

Testing an Expanded Earned Income Tax Credit for Single Adults

Year 1 of Paycheck Plus

By Cynthia Miller, Caroline Schultz, and Alexandra Bernardi

The gap between high- and low-income Americans has widened dramatically over the past 30 years. The share of all income going to the top 10 percent of families, for example, increased from 32 percent in the mid-1970s to nearly 50 percent today.¹ Income shares increased most rapidly for the top 1 percent. Unfortunately, while incomes were rising at the top, they were falling at the bottom. Men without high school degrees saw their earnings fall by 20 percent between 1990 and 2013. Earnings for women with similar levels of education fell by 12 percent.² These trends at the lower end reflect a changed labor market: People with less education are more and more likely to work in low-paying service-sector jobs, and wages have even fallen in the higher-paying jobs traditionally available to less-educated workers.³

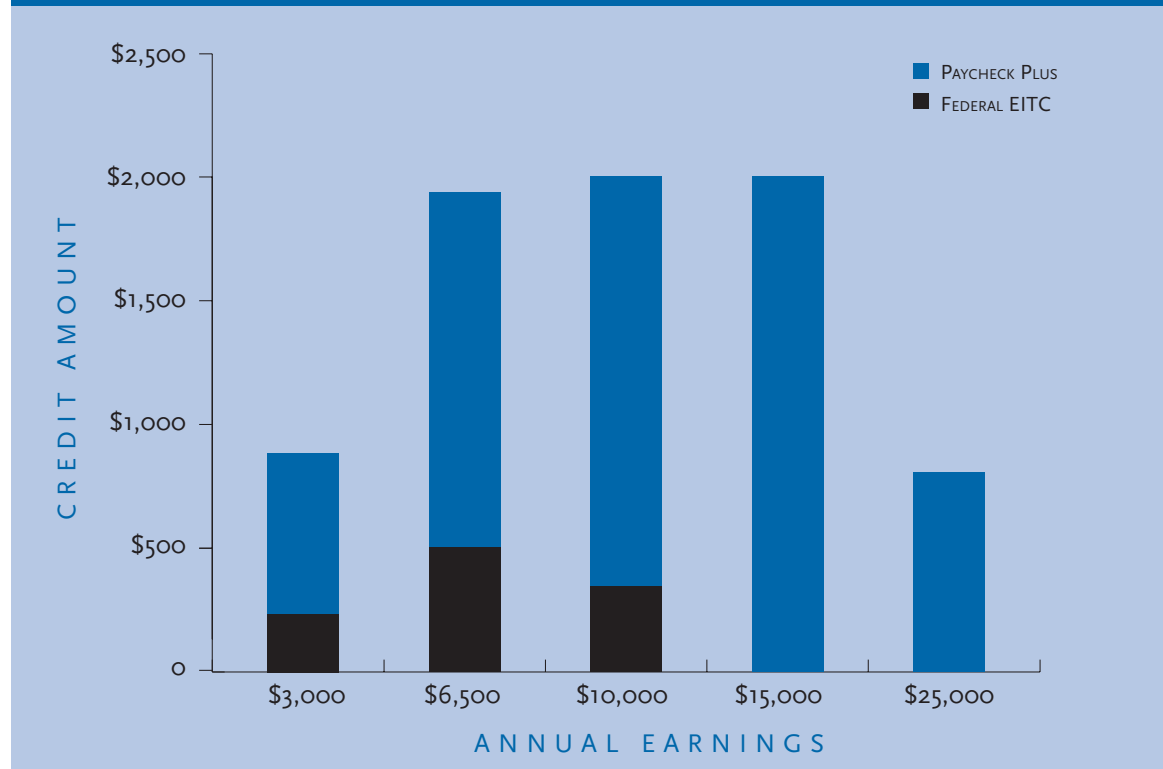
One proposal to address this erosion of income for low-wage workers has been to expand the Earned Income Tax Credit (EITC) so that it provides more generous benefits to all low-income workers, not just those with children. Started 40 years ago to offset payroll taxes, the EITC — a refundable tax credit given to workers with low to moderate incomes — has been expanded over the years to become one of the nation's most successful antipoverty policies, helping millions of low-income

workers with children. But it has offered little benefit to those without children. For example, a single worker with two children who worked full time at \$8 per hour would have received about \$5,460 from the EITC in 2015. If she did not have dependent children, meaning she had no children under age 19 or was a noncustodial parent, she would have received nothing. In 2015, the EITC for workers without dependent children provided a maximum credit of \$496 and was reduced to \$0 once earnings reached \$14,500.

