

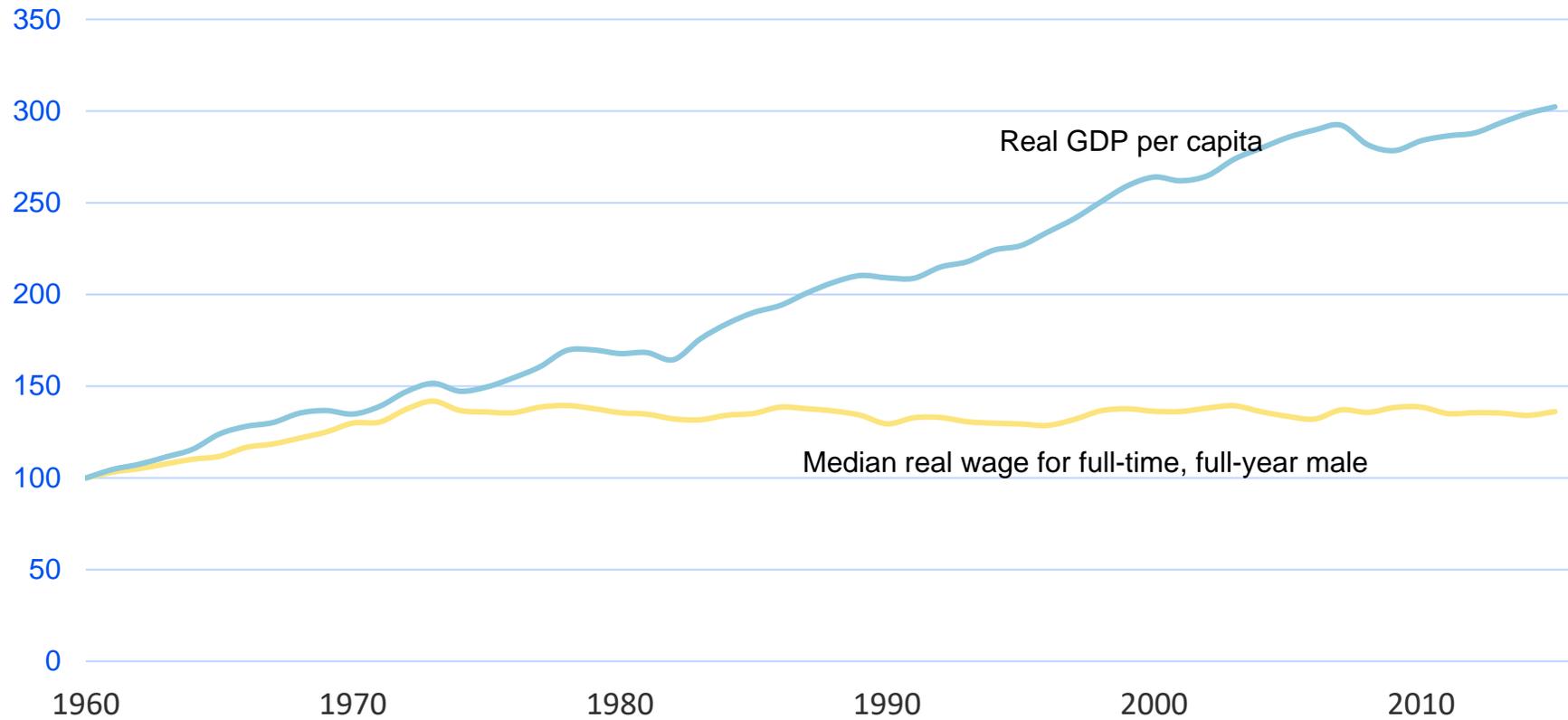
A Universal EITC

**Sharing the gains from economic growth, encouraging work,
and supporting families**

Len Burman
Tax Policy Center and Syracuse University

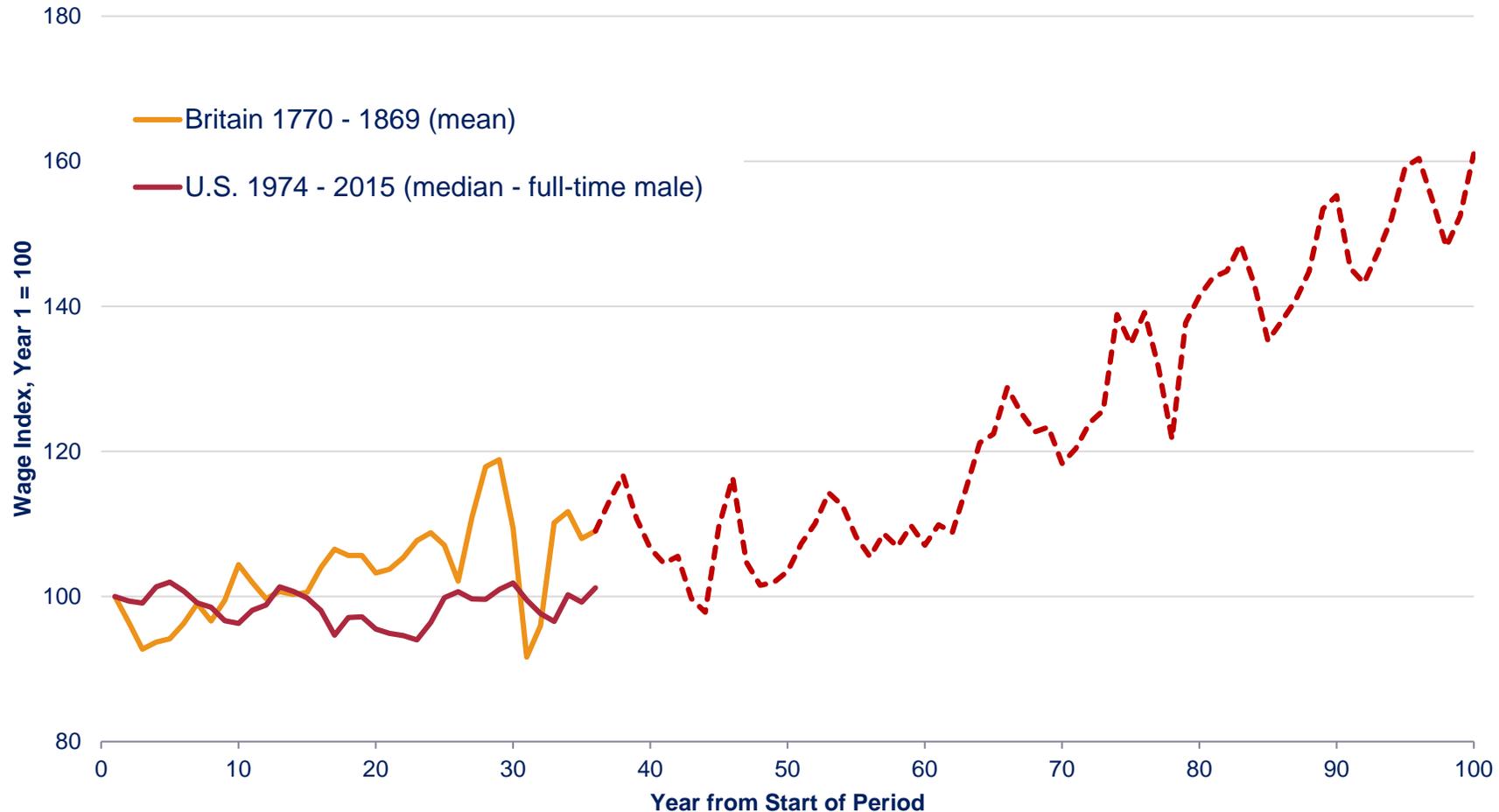
Renewing the Promise of the Middle Class
Washington, DC
9 May 2019

