

Think Babies™ NC 2021-2025

Prenatal to Age 3 Policy Priorities for Infants, Toddlers, and their Families



Reinstate the Earned Income Tax Credit

The Federal Earned Income Tax Credit (EITC) was enacted in 1975 and has been continued with broad bipartisan support as an effective and efficient strategy to reduce poverty and improve health outcomes for low-income working families.¹ Subsequently, many states also created an EITC program with eligible families able to reduce their tax burden and/or receive a refund calculated as a percentage of the Federal benefit. Currently, 32 states offer some form of tax credit or other tax benefit to working residents with low incomes. The benefit percentage varies by state from 3% up to 85% of the Federal benefit.² Although initially the EITC was viewed solely as a means to reduce poverty, more recent research has shown a state-level EITC of at least 10% the Federal benefit to have strong benefits for child and parental health as well.

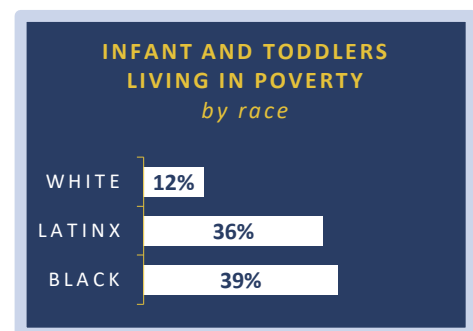
North Carolina initiated a state-level EITC in 2007 at a modest level of 3.5% of the Federal credit and made small adjustments to this percentage during the seven years the state EITC was in effect. During these years, more than 900,000 workers claimed the credit annually, which was estimated to have benefited around 1.2 million children across the state.³ Unfortunately, in 2014 NC became the only state with an EITC to cease offering this valuable benefit to workers when the legislature allowed the EITC provision to expire. The expiration of the state EITC caused working NC families to lose more than \$107 million per year as compared to years when the EITC was in effect.⁴ Families typically used this money to improve their housing situations, provide more healthy food, or increase transportation capacity.⁵ Furthermore, the financial benefit of the EITC to families rippled throughout the state economy as they spent their money at local community businesses.

The Think Babies™ NC Alliance advocates the adoption of a refundable EITC in North Carolina of at least 10% of the Federal EITC to impact multiple policy objectives, such as the reduction of poverty, improvement of parent and infant health, and alleviation of long-standing structural economic and health disparities, which have recently been exacerbated by the COVID-19 pandemic.

Why Is This Important to Do Now?

The EITC helps households access sufficient resources.

States with a refundable EITC have an overall poverty rate that is 40% lower than states without this tax benefit. Additionally, state EITCs have been shown to boost mothers' income levels by 32%.⁶ Families with infants and toddlers typically have annual incomes that are about \$18,000 less than families where the youngest child is over the age of six,⁷ so poverty-reduction programs like the EITC can more significantly help families with children in the 0-3 year age range. These effects are likely to specifically benefit Black and Latinx infants and toddlers that have been harmed by long-standing policies of systemic and structural racism. 22.6% of NC's infants and toddlers are Black yet comprise 38.9% of the state's children age 0-3 who live in poverty. Similarly, Hispanic infants and toddlers make up 18.1% of



the infant and toddler population in NC and 33.5% live in poverty. In comparison, 50.2% of the state's infants and toddlers are white, and only 12.3% are in impoverished conditions.⁸ A policy with the potential outcome of reducing state poverty levels as dramatically as the EITC could have a large impact in addressing racial economic disparities and the associated health concerns of poverty.

The EITC leads to more healthy and equitable birth outcomes.

Research shows that reinstating the EITC in NC will also lead to improved birth weight statistics in the state,⁹ and this will also have a more significant positive effect on closing racial disparities in this area.¹⁰ In 2020, NC had an infant mortality rate of 7.1 per 1000 births compared to a national average of 5.8 per 1000. North Carolina, with an incidence of infants born with low birth rate at 9.2%, is also above the national average of 8.3%.¹¹ Low birth weight is correlated with higher infant mortality and is predictive of further health issues. In NC, it is estimated that a refundable EITC of at least 10% would result in 361 more babies born at a healthy birth weight, leading to the survival of an additional 238 Black infants and 19 Latinx infants.¹²

The EITC increases parents' ability to work.

Increased employment, particularly among single mothers, is associated with an EITC program of at least 10% the Federal benefit. For example, women living in a state with an EITC increased maternal employment by 19% as compared to states without an EITC. Boosting tax credits by only \$100 reduced labor force exit by single women by 2.5%.¹³ As women have left the workforce in great numbers due to myriad factors related to the COVID-19 pandemic, reinstating the EITC in North Carolina is especially timely in helping women return to employment. These effects are expected to particularly benefit families headed by single women of color, helping to address long-standing economic disparities.¹⁴

States with an EITC have **19%** more women working than states without it.

The EITC has promising positive effects on parental mental health.

The COVID-19 pandemic has been shown to have great negative impacts on mental health nationwide, increasing incidence of depression and anxiety, exacerbating substance abuse issues, and leading to greater numbers of deaths by suicide. Although additional research is needed, preliminary findings show the EITC to be effective at decreasing maternal depression and improving self-reports of parents' positive mental health.¹⁵ The EITC is also associated with decreased numbers of "deaths of despair,"¹⁶ defined as death caused by suicide, drug overdose or alcohol abuse. These findings are important for infants and toddlers who may be less likely to experience the death of a parent, witness domestic abuse, or suffer child abuse or neglect because of parental mental health concerns.¹⁷



Think Babies™ NC Alliance

The Think Babies™ NC Alliance seeks to ensure that North Carolina's youngest children, prenatal to age 3, benefit from effective and equitable public policies, programs, and funding so that all children have what they need to thrive: healthy beginnings, supported families, and quality early care and learning experiences.

For more information:

Think Babies™ NC Alliance: Info@ThinkBabiesNC.org

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- ¹ Budget and Tax Center. (2019). State EITC Could Improve the Health of North Carolinians.
- ² Prenatal to Three. (2020). State Policy Roadmap.
- ³ Budget and Tax Center. (2014). First in Flight from the EITC.
- ⁴ Ibid.
- ⁵ Despard, M. (2021). Impacts of Earned Income Tax Credits on Families and Children: A Synopsis of the Evidence.
- ⁶ Prenatal to Three. (2020). State Policy Roadmap.
- ⁷ CLASP, Zero to Three. (2017). Cash Assistance and Tax Credits: Critical Supports for Infants, Toddlers and Families.
- ⁸ Zero to Three. (2020). The State of Babies Yearbook.
- ⁹ Prenatal to Three. (2021). Policy Impact Center: State Earned Income Tax Credit.
- ¹⁰ Budget and Tax Center. (2019). State EITC Could Improve the Health of North Carolinians.
- ¹¹ Zero to Three. (2020). The State of Babies Yearbook.
- ¹² Budget and Tax Center. (2019). State EITC Could Improve the Health of North Carolinians.
- ¹³ Prenatal to Three. (2020). State Policy Roadmap.
- ¹⁴ Ibid.
- ¹⁵ Budget and Tax Center. (2020). EITC Memo for Stakeholders.
- ¹⁶ Budget and Tax Center. (2019). State EITC Could Improve the Health of North Carolinians.
- ¹⁷ Prevent Child Abuse NC. NC Earned Income Tax Credit Info Sheet.