The success of the EITC at encouraging work and increasing incomes raises the question of why its expansion has lagged so much for adults without children.

This group makes up a significant fraction of low-wage workers and has faced similar — and in many cases tougher — labor market conditions. Young adults, for example, were hit especially hard by the recent recession, and their employment rates have yet to recover fully. Wages and employment rates have also fallen dramatically for less-skilled men, as

One proposal to address the erosion of income for low-wage workers has been to expand the EITC for workers without children.

FIGURE 1. PAYCHECK PLUS ADDS TO THE EITC

SOURCES: Urban Institute and Brookings Institution Tax Policy Center (2014), Paycheck Plus design documents.

mentioned earlier. Many of these men are also noncustodial parents, whose role in providing for their nonresident children is not recognized by the tax system.

What if the EITC for workers without children were increased to \$2,000 and extended to provide benefits to workers earning up to \$30,000 per year? Paycheck Plus simulates just that, as shown in Figure 1. The Paycheck Plus bonus adds to the federal EITC for this group to bring their total credit up to a maximum of \$2,000. Now, a worker earning \$15,000 would receive \$2,000 in benefits. If he earned \$25,000, he would still be eligible for \$824. Only when his earnings reached about \$30,000 would he be ineligible for any benefits.

Expanding the EITC for workers without dependent children is an idea that enjoys

broad support, given that it increases incomes while encouraging work. President Obama called for an expanded credit for this group in his recent budget, for example, and Representative Paul Ryan has put forth a similar proposal.⁴ Warren Buffett also recently argued for an expansion of the EITC for all low-wage workers.⁵ In his article, Buffett mentions the simplicity of the credit: “You file a tax return and the government sends you a check.” Other research finds that this simple process, where individuals “earn” their refunds through work and receive their benefits via refund checks, like tax filers of all income levels, confers additional feelings of social inclusion and citizenship on its recipients.⁶ This stands in contrast to the stigma often associated with other income-support programs.

Despite this broad support, an EITC expansion for adults without children has yet to become policy in today's environment of budget ceilings and efforts to rein in spending. The Paycheck Plus study will inform this debate by presenting evidence on the effects of this type of policy on low-wage workers' income and earnings. This brief, the second in a series, provides an update on the project, describing the implementation of the bonus during the first year and receipt rates during the 2015 tax season. The brief also discusses the forthcoming test of Paycheck Plus in Atlanta, Georgia, which will provide evidence of its effects in a different context from New York City.

THE PAYCHECK PLUS PROJECT IN NEW YORK

Paycheck Plus is funded by New York City's Center for Economic Opportunity and the Robin Hood Foundation. The project is also partially funded by the U.S. Department of Health and Human Services through a Section 1115 waiver coordinated by the New York State Office of Temporary and Disability Assistance.⁷ The waiver was obtained with the assistance of New York City's Human Resources Administration (HRA), which also helped coordinate the launch of recruitment for the study. Paycheck Plus is being evaluated by MDRC. The project aims to provide credible evidence on the likely effects of a more generous EITC for workers without dependent children. For example, how many people offered the expanded bonus will claim it at tax time and how much of a bonus will they get? How much will the bonus increase incomes and reduce poverty and hardship? Will the "make work pay" aspect of the bonus encourage people to work more or to find

jobs if they are not working? And if the bonus does increase incomes and possibly earnings, what other positive effects might it have, such as reducing involvement in the criminal justice system or helping noncustodial parents pay more child support?

