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## Does the Earned Income Tax Credit Reduce Poverty?

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Poster Presentation P64

**DOES THE EARNED INCOME TAX CREDIT REDUCE POVERTY?**

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Adopted in 1975 as an income equity measure, the Earned Income Tax Credit is now the largest anti-poverty initiative in the United States. The Earned Income Tax Credit is basically a refundable tax credit that reduces or eliminates the taxes that low-income working people pay, increasing income and reducing the level of poverty. This paper attempts to measure the efficiency of the federal Earned Income Tax Credit in reducing the level of poverty among different groups. I use information from the March 2004 Supplement of the Current Population Survey, which includes nationwide information on citizens such as marital status, number of children, income, and ethnicity among other factors. I also use information from the Internal Revenue Service to calculate the Earned Income Tax Credit and I take my measure of poverty level income from the poverty guidelines from the Department of Health and Human Services. The results of this study show that the Earned Income Tax Credit does not reduce the poverty gap for all eligible taxpayers, and only a small amount of taxpayers' incomes are pushed above the poverty level of income with the help of the Earned Income Tax Credit.