

Georgetown Center on Poverty, --- Inequality and Public Policy

Expanding the EITC to Help More Low-Wage Workers

Peter Edelman, Mark Greenberg, Steve Holt, and Harry Holzer*

September 2009

*Mark Greenberg completed his work on this policy brief in August 2009 while he was employed at Georgetown University. The information or views contained in this policy brief does not represent the work of the Administration for Children and Families, the U.S. Department of Health and Human Services, or the Federal government.

Expanding the EITC to Help More Low-Wage Workers

In recent years, numerous policy groups, members of Congress, and others have called for expanding the Earned Income Tax Credit for workers without qualifying children, e.g. low-earning single and married workers without children, noncustodial parents, and parents with adult independent children.¹ The American Clean Energy and Security Act, passed by the House of Representatives on June 26, would (among many other things) expand the EITC for these workers.

The case for expanding the EITC for workers without qualifying children is compelling. The EITC plays an essential role as both a work incentive and a means of raising the incomes of the lowest-earning workers. But the current EITC provides little help to some groups that would benefit from increased workforce participation and that are hurt due to low or declining earnings for less-skilled workers.

The EITC for workers without qualifying children should:

- provide these workers with a strong incentive to enter the labor force and increase hours of work;
- provide a significant wage subsidy to low-earning workers who are working near or at a full-time work level;
- begin phasing out only after an individual is working at a level at least equivalent to full-time minimum wage work;
- apply to both prime-age and younger workers; and
- be effectively coordinated with the Making Work Pay Credit.

¹ While specific details vary among proposals, see, e.g., “Barack Obama and Joe Biden: FIGHTING POVERTY AND CREATING A BRIDGE TO THE MIDDLE CLASS,” www.barackobama.com/pdf/issues/FactSheetPoverty.pdf; Aviva Aron-Dine and Arloc Sherman, “Ways and Means Committee Chairman Charles Rangel’s Proposed Expansion of the EITC for Childless Workers: An Important Step to Make Work Pay,” Center on Budget and Policy Priorities (October 25, 2007); Gordon Berlin, “Rewarding the Work of Individuals: A Counterintuitive Approach to Reducing Poverty and Strengthening Families,” *The Future of Children*, Vol. 17, No. 2 (Fall 2007); Alan Berube, David Park, and Elizabeth Kneebone, “Metro Raise: Boosting the Earned Income Tax Credit to Help Metropolitan Workers and Families,” Brookings Institution Metropolitan Policy Program (June 5, 2008); Adam Carasso, Harry Holzer, Elaine Maag, and Eugene Steuerle, “The Next Stage for Social Policy: Encouraging Work and Family Formation among Low-Income Men,” Urban Institute and Brookings Institution Tax Policy Center (October 22, 2008); Center for American Progress Task Force on Poverty, “From Poverty to Prosperity: A National Strategy to Cut Poverty in Half,” Center for American Progress (April 2007); Peter Edelman, Harry Holzer, and Paul Offner, *Reconnecting Disadvantaged Young Men*, Urban Institute Press (2006); Katie McMinn Campbell and Will Marshall, “Making Work Pay: For Men, Too,” Progressive Policy Institute (November 2007); “Summary of Mayor Bloomberg’s Proposed Expansion of the Federal Earned Income Tax Credit,” New York City Department of Consumer Affairs, http://home.nyc.gov/html/ceo/downloads/pdf/brookings_handout_on_eitc.pdf; John Karl Scholz, “Employment-Based Tax Credits for Low-Skilled Workers,” The Hamilton Project, Policy Brief No. 2007-14 (December 2007).