To answer these questions, MDRC is testing Paycheck Plus using a randomized controlled trial. Between September 2013 and February 2014, the project recruited just over 6,000 single adults without dependent children to take part in the study.⁸ Half of them were placed at random into a group eligible for Paycheck Plus and half were placed into a group not eligible for the program but still eligible for existing tax credits. Individuals assigned to the Paycheck Plus group were given a brief explanation of the bonus on a take-home sheet that illustrated the bonus amounts for various levels of earnings. The bonus is available for three years, payable at tax time in 2015, 2016, and 2017, based on earnings in the previous year.

The bonus's effects will be assessed by tracking both groups for up to four years after study entry. Data will be collected from administrative records covering earnings, employment, and child support payments, and from a survey given to all study participants about 32 months after study entry. The survey will be used to capture outcomes that are not typically available in administrative records data, such

What if the EITC for workers without children were increased to \$2,000 and extended to provide benefits to workers earning up to \$30,000 per year? Paycheck Plus simulates just that.

as job characteristics, material hardship, involvement in the criminal justice system, marriage, and family formation.

MDRC partnered with Food Bank For New York City (FBNYC) to run the project. FBNYC runs the largest network of Volunteer Income Tax Assistance (VITA) sites in the city, and through its food-assistance work is connected to a wide range of community organizations. FBNYC directed its recruitment effort to organizations in its network and throughout the city that served populations eligible for Paycheck Plus. HRA, which administers the federal

The bonus was implemented smoothly. Good customer service helped build trust in the program.

Supplemental Nutrition Assistance Program (SNAP) in New York City, assisted by allowing FBNYC to enroll individuals at SNAP application centers. HRA also sent letters introducing the study to SNAP recipients and noncustodial parents. In addition, the study was advertised using various media outlets including local radio stations, city government websites (such as 311), and Twitter, and through a community flyer campaign.

The broad recruitment effort succeeded in enrolling a group that reflects the diversity of low-wage workers. For example, about 40 percent of the study participants are women, 49 percent were age 35 or older when they enrolled, about 12 percent were noncustodial parents, and 18 percent had been incarcerated at some point. The group is also quite diverse in terms of employment and earnings. Although nearly all of them had worked at some point in the past, just under

30 percent had no earnings in the year prior to enrollment. Another 30 percent had worked in the previous year but earned less than \$7,000.

EARLY FINDINGS FROM THE FIRST TAX SEASON

THE BONUS WAS IMPLEMENTED SMOOTHLY, ALTHOUGH THERE WERE SOME DELAYS IN MAKING PAYMENTS. GOOD CUSTOMER SERVICE HELPED BUILD TRUST IN THE PROGRAM.

The first bonus payment took place during the 2015 tax season. Participants in the Paycheck Plus group were sent mailings and other communications in late 2014 and early 2015 instructing them to file their taxes at one of 16 FBNYC VITA sites around the city. Participants were also given the option of filing their taxes elsewhere and bringing completed forms to FBNYC to claim the bonus. However, this process was not encouraged, for two reasons. First, the project hoped to steer participants away from higher-cost tax preparers and toward free VITA sites. Second, filing taxes elsewhere created delays in payments because staff members then were required to verify that the individual's taxes were filed and accepted by the Internal Revenue Service.

Once their taxes were completed, VITA staff members gave participants a rough estimate of the bonuses they could expect to receive and participants indicated whether they would like to receive bonuses via direct deposit or via a debit card (see "Anna"). MDRC then worked with FBNYC to calculate the bonus due, after subtracting any federal EITC the participant received. As is the case for the federal EITC, some or all of the Paycheck Plus

ANNA is a 45-year-old woman who works as a home attendant for the elderly. She worked part time for most of 2014 and earned \$19,000. She visited a VITA site on March 10 to file her taxes and found she was not eligible for the federal credit, but was eligible to receive a Paycheck Plus bonus of roughly \$1,800. She opted to receive her bonus through direct deposit and was told that it would be posted to her account in a few weeks. Having struggled to keep up with her bills, she was eager to receive the bonus and planned to use it to pay overdue rent.

bonus was “intercepted” if the participant was a noncustodial parent who had child support debt.

The bonus information was then sent to a payment subcontractor, which either placed the money into participants’ accounts or issued debit cards that they could pick up from a central FBNYC location. Overall, the process went smoothly. On average, participants received their Paycheck Plus bonuses about six to eight weeks after they filed taxes.