Real Median Earnings and Economic Growth (Indexed to 100 in 1960)



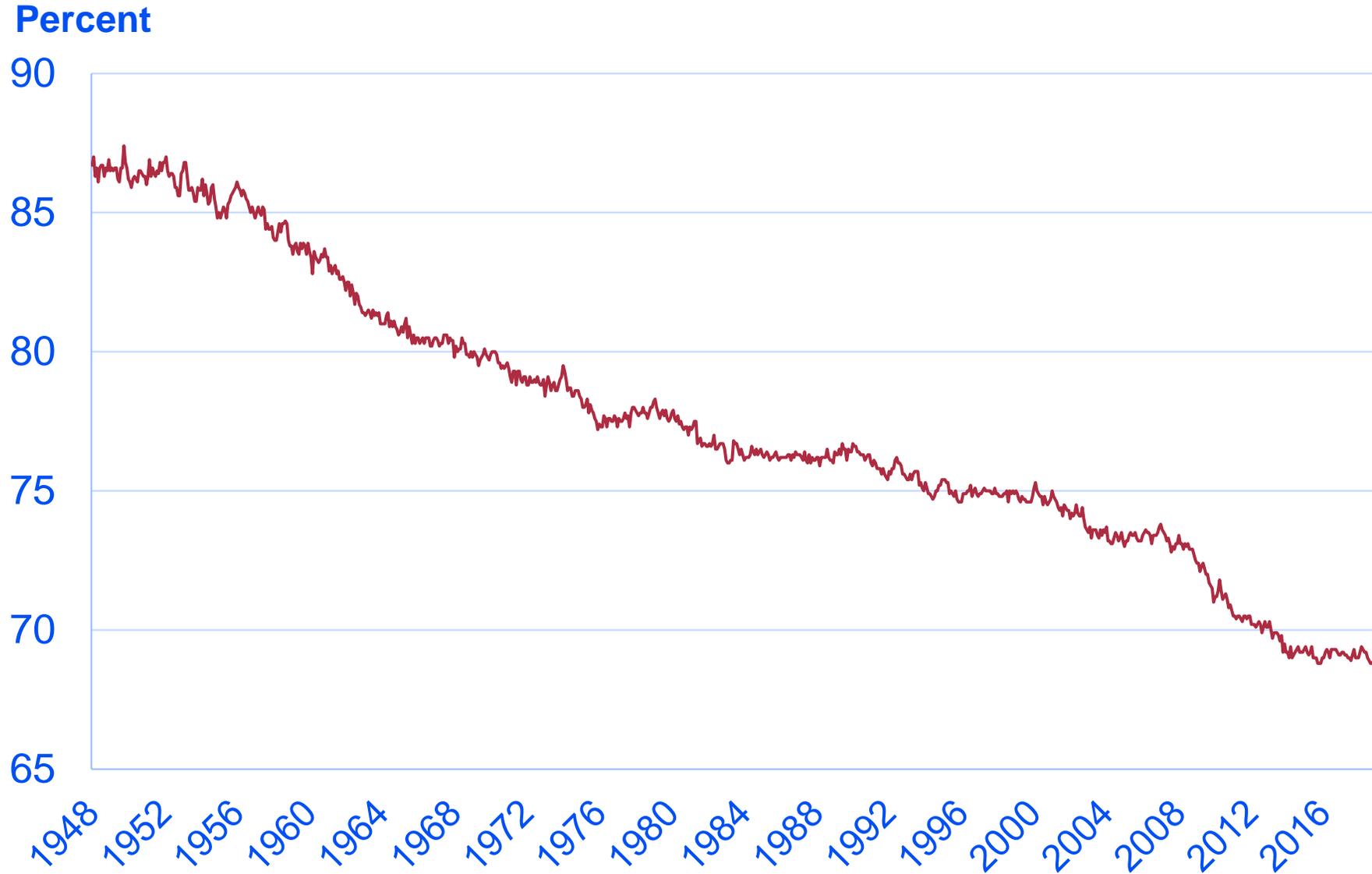
Source: Real wages, U.S. Census Bureau, Table P-38. <https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-income-people.html>; Real GDP per capita, <https://fred.stlouisfed.org/series/A939RX0Q048SBEA>.