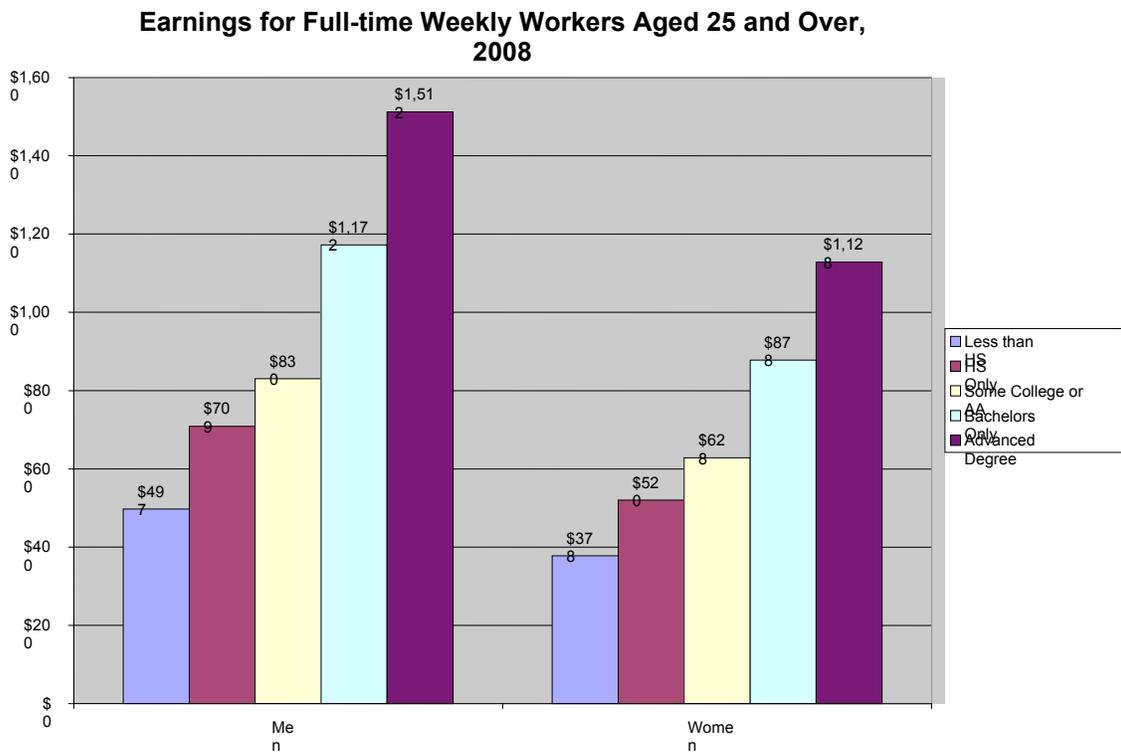
The current EITC falls short on all of these goals. The House bill takes significant steps forward, but can be improved.

This brief explains the importance of expanding the EITC for workers without qualifying children; describes the criteria that should guide such an expansion; describes and commends the House approach; and describes changes that we think would improve it.

The case for expanding the EITC for workers without qualifying children

Expanding the EITC for workers without qualifying children seeks to address two significant and related labor market problems: low wages for less-educated workers and low --- and for men, declining --- labor force participation by the least-skilled workers.

On average, less-educated workers have the lowest earnings. In 2008, among full-time workers 25 and over, median earnings for those with only a high school diploma were 61 percent of earnings for those with a bachelor’s degree; median earnings for workers with less than a high school diploma were 45 percent of those with a bachelor’s degree. For those without full-time work, the gaps are even wider.