Starting in early 2014, the project set up two customer-service hotlines to answer calls from participants, one maintained by the MDRC project team and one maintained by FBNYC. By the end of the 2015 tax season, the MDRC project team had received over 1,700 customer service calls. In many cases, participants had very basic questions, such as where to file taxes, or when they might receive their Paycheck Plus bonuses. In other cases, however, the issues were more complex, such as whether certain types of income qualified as earnings for the bonus calculation or whether child support debt recently paid would be considered before intercepting the bonus. Maintaining the hotline and responding in a timely manner to participant questions helped to build awareness of and trust in the program, which in turn should encourage participants to take steps to claim the bonus.

AN ESTIMATED 71 PERCENT OF ELIGIBLE WORKERS RECEIVED A PAYCHECK PLUS BONUS IN THE FIRST YEAR.

The “take-up rate” for the federal EITC is the fraction of eligible individuals (that is, those with earnings in the relevant range) who actually receive the credit. National estimates indicate that take-up rates are 56 percent for adults without children and 80 percent for adults with children.⁹ At the outset, the project assumed that the take-up rate for Paycheck Plus would be somewhere between these two estimates, with the caveat that it often takes time for new programs to be understood and trusted by potential recipients.

A formal measure of take-up cannot be calculated at this point; data on work and earnings in 2014 are not yet available for study participants, making it impossible to know how many of them were truly eligible for bonuses. However, a rough estimate can be calculated based on the number of study participants who worked in the year prior to study entry and on data from evaluations of similar populations. These sources suggest that about 65 percent of study participants worked in 2014 and earned less than \$30,000. This estimate does not include any increase in employment that the

DAVID worked for six months as a security guard in 2014, earning about \$15,000. He is a 37-year-old man paying child support for two children who do not live with him. As a previous client of the FBNYC VITA sites, he was familiar with the process for filing taxes. In late March, he came to a VITA site and learned he was not eligible for the federal EITC but was eligible for \$2,000 from Paycheck Plus. In the subsequent weeks it was also determined that he owed \$1,500 in child support arrears. In keeping with federal EITC policy, that amount was intercepted to pay off his debt, and he received \$500 on a debit card several weeks later. Although David knew that he owed back child support, and Paycheck Plus materials highlighted the intercept policy at study entry, he was nonetheless surprised and disappointed at how much was taken from his bonus. Ultimately, after program staff members explained that the intercept had helped to pay down his debt, he was glad to no longer face this financial burden. Because he paid off his debt, his future payroll deductions are lower since the debt portion has been removed.

bonus might cause by encouraging some participants to go to work, since the size of this increase is not yet known. A 65 percent employment rate can therefore be considered a conservative estimate.

For the 2015 tax season, about half of the participants in the Paycheck Plus group filed taxes or brought prepared taxes in to a FBNYC VITA site, and 46 percent were found eligible for a bonus. The average bonus given was about \$1,400. About 4 percent of bonus recipients were identified as having child support debt and had their bonuses partly or fully intercepted (see “David”).

The take-up rate for Paycheck Plus is calculated by dividing the number of bonus recipients (46 percent, or 1,377 individuals) by the number of eligible workers (65 percent, or 1,950 individuals). In this case, the data imply that about 71 percent of eligible workers received Paycheck Plus bonuses (1,377 divided by 1,950). Although a more formal analysis of take-up will be

presented in a later report, it is encouraging that this estimated rate is within the range of what was expected.

THE BIG CHALLENGE WAS MAINTAINING AWARENESS AND KNOWLEDGE OF THE BONUS.

