abuse America, 2012, <https://preventchildabuse.org/resources/estimated-annual-cost-of-child-abuse-and-neglect/>
- 10 <https://www.ncjustice.org/publications/state-eitc-could-improve-the-health-of-north-carolinians/>
- 11 <https://www.ncjustice.org/publications/state-eitc-could-improve-the-health-of-north-carolinians/>