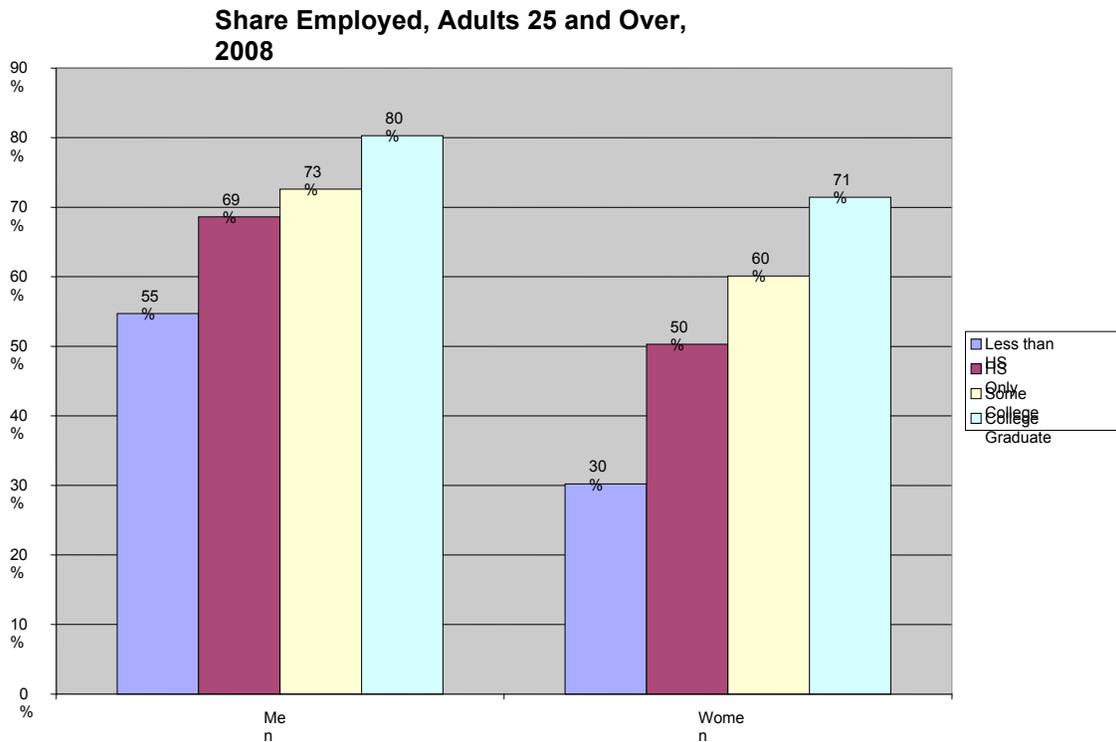


Source: U.S. Bureau of Labor Statistics, Weekly and hourly earnings data from the Current Population Survey.

At every education level, women earn less than men. But, in recent decades, real earnings for the least educated women have risen, while real earnings for the least educated men have fallen. Rebecca Blank calculates that between 1979 and 2007, weekly earnings for women without high school diplomas grew by 4 percent and

earnings for women with high school diplomas only grew by 17 percent; over the same period, weekly earnings for men without high school diplomas fell by 22 percent and earnings for men with high school diplomas only fell by 11 percent.²

Labor force participation also varies with education, with the least-educated individuals less likely to be employed. Again, women at each educational level are less likely to be employed.



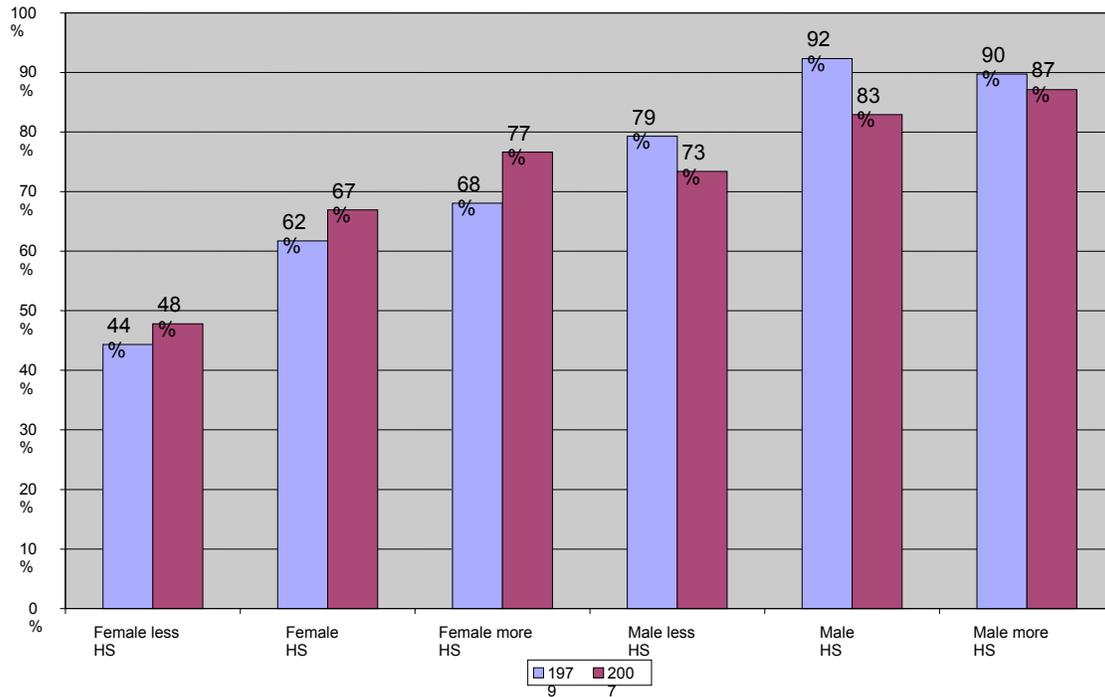
Source: U.S. Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey.