To provide a fair assessment of Paycheck Plus, it is important that study participants understand and remember the bonus. Yet by design, there was a long period between study enrollment (late 2013) and receipt of the first bonus (mid-2015), in order to give participants all of 2014 to respond to the bonus offer through work and earnings. This lag raised the concern that many participants might forget the details of the bonus or forget about it entirely. In an effort to remind participants, in spring 2014 the project offered all individuals in the Paycheck Plus group a \$50 gift card if they visited a FBNYC VITA site during the 2014 tax season to hear again about the bonus. This visit could be combined with tax filing, if they had not yet filed. After numerous reminders about

MICHAEL is a 22-year-old man who recently enrolled in a program to obtain a high school equivalency diploma. He had trouble finding steady work for most of 2014, owing in part to his prior incarceration. He worked for three months as a dishwasher. In December, he received a postcard from FBNYC with information about Paycheck Plus. He had never been to a VITA site to file taxes before, but made contact with FBNYC to learn more about the bonus and free tax services. In February, Michael got a text reminding him about Paycheck Plus, so he visited a VITA site. He was not familiar with the federal EITC, but later found out he was eligible for a \$300 federal credit and \$1,200 from Paycheck Plus. He was also surprised to learn that the bonus was available for three years. The bonus was deposited into his account in March. After earning his diploma, Michael wants to return to school to study health care administration and plans to put the bonus toward tuition costs.

the gift card offer, about 50 percent of the Paycheck Plus group came in for a visit.¹⁰ The team later attempted to reach those who did not come in for an in-person visit and was able to speak with another 8 percent.

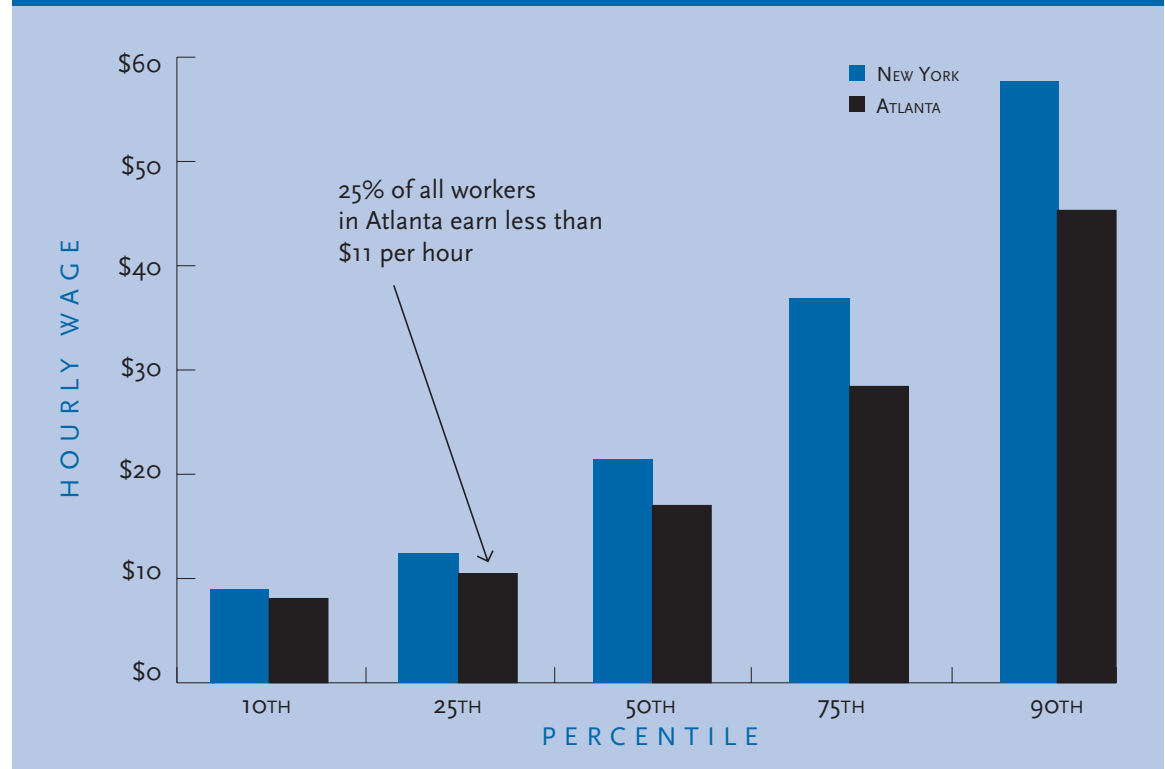
It is not clear at this point whether the take-up rate of the gift card reflects a low level of awareness or simply that some participants did not view the offer as worth the hassle of visiting a VITA site during tax season. A survey that will be given to study participants in 2016 will assess program knowledge. The project reached out to participants with mailings, texts, robocalls, and e-mails leading up to the 2015 tax season and will continue to do so throughout the project (see “Michael”).