Real Wage Stagnation in the U.S. after 1974 and Britain after 1790



Adapted and updated from The Economist (2014).
Sources: British average real wages from Allen, (2007). U.S. real median wages for full-time, full-year workers from Census Table P-43.

Male Labor Force Participation Rate, 1948 to 2019



- 100% wage credit on first \$10,000 of individual earnings. 4-year phase in starting 2020.
- 11% broad-based VAT. Maximum credit would be indexed to VAT revenues after 2023.
- The wage credit is included in taxable earnings for income tax purposes (but not subject to payroll tax).
- \$2,500 fully refundable child tax credit. Expanded definition of qualifying child.
- EITC phases out between 2020 and 2023.

Current Law Credits v. Proposed Credits

Single Parent, 2 Kids. 2023



Current Law Credits v. Proposed Credits

Single, No Children, 2023



Distribution of Federal Tax Change, All, 2023



Expanded Cash Income Percentile	Percent of Tax Units		Percent Change in After-Tax Income	Average Federal Tax Change (\$)
	With Tax Cut	With Tax Increase		
Lowest Quintile	70.0	9.6	24.1	-3,910
Second Quintile	60.9	23.3	9.3	-3,330
Middle Quintile	69.3	27.6	4.5	-2,810
Fourth Quintile	59.5	39.9	0.6	-640
Top Quintile	12.8	87.0	-4.7	12,540
All	55.6	35.6	0.0	-20
Top 1 Percent	0.3	99.6	-7.6	128,710

Distribution of Federal Tax Change, Heads of Household, 2023



Expanded Cash Income Percentile	Percent of Tax Units		Percent Change in After-Tax Income	Average Federal Tax Change (\$)
	With Tax Cut	With Tax Increase		
Lowest Quintile	96.3	2.5	19.3	-4,840
Second Quintile	94.2	5.5	8.2	-3,760
Middle Quintile	87.5	12.4	3.3	-2,340
Fourth Quintile	37.7	62.1	-0.9	900
Top Quintile	5.9	93.8	-5.0	10,780
All	82.0	17.5	4.1	-2,470
Top 1 Percent	0.2	99.8	-7.8	162,470

Distribution of Federal Tax Change, Singles, 2023



Expanded Cash Income Percentile	Percent of Tax Units		Percent Change in After-Tax Income	Average Federal Tax Change (\$)
	With Tax Cut	With Tax Increase		
Lowest Quintile	60.3	12.3	27.6	-3,280
Second Quintile	46.5	31.9	9.2	-2,600
Middle Quintile	61.7	34.1	4.6	-2,140
Fourth Quintile	63.9	35.0	0.4	-250
Top Quintile	6.5	93.2	-4.5	7,410
All	51.5	34.0	2.6	-1,260
Top 1 Percent	0.4	99.3	-7.2	83,460

Revenue Effect, Selected Years, 2020-2029, in \$Billions



	2020	2021	2022	2023	2024	2025	2027	2029	2020- 2029
UEITC + CTC	-203	-564	-871	-1,165	-1,337	-1,390	-1,426	-1,579	-11,424
VAT	158	478	806	1,143	1,340	1,393	1,460	1,607	11,328
Total	-46	-86	-65	-22	3	3	34	28	-97

The UEITC Gives Middle-Skill Workers a Stake in Economic Growth

