Does the Earned Income Tax Credit encourage college enrollment?

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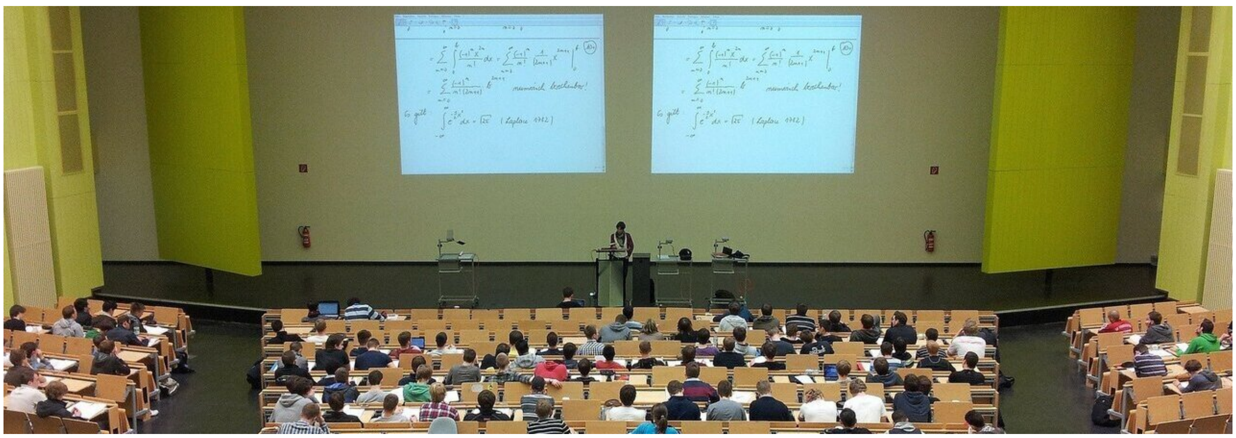

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The Earned Income Tax Credit (EITC)—a cash transfer program aimed at helping low to moderate income workers by giving them a break on their taxes—is not intended as a college subsidy, but the eligibility criteria for it incentivizes families sending children aged 19–23 years to college as this can increase EITC benefits by as much as $4,000 per year. An analysis in *Economic Inquiry* by researchers at the University of Illinois at Chicago found that in general, EITC recipients are not responding to this incentive as it does not appear to be increasing the rate of college enrollment.

The results suggest that complex subsidies like this one embedded into the EITC may be ineffective at altering college going.

"Both our study and past work suggest that tax credits are simply an ineffective way to encourage college enrollment because they are too complicated and involve a long delay between college enrollment and benefit receipt," said corresponding author and Ph.D. candidate Shogher Ohannessian. "Research suggests that if the tax credits were provided as grants instead of tax credits, we could substantially increase college enrollment rates at no additional cost," added co-author Ben Ost, Ph.D.

More information: Do EITC Eligibility Rules Encourage College Enrollment?, *Economic Inquiry* (2022). DOI: 10.1111/ecin.13087

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