



Center for Research on Fathers, Children and Family Well-Being

Sample Demographics and Eligibility for New York State's Non-Custodial Parent Earned Income Tax Credit (NCP EITC)

The Issue

The federal earned income tax credit (EITC) is now the largest anti-poverty program in the U.S. providing payroll-tax relief and work incentives to thousands of families headed by low-wage workers. In 2009 the EITC lifted 6.6 million people out of poverty (Center on Budget and Policy Priorities, 2009). The dollar amount of the credit is based upon a formula that includes an individual or couple's income for the year as well as the number of dependents in the household. The maximum credit for a childless worker is a fraction of the maximum credit for a single custodial parent.¹ Additionally, the earnings limit for the maximum credit is significantly lower for childless workers. For the purposes of the federal EITC, non-custodial parents (NCPs) are considered childless workers, regardless of the amount of child support, or other financial contributions they provide to their children.

For the 2008 tax year, a single parent with one child who earned between \$8,580 and \$15,740 was eligible for the maximum credit of \$2,917. On the other hand, a childless worker could only earn between \$5,720 and \$7,160 in order to receive the maximum credit of \$438. Thus a single parent fully employed at minimum wage (2008 gross earnings would have been \$12,812), would have received the maximum credit, while a childless worker with the same earnings would only have qualified for a maximum credit of \$48 (Scott, 2008).²

Policymakers are seeking ways to increase the childless worker credit and provide additional support to NCPs who support their children financially; because NCPs with low incomes and childless workers with low incomes are two populations whose incomes dip below the poverty line after taxes. In 2006 New York State (NYS) became the first state to enact an EITC for non-custodial parents (the NYS NCP EITC). Given that it was the first NCP EITC in the nation, policymakers are interested in how it is working.

Our Study

In the credit's first year the take-up rate was low; only 5,280 non-custodial parents (12% of all New York State

income-eligible non-custodial parents) received the credit (Sorensen, 2010). In order to explore why so few non-custodial parents have received the credit, and how to find out how potential recipients think they would spend the credit, CRFCFW undertook a qualitative study of participation and hypothetical allocation of the NYS NCP EITC among non-custodial fathers. Funding was provided by The Ford Foundation and The Open Society Institute. This brief, which focuses on barriers to participation, is the first of four policy briefs from the study.

Methods & Sample

Participants completed a short multiple choice survey before participating in a one-on-one semi-structured interview which allowed us to assess awareness of the credit and their eligibility for the credit (based on six of the eligibility criteria for New York's NCP EITC):^{3,4}

1. Be over the age of 18;
2. Be a non-custodial parent of a child under 18 years old;
3. Earn less than \$33,995 (2008 tax year);
4. Be a full-year New York resident;
5. Have a child support order for at least one child; and
6. Pay 100% of the child support due for the tax year.⁵

The sample consisted of 43 non-custodial fathers with low-to-moderate incomes. Initially study recruitment was based in H&R Block tax preparation centers in Brooklyn, the Bronx, Manhattan, and Queens but this method only yielded four participants.

1. The example provided is based upon the 2008 credit figures for a single (custodial) parent with either one or two children.
2. Annual minimum wage (full time) for 2008 is calculated as 29 forty-hour weeks at \$5.85 per hour and 23 forty-hour weeks at \$6.55 per hour (federal minimum wage increased from \$5.85 to \$6.55 on July 24, 2008).
3. Additional criteria include: having a valid social security number, having an order payable through the New York Support Collection Unit, and having no more than \$2,950 in interest income.
4. All short survey and long interview data refer to the 2008 tax year.
5. Short survey was corroborated with information collected in the interviews; where discrepancies existed, information from the long interviews was favored.

Thirty-nine additional study participants were recruited from three of New York’s five *Strengthening Families through Stronger Fathers Initiative* sites (two sites in Manhattan and one in Chautauqua, NY).⁶

Study participants were between the ages of 23 and 52, with a mean age of 35. Roughly a third were younger than 30, a third were in their 30’s and a third were over 40. The race/ethnicity of the sample was as follows: 19 Black, 14 Hispanic, 1 Other, 9 White. All of the White respondents were recruited at the Chautauqua site.

Although the sample included a large proportion of participants (65%) with some post-high school education their 2008 earnings were still quite low. Half of the group had annual earnings of less than \$10,000; 88% of the group had earnings below \$33,995. At the time of the interviews, 79% of study participants were unemployed, of that 79%, two thirds had experienced a recent lay-off, and one third were chronically unemployed. The relative earnings and employment status of this sample run counter to the empirically established (Card, 1999; Mincer, 1991) positive correlation between education and earnings and the negative correlation between education and unemployment. The interviews occurred between February and August 2009. This period, as well as the relevant tax year (2008), fell within the 2007-2009 recession. This probably explains the lack of correlation between education and employment, as well as that between education and earnings for the prior year, found in the study sample.

Did the Study Participants Meet the NYS NCP EITC Eligibility Criteria?

The majority of the fathers in the study sample did not meet all of the credit’s eligibility criteria. Child support-related factors were the most likely to make respondents ineligible for the credit. Seven of the 43 fathers did not have an active child support case for the minimum six months of the tax year. Of the 36 fathers who had had an active child support

order for six, or more, months during 2008 only 11 met the most stringent requirement; having paid 100% of their child support due for the tax year. As depicted in Table 1, when the sample was assessed on each criterion cumulatively, the eligibility dropped to seven of the 43 (16%).

Which Fathers Were Eligible for the NCP EITC?

Based on their responses to the short survey, seven of the sample’s 43 fathers met all of the credit’s eligibility criteria, including all four of the fathers who were recruited from H&R Block. Besides their employment status, no demographic (or other) characteristics predicted full eligibility.

Conclusion

The NCP EITC is intended to extend a work-based public benefit to non-custodial parents who support their children financially. While it is clear that the U.S., is moving increasingly toward the implementation of such benefits, their impact on the intended population is severely limited during periods of high unemployment. The primary barrier to eligibility for the NCP EITC was non-compliance with current child support payments. It is clear that conditioning a credit for low-income workers on full child-support compliance for the year creates a paradox, whereby those who could benefit most from the credit are least likely to be eligible. When estimating the effects of implementing a national NCP EITC, Wheaton and Sorensen (2009) also found that the criteria for full child support compliance for the tax year severely limited the number of eligible parents. These results suggest a need to revisit the credit’s child support compliance eligibility criteria.

6. New York’s *Strengthening Families through Stronger Fathers Initiative* was funded under the same legislation that established the NYS NCP EITC. The initiative’s programming was designed to serve unemployed and underemployed non-custodial fathers.

Table 1. Study Participants’ Eligibility for the NYS NCP EITC, Assessed Cumulatively

1. Were at least 18 years old;	43	(100% of 43)
2. Were the non-custodial parent of a child who was under the age of 18 on December 31 st of the tax year;	42	(98% of 43)
3. Were a full-year New York State resident;	38	(88% of 43)
4. Earned \$33,995 or less (2008 tax year)	34	(79% of 43)
5. Were ordered to pay child support through the Office of Child Support Enforcement for at least six months of the tax year; and	28	(65% of 43)
6. Paid 100% of the child support due for the tax year.	7	(16% of 43)

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