

Single mothers don't delay marriage just to boost tax credit, study says

April 10 2014, by Deborah Johnson

When the Earned Income Tax Credit was expanded in 1993, supporters hoped it would reward poor parents for working while critics feared that it might discourage single mothers from marrying or incentivize women to have more children to boost their tax refund.

A new collaborative study done by the University of Wisconsin-Madison and Cornell University reveals the EITC has helped the working poor but hasn't affected personal choices.

Sarah Halpern-Meehin, assistant professor of human development and family studies and affiliate of the Institute for Research on Poverty at UW–Madison, and co-author Laura Tach, assistant professor of policy analysis and management at Cornell, reported on interviews with 115 low-income [tax](#) filers in "Tax code knowledge and behavioral responses among EITC recipients," published in the Spring 2014 *Journal of Policy Analysis and Management*.

"Respondents consider their [tax refund](#) as a whole, without differentiating the portion from the EITC; as a result, they cannot predict how changes in their labor supply or marital status would affect their EITC refund," Halpern-Meehin and Tach wrote.

In 2010, nearly 27 million families received \$59.5 billion from the EITC, helping an estimated 6.3 million people escape poverty—of which nearly half were children, according to the Center on Budget and Policy Priorities. In fact, the EITC has become the largest antipoverty program

in the nation.

"We used in-depth interviews with EITC recipients to examine how they understand and respond to its incentive structures regarding earnings, marriage and childbearing," Halpern-Meekin says.

In the words of one of the respondents, a 25-year-old mother of three: "I mean, Earned Income Credit is nice, but it's not everything! I'm not going to let it factor into my marriage if I ever want to get married. I'm not marrying the Earned Income Credit. I'm marrying the man I love."

Most low-income workers said their job situations offered no chance to change work hours, even if they wished to.

"Workers in unstable jobs with little control over their schedules may find it difficult to control their total annual earnings in line with the incentives of the EIC schedule, and most do not know what those incentives are in the first place," the researchers wrote.

Rather than adjusting work hours, deferring marriage or having additional children, respondents alter their tax filing status in order to maximize their refunds, the report says.

One way workers saw to gain a little financial control of their lives was the federal government's W-4 Employee's Withholding Allowance Certificate. By claiming zero dependents and exemptions, anyone who wishes can maximize tax withholding from paychecks and may then reap a bigger refund when that money is returned to them at tax time.

Claiming zero is perfectly legal, but it's not always the best way to save because, unlike other savings options, the IRS pays zero interest. Trying to be nonjudgmental, the social scientists acknowledged the reasoning behind claiming zero: Out-of-sight, out-of-mind, those withheld dollars

are safe—for months—from impulsive spending. Hefty refunds protect against the risk of owing money to the IRS at tax time and are something to look forward to for families who spend much of the year struggling to pay the bills.

Provided by University of Wisconsin-Madison

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