However, for less-educated workers, women’s labor force participation has grown in recent years -- at least prior to the recession -- while men’s participation has fallen. Rebecca Blank calculates that for women with less than a high school diploma, labor force participation rose by 4 percentage points between 1979 and 2007, while for men, it fell by 6 points; for those with a high school diploma only, women’s labor force participation rose by 5 percentage points, while for men it fell by 9 points.³

² Rebecca Blank, *Economic Change and the Structure of Opportunity for Less-Skilled Workers* (January 2009), forthcoming in: **Changing Poverty**, Maria Cancian and Sheldon H. Danziger, eds. New York, NY: Russell Sage Press. (2009). The calculations described here use a version of the Consumer Price Index (CPI) to adjust for inflation over time. The CPI likely overstates the magnitude of inflation each year, and thus the trends in real wages we describe likely understate real wage growth for all groups by some amount. But, at best, real wages over nearly three decades have been stagnant, if not declining, for less-educated men; and they have fallen *relative* to those of other groups, even if not in real terms.

³ Rebecca Blank, *supra*.

Labor Force participation, 1979 and 2007, 18-65 year olds



Source: Rebecca Blank, *Economic Change and the Structure of Opportunity for Less-Skilled Workers*

Public policy, including the EITC, helps explain part of the contrast between men and women. During the 1990s, employment and labor force participation rates of less-educated women and especially single mothers rose dramatically. These increases were partly caused by a strong labor market, welfare reform, and other policy changes, but the large EITC expansions for families with children also contributed importantly.

Why did the labor force participation rate for less-educated men continue to decline in this period while it was rising for women? There are many possible contributing factors, including their very different trends in real wages that we describe above. But another important one is the fact that the EITC expansions provided significant benefits to low-earning, low-income families raising children, particularly female-headed families, while providing only minimal benefits to men who were not raising children.

The declines in male labor force participation have been most severe for less-educated black men, especially the young. Labor force participation among nonenrolled black men with a high school diploma or less declined from 81 to 70 percent between 1979 and 2005 among 16-24 year olds, and from 91 to 81 percent among 25-34 year olds. These figures understate the decline, since they do not include the incarcerated young men whose ranks rose dramatically among less-educated blacks in this time period.

The decline in labor force participation calls for a set of policy responses. One is to increase the returns to work for the least-educated workers. The EITC expansions of the

1990s were largely focused on families with children, but the trends in earnings and labor force participation also affect those without children. Moreover, many individuals without children today will have them in the future, and their future earnings will be better if they are regularly attached to the workforce.

Further, many men not residing with qualifying children, especially among African-Americans, are non-custodial fathers whose ability to pay child support would be enhanced by increasing their earnings and labor force activity. According to the Urban Institute, there were 11.9 million noncustodial parents in the US in 2004, excluding institutionalized parents and families where neither parent lives with their child: 5.8 million of these parents had annual earnings below \$30,000, including 1.65 million with no earnings at all.⁴ Most non-custodial parents with earnings below \$30,000 paid either no child support (61 percent) or only partial support (22 percent). Prior estimates indicate that nearly 23 percent of non-custodial parents have less than a high school education, while nearly 46 percent have only earned their high school diploma.⁵

Some might question why there is a need for work incentive policies during a recession. However, when considering permanent tax law changes, the relevant considerations need to be about the long run. The nation faces a structural problem of low employment rates for less-skilled workers, closely paired to the problem of low wages for the least-skilled. While employment rates for all groups are worse during the recession, there is no reason to believe that economic recovery alone will substantially change the picture for the least-skilled workers. Moreover, even in times when the need for the work incentive may be less, the need for an earnings subsidy remains strong.