THE MINIMUM WAGE, THE EITC, AND PAYCHECK PLUS IN ATLANTA

Many recent proposals to increase the incomes of low-wage workers have focused on the minimum wage. The Obama administration has pushed for an increase

in the federal minimum wage to \$10.10 and Democrats in Congress have separately proposed an increase to \$12 by 2020, though neither has passed.¹¹ Most states and several cities also have or will soon have minimum wages higher than the federal rate of \$7.25, the most recent example being Los Angeles, whose minimum will increase to \$15 by 2020. New York State’s minimum wage will increase to \$9 by 2016, and political leaders in New York City and at the state level have called for further increases.¹²

Advocates for policies to help low-wage workers often favor either a minimum wage increase or an expanded EITC, but not both. But the two policies are more appropriately viewed as complementary instead of competing, for several reasons. First, a more generous EITC can increase incomes even with a higher minimum wage. An expanded EITC might also especially benefit those whose earnings are relatively low because they cannot find full-time or full-year work. Second, in the absence of a major increase in the federal minimum wage, wages will probably remain low for a significant share

FIGURE 2. HOURLY WAGES AT SELECTED PERCENTILES IN 2014

SOURCE: Bureau of Labor Statistics (2015).

of U.S. workers, who could be helped by an expanded credit. Only 30 states have a minimum wage set above the federal rate of \$7.25. And only 15 of these states currently have a minimum wage that will graduate to \$9 or higher at some point in the next few years.¹³ Finally, theoretical and empirical research suggests that an EITC is made more effective in the presence of a minimum wage, since the minimum helps to limit the extent to which wages fall as more individuals enter the labor market.¹⁴

Despite the complementarity of the two policies, an expanded EITC may have different effects in a higher-wage area than in a lower-wage one, which highlights the benefits of testing Paycheck Plus in a community where the minimum wage is no higher than the current federal minimum. The project team

will launch Paycheck Plus in Atlanta, Georgia starting late 2015. The findings from Atlanta and New York City together will provide a fuller accounting of the policy's effects if it were to be adopted nationally.

Atlanta is a good place for a replication because it has a diverse and growing economy, like New York, but lower average wages. Although hit harder by the Great Recession than New York City, its unemployment rates are now comparable to New York's, at a relatively low 5.9 percent. Several large U.S. corporations have their headquarters in Atlanta, including Coca-Cola, UPS, and Delta Airlines. As a result, although the area has a generally similar mix of occupations as New York, there are more jobs in production (for example, machine operators, electronics, and textiles) and in

transportation (for example, airline workers and truck drivers).¹⁵

Wage levels are lower in Atlanta than in New York across all occupations (see Figure 2). And Georgia relies on the federal minimum wage for qualified workers and a separate lower minimum wage (\$5.15 per hour) for workers in exempt occupations, such as farm or seasonal laborers and tipped employees. The figure illustrates that a significant share of workers in Atlanta earn low wages.

MDRC has partnered with United Way of Greater Atlanta to test Paycheck Plus in that city. United Way runs a large network of VITA sites in the Atlanta metropolitan area and is well connected to a range of community-based organizations. The Atlanta project will recruit 4,000 individuals for the study by early 2016. Half of them will be chosen at random to be offered Paycheck Plus, to be paid in tax years 2017, 2018, and 2019, and half will not be offered the bonus. As with the New York project, the evaluation will track outcomes for both groups to determine the bonus's effects on income, well-being, and work. The Atlanta test is being supported by several funders.¹⁶ New York City's Center for Economic Opportunity is only helping to fund the test in New York.

NEXT STEPS

This brief has discussed the first year of Paycheck Plus implementation in New York. With two more bonuses left to pay, in 2016 and 2017, the project team will continue to communicate with participants about the importance of working and filing taxes. The hope is that bonus receipt will increase over time, as participants come to understand and trust the offer more and as the growing

economy helps more of them move into work. A report in 2017 will assess the program's effects on income, poverty, and employment during the first two years.

NOTES

- 1 Piketty and Saez (2003), with updated tables at <http://eml.berkeley.edu/~saez>.
- 2 Kearny, Hershbein, and Jácome (2015).
- 3 Kearny, Hershbein, and Jácome (2015).
- 4 Office of Management and Budget (2015); Ryan (2014).
- 5 Buffett (2015).
- 6 Sykes, Križ, Edin, and Halpern-Meekin (2015).
- 7 Section 1115 of the Social Security Act authorizes the secretary of the U.S. Department of Health and Human Services to grant waivers to states allowing the costs of certain demonstration projects to be regarded as a permissible use of program funds, as long as the projects advance the objectives of the broader program. In this case, Paycheck Plus advances the objectives of Title IV-D of the Social Security Act, which empowers child support services to promote parental responsibility and family self-sufficiency.
- 8 Eligibility was also restricted to adults who were between the ages of 21 and 64, who were residents of New York City, who earned less than \$30,000 last year, who had Social Security numbers, and who did not receive or plan to apply for Supplemental Security Income or Social Security Disability Insurance.
- 9 Plueger (2009).
- 10 The team tested the efficacy of various marketing strategies that were informed by behavioral economics principles. See Dechausay, Anzelone, and Reardon (2015).
- 11 Scheiber (2015).
- 12 Mathias (2015).
- 13 National Conference of State Legislatures (2015).
- 14 Lee and Saez (2012).
- 15 Bureau of Labor Statistics (2015).
- 16 The list of funders to date includes the Annie E. Casey Foundation, the Ford Foundation, the U.S. Department of Health and Human Services, and the U.S. Department of Labor.

REFERENCES

- Buffett, Warren. 2015. "Better Than Raising the Minimum Wage." *Wall Street Journal* (May 21).
- Bureau of Labor Statistics. 2015. "May 2014 Metropolitan and Nonmetropolitan Area Occupational Employment and Wage Estimates." Website: www.bls.gov/oes/current/oessrcma.htm.
- Dechausay, Nadine, Caitlin Anzelone, and Leigh Reardon. 2015. *The Power of Prompts: Using Behavioral Insights to Encourage People to Participate*. Washington, DC: Office of Planning, Research and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services.
- Kearny, Melissa, Brad Hershbein, and Elisa Jácome. 2015. *Profiles of Change: Employment, Earnings, and Occupations from 1990-2013*. Washington, DC: Brookings Institution, The Hamilton Project.
- Lee, David, and Emmanuel Saez. 2012. "Optimal Minimum Wage Policy in Competitive Labor Markets." *Journal of Public Economics* 96, 9: 739-749.
- Mathias, Christopher. 2015. "Mayor DeBlasio to Push for Major Minimum Wage Hike in New York City." *Huffington Post*. Website: www.huffingtonpost.com/2015/02/03/new-york-city-minimum-wage_n_6606682.html.
- National Conference of State Legislatures. 2015. "State Minimum Wages: 2015 Minimum Wage by State." Website: www.ncsl.org/research/labor-and-employment/state-minimum-wage-chart.aspx.
- Office of Management and Budget. 2015. "The President's Budget for Fiscal Year 2016." Website: www.whitehouse.gov/omb/budget.
- Piketty, Thomas, and Emmanuel Saez. 2003. "Income Inequality in the United States, 1913-1998." *Quarterly Journal of Economics* 118, 1: 1-39.
- Plueger, Dean. 2009. "Earned Income Tax Credit Participation Rate for Tax Year 2005." Paper given at the 2009 IRS Research Conference, July 8-9, Washington, DC. Available online at: www.irs.gov/pub/irs-soi/09resconeitcpart.pdf.
- Ryan, Paul. 2014. *Expanding Opportunity in America: A Discussion Draft from the House Budget Committee*. Available online at: www.budget.house.gov/uploadedfiles/expanding_opportunity_in_america.pdf.
- Scheiber, Noam. 2015. "Democrats Are Rallying Around \$12 Minimum Wage." *New York Times* (April 22).
- Sykes, Jennifer, Katrin Križ, Kathryn Edin, and Sarah Halpern-Meeekin. 2015. "Dignity and Dreams: What the Earned Income Tax Credit (EITC) Means to Low-Income Families." *American Sociological Review* 80, 2: 243-267.
- Urban Institute and Brookings Institution Tax Policy Center. 2014. "Historical EITC Parameters." Website: www.taxpolicycenter.org/taxfacts/displayafact.cfm?Docid=36.

ACKNOWLEDGMENTS

Funding for the project is provided by New York City's Center for Economic Opportunity (CEO), the Robin Hood Foundation, and the federal Office of Child Support Enforcement. Additional funding for this brief is also provided by the Laura and John Arnold Foundation. The project would not have been possible without the work and dedication of several individuals and organizations, including Linda Gibbs, former New York City deputy mayor for Health and Human Services; Kristin Morse, former Executive Director of CEO; and several staff members at New York City's Human Resources Administration. German Tejada and Arlene Sabdull at Food Bank for New York City were instrumental in getting the program up and running. The authors thank Gordon Berlin, Dan Bloom, Gilda Azurdia, John Hutchins, and James Riccio from MDRC, Carson Hicks and Jean-Marie Callan from CEO, and Lawrence Katz from Harvard University for their helpful comments on the brief, and Joshua Malbin for editing. The authors also received helpful comments from the Paycheck Plus Policy Advisory Group: Jennifer Brooks, Chuck Marr, Robert Nibbs, Lauren Pescatore, Eugene Steuerle, and Scott Winship.

Dissemination of MDRC publications is supported by the following funders that help finance MDRC's public policy outreach and expanding efforts to communicate the results and implications of our work to policymakers, practitioners, and others: The

Annie E. Casey Foundation, Charles and Lynn Schusterman Family Foundation, The Edna McConnell Clark Foundation, Ford Foundation, The George Gund Foundation, Daniel and Corinne Goldman, The Harry and Jeanette Weinberg Foundation, Inc., The JBP Foundation, The Joyce Foundation, The Kresge Foundation, Laura and John Arnold Foundation, Sandler Foundation, and The Starr Foundation.

In addition, earnings from the MDRC Endowment help sustain our dissemination efforts. Contributors to the MDRC Endowment include Alcoa Foundation, The Ambrose Monell Foundation, Anheuser-Busch Foundation, Bristol-Myers Squibb Foundation, Charles Stewart Mott Foundation, Ford Foundation, The George Gund Foundation, The Grable Foundation, The Lizabeth and Frank Newman Charitable Foundation, The New York Times Company Foundation, Jan Nicholson, Paul H. O'Neill Charitable Foundation, John S. Reed, Sandler Foundation, and The Stupski Family Fund, as well as other individual contributors.

The findings and conclusions in this report do not necessarily represent the official positions or policies of the funders.

For information about MDRC and copies of our publications, see our website: www.mdrc.org. Copyright © 2015 by MDRC®. All rights reserved.

CHANGE SERVICE REQUESTED

Testing an Expanded Earned Income Tax Credit for Single Adults

Year 1 of Paycheck Plus

By Cynthia Miller, Caroline Schultz, and Alexandra Bernardi



The gap between high- and low-income Americans has widened dramatically over the past 30 years. People with less education are more and more likely to work in low-paying service-sector jobs, and wages have even fallen in the higher-paying jobs traditionally available to less-educated workers. One proposal to address this erosion of income for low-wage workers has been to expand the Earned Income Tax Credit (EITC) so that it provides more generous benefits to all low-income workers, not just those with children. This brief, the second in a series, provides an update on the Paycheck Plus demonstration, which is testing the effects of a more generous EITC-like earnings supplement for low-income single adults in New York City. It describes the implementation of the program during the first year and supplement receipt rates during the 2015 tax season. The brief also discusses the forthcoming test of Paycheck Plus in Atlanta, Georgia, which will provide evidence of its effects in a different context from New York City.