

# Earned Income Tax Credit makes for healthier newborns, study finds

February 22 2013

---

The Earned Income Tax Credit is known to reduce poverty, but according to a new University of California, Davis, study it also is linked to reduced rates of low birth weight and increased average birth weight—key factors in measuring infant health.

[Pregnant mothers](#) who received the credit also showed lower smoking and drinking rates, possibly because the tax credit put more money in their pockets to pay for [doctor visits](#) where they received prenatal care, the researchers said.

"The EITC reduces poverty, it increases the number of women in the workforce, and it may generate health benefits we have not quantified before," said Hilary Hoynes, professor of economics at UC Davis and the study's primary author. Hoynes, a National Bureau of Economic Research affiliate, studies poverty, inequality and the impacts of [government tax](#) and transfer programs on low-income families.

"This adds to a small, but growing, literature on the potential health benefits of nonhealth programs in the safety net," she said.

The EITC is a federal tax credit for low- and moderate-income working people. It's designed to reduce poverty, encourage and reward work, as well as offset payroll and income taxes. It's also "refundable," which means that if the credit exceeds the amount of federal taxes owed by a low-wage worker, the IRS will send that extra amount as a refund check. About 26 million families receive these refunds annually.

Among the findings published in a working paper, researchers found that \$1,000 of [federal tax](#) credit income resulted in reduced rates of low birth weight by 7 percent overall. African Americans showed an 8.2 percent reduction in rates of [low birth weight](#).

Hoynes and co-authors Douglas L. Miller, associate professor of economics, and David Simon, a [doctoral candidate](#) in economics—all affiliated with the UC Davis Center for Poverty Research—used United States Vital Statistics data in the study. They looked at statistics covering the full census of births from 1984 to 1998. Expansions of the [federal tax credit](#) occurred during that period, in both 1986 and 1993.

Researchers focused on single women between 18 and 45 with less than a high school education—a highly affected group in which 42 percent who gave birth were eligible for the tax credit in 1998.

By 1996, the phased-in expansions to the tax credit meant that a working parent or family with two children would still be eligible with annual income levels of almost \$30,000.

Hoynes said the tax credit reduces poverty by increasing income immediately with a cash credit, but it also creates incentives for people to stay in jobs to get the tax credit. Currently, 23 states and the District of Columbia have tax credits that supplement the federal credit at rates that range from 3.5 percent of the federal rate in Louisiana to 50 percent in Maryland. In the past year, nine states, including California, have introduced legislation or other proposals that either establish a state supplemental tax credit or alter programs already in existence.

Last April, Hoynes testified before the California Legislature about her research on the [tax credit](#).

**More information:** The paper is available at: [bit.ly/XIVg73](http://bit.ly/XIVg73)

Provided by UC Davis

Citation: Earned Income Tax Credit makes for healthier newborns, study finds (2013, February 22) retrieved 24 April 2024 from <https://medicalxpress.com/news/2013-02-income-tax-credit-healthier-newborns.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.