The Current EITC for Workers with and without Qualifying Children, and the Making Work Pay Credit

The EITC seeks to accomplish its dual role of work incentive and wage subsidy through its design features: a phase-in rate, phase-in ceiling, phase-out rate, and income level at which the phase-out begins. For example, for a single parent with two children, the phase-in rate is 40 percent of earnings up to the phase-in ceiling of \$12,570, at which the family will qualify for the maximum credit of \$5,028; thereafter, the EITC begins phasing out at a rate of 21.06 percent beginning at an earnings level of \$16,420. In practice, this means that a parent not working or working few hours has an incentive to enter employment or increase hours because each dollar of earnings will generate \$.40 in EITC benefits. The parent has a strong incentive to enter employment and increase earnings until the phase-in ceiling of \$12,570 is reached, with no potential disincentive occurring until she enters the phase-out range.⁶

⁴ Laura Wheaton and Elaine Sorenson, "Extending the EITC to Noncustodial Parents: Potential Impacts and Design Considerations", p.6, May 23, 2009.

http://www.urban.org/UploadedPDF/411906_noncustodial_parents.pdf

⁵ Liliana Sousa and Elaine Sorenson, "The Economic Reality of Nonresident Mothers and Their Children", p.2, May 2006. http://www.urban.org/UploadedPDF/311342_B-69.pdf

⁶ Higher net wages, all else equal, will tend to increase labor force activity and hours worked for any group as long as their "elasticity of labor supply" is positive, in the jargon of economists – meaning that higher

EITC Parameters in 2009						
	Phase-in Rate	Phase-In Ceiling	Max. Credit	Phase-out Starts	Phase-out Rate	Max. Income
EITC, no qualifying children (single filers)	7.65%	\$5,970	\$457	\$7,470	7.65%	\$13,440
EITC, no qualifying children (married joint filers)	7.65%	\$5,970	\$457	\$12,470	7.65%	\$18,440
EITC, 1 qualifying child (single filers)	34%	\$8,950	\$3,043	\$16,420	15.98%	\$35,463
EITC, 1 qualifying child (married joint filers)	34%	\$8,950	\$3,043	\$21,420	15.98%	\$40,463
EITC, 2 qualifying children (single filers)	40%	\$12,570	\$5,028	\$16,420	21.06%	\$40,295
EITC, 2 qualifying children (married joint filers)	40%	\$12,570	\$5,028	\$21,420	21.06%	\$45,295
EITC, 3+ qualifying children (single filers)	45%	\$12,570	\$5,657	\$16,420	21.06%	\$43,279
EITC, 3+ qualifying children (married joint filers)	45%	\$12,570	\$5,657	\$21,420	21.06%	\$48,279

In 2009, the maximum credit for a worker without qualifying children is \$457, while the maximum credit for a worker with one child is \$3,043, over six times as great; the maximum credit for a worker with two children is \$5,028, eleven times as great as the amount for a worker without a qualifying child. This occurs because workers with children have a substantially higher phase-in rate and phase-in ceiling and a considerably later phase-out rate than do workers without qualifying children. Even this small credit is not available to all low-income workers without qualifying children, because the current EITC for such workers is limited to those who are 25 to 64 years old.

When considering refundable credits available to workers, one should also recognize the role played by the Making Work Pay Credit (MWPC). The MWPC, enacted in the American Recovery and Reinvestment Act of 2009, provides a refundable credit of up to \$400 for single taxpayers and \$800 for joint filers. The credit is 6.2 percent of the first \$6,450 of earnings for single filers, and does not begin to phase out until adjusted gross income exceeds \$75,000 for singles and \$150,000 for married filers. Most MWPC benefits go to middle-class families, but the Tax Policy Center estimates that nearly 30 percent of MWPC benefits are received by households with adjusted gross incomes at or below \$30,000 per year.⁷ The MWPC is scheduled to expire after 2010, but the Obama Administration has advocated making it permanent.

wages will increase their incentive to work. Statistical evidence strongly indicates that this is the case for low-wage women as well as men.

⁷ Urban Institute and Brookings Institution, Tax Policy Center Table T09-0103.

Making Work Pay Credit Parameters, 2009 and 2010						
	Phase-in Rate	Phase-In Ceiling	Max. Credit	Phase-out Starts	Phase-out Rate	Max. Income
MWPC (single filers)	6.2%	\$6,450	\$400	\$75,000	2%	\$95,000
MWPC (married joint filers)	6.2%	\$12,900	\$800	\$150,000	2%	\$190,000

The House EITC expansion

Sec. 432 of the American Clean Energy and Security Act would expand the EITC for workers without qualifying children, doubling the maximum credit for affected workers. Specifically, the bill would, effective in 2012:

- Increase the phase-in rate from 7.65 percent to 15.3 percent;
- Raise the level at which phase-out begins to \$11,640, with subsequent inflation adjustments; and
- Increase the phase-out rate from 7.65 percent to 15.3 percent.

Under the bill, this provision would take effect after the Secretary of the Treasury makes a determination that affected households experienced a reduction in purchasing power as a result of the provisions of, or amendments made by, the American Clean Energy and Security Act. In practice, it is anticipated that this certification would be made and the expansion occur as provided in the legislation.

The House expansion would be a significant improvement over current law. Increasing the phase-in rate would improve the EITC's work incentive aspect and its maximum credit. If the provision were in effect in 2009, the maximum credit would increase from \$457 to \$914. Raising the phase-out level ensures that the reduction in the credit does not begin until earnings are higher, though, as discussed below, the phase-out would still begin while a worker is short of full-time minimum wage earnings and below poverty.

Improving the EITC Expansion

As the Senate considers action on the energy bill, and as Congress and the Obama Administration consider changes in tax policy more broadly for 2010 and beyond, there is an opportunity to build on and improve the approach to the EITC taken by the House.

We believe an expanded EITC for workers without qualifying children should:

- provide a strong incentive to enter the labor force and increase hours of work;
- provide a significant wage subsidy to low-earning workers who are working near or at a full-time work level;
- begin phasing out only after an individual is working at a level at least equivalent to full-time minimum wage work;
- apply to both prime-age and younger workers; and
- be effectively coordinated with the Making Work Pay Credit.

Consistent with these principles, we recommend that an expanded EITC for workers without qualifying children:

- be increased to 18.8 percent of the first \$6,450 (in 2009 dollars), so that when combined with the Making Work Pay credit, low-wage workers would be eligible for a credit representing 25 percent of the first \$6,450 of earnings;
- begin phasing out only after an individual is working the equivalent of 2000 hours times minimum wage, i.e., \$14,500 in 2010;
- phase-out at a rate of 16 percent; and
- be extended to workers age 21 through 24.

Below, we discuss the guiding principles and the basis for each of the choices above.

First, for a tax credit to have a work incentive effect, the credit must be large enough to motivate behavior. Under current law, a family with children receives a credit of 34 percent or higher, while a worker without a qualifying child receives only 7.65 percent. We know from a body of research that the large credit for families with children was associated with a significant increase in work among single-parent families in the 1990s. While we should not assume that behavioral impacts for workers without qualifying children will be identical to those with qualifying children, the experience of the 1990s does point to the importance of a substantial credit. Research on work incentives also points to the importance of clear messages for purposes of marketing --- that suggests the virtue of round numbers that can be easily marketed and remembered. Accordingly, we propose a 25 percent aggregate credit, taking into account the EITC and MWPC. Since the MWPC is 6.2 percent, that suggests the need for an 18.8 percent EITC for workers without qualifying children. It would allow a simple and straightforward message to unemployed workers without qualifying children: for every dollar you earn, you'll receive a tax credit worth \$.25.

As to the phase-in ceiling, we believe that for simplicity in administration and clarity in message, there is a virtue in using the same phase-in ceiling as applies to the Making Work Pay Credit, i.e., \$6,450 in 2009 dollars. Note that this conformity approach will not work over time unless the MWPC becomes inflation-adjusted. Note also that if the phase-in ceiling were higher, it might be appropriate to have a somewhat lower combined phase-in rate to result in the same maximum credit, i.e., the recommended 25 percent aggregate credit is premised on a phase-in ceiling of \$6,450.

As to when the phase-out should begin, we propose that it should be no earlier than the equivalent of full-time work at the minimum wage, i.e., 2000 hours times \$7.25 in 2010.

Finally, we propose to lower the eligibility age from 25 to 21. We do so because of the importance of raising workforce participation and lowering poverty among out-of-school young people. For men aged 20-24, the employment-population ratio in 2008 was 69.7 percent, the lowest on record dating back to 1948; and, for young African-American men ages 20-24, the employment-population ratio was 57.4 percent.⁸

⁸ U.S. Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, Not Seasonally Adjusted, Employment-Population Ratio – 20-24 yrs., Men; U.S. Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, Not Seasonally Adjusted, Employment-Population Ratio – 20-24 yrs., Black or African American Men.

The biggest question raised by an EITC expansion for 21-24 year olds is whether it risks increasing the relative attractiveness of work compared with school for young less-educated men and women. For that reason, we recommend making the eligibility cut-off 21 rather than 18, on the premise that the issues of school-work trade-off are sharpest for those closest to high school age. Moreover, this expansion would be occurring at the same time that recent improvements to Pell Grants and higher education assistance are increasing the affordability of higher education.

The following table contrasts current law, the House approach, and our recommended approach:

Current Law and EITC Expansion for Workers without Qualifying Children			
	Current Law	House Bill	Georgetown Center Proposal
Phase in percentage	7.65%	15.3%	18.8%
Phase in amount (2009)	\$5,970	\$5,970	\$6,450
Phase-out rate	7.65%	15.3%	16%
Phase-out begins (with \$7.25 minimum wage)	\$7,470 (2009)	\$11,640 (2012)	2000 hours times minimum wage – \$14,500
Youth eligibility age	25	25	21

In any EITC expansion, one should consider whether the expansion would create or expand “marriage penalties,” i.e., situations in which two wage earners getting married face a tax penalty because their combined earnings result in lower EITC benefits than if they continued to qualify separately. In the current EITC structure, Congress has sought to minimize marriage penalties by a schedule in which benefits begin to phase out later for married than for single couples. The 2009 Recovery Act increased the “differential” between the married and single phase-out points from \$3000 to \$5000.

In our view, a higher phase-out point for married couples is not the most effective way to addressing marriage penalties. The potential for marriage penalties arises when each member of the couple has separate earnings that, when combined, put them in the phase-out range of the credit. Having a higher phase-out point for married couples draws no distinction between situations in which the couple’s income results from nearly-equal earnings from each spouse and situations in which the income is all or substantially attributable to a single wage earner. When only one member of the couple has earnings, providing a higher phase-out level confers a higher benefit on the couple because they are married, but does not reduce or avoid a marriage penalty.

We believe that a better, more targeted approach to marriage penalty relief is to provide a disregard for a percentage of the earnings of the lower-earning spouse.⁹ This approach

⁹ Several recent proposals have called for a disregard of half of the earnings of the lower-earning spouse as a way to address marriage penalties. See Peter Edelman, Harry Holzer, and Paul Offner, *Reconnecting Disadvantaged Young Men*, Urban Institute Press (2006); Center for American Progress Task Force on

ensures that relief is provided when both spouses have earnings, without conferring an additional benefit in situations in which the second spouse has few or no separate earnings.

Since the current approach to marriage penalty relief is already in law, we do not propose an alternative here. But, insofar as the differential schedule approach is scheduled to expire next year, we recommend considering a percentage disregard approach as an alternative when Congress considers how to address the expiring provisions.

Also, some pending proposals would provide a higher EITC for non-custodial parents (NCPs) than for other workers without qualifying children. Indeed, New York State now provides an EITC payment to NCPs who are current on their child support payments, without any additional payments to childless adults more broadly. In contrast, we recommend a broader expansion including but not limited to non-custodial parents for substantive and administrative reasons. Substantively, the group in need is broader than NCPs, and it might be unfair or unwise to single out non-custodial fathers for special rewards; and, administratively, any effort to have a targeted EITC for NCPs will likely require setting some thresholds to determine whether the NCP is current in satisfying child support obligations, adding complexity and risk of errors and resulting in exclusion of a potentially substantial number of NCPs from the benefit. Thus, it seems preferable to make NCPs eligible for the same EITC expansion that applies generally to workers without qualifying children, while current law already provides for intercepting tax refunds when a taxpayer has an outstanding child support debt.¹⁰

Beneficiaries and Costs of the Proposed Expansion

The Urban Institute and Urban-Brookings Tax Policy Center have modeled the Georgetown Center's proposed expansion.¹¹ Their modeling indicates that:

- An estimated 15.8 million households would benefit from the proposed expansion, with an average gain of \$765.
- Estimated costs of the expansion, in 2010 dollars, would be in the range of \$12.1 billion.
- Most benefitting households (74 percent) have incomes below \$20,000 in 2010 dollars, and all but 3 percent would have incomes below \$30,000.

Poverty, "From Poverty to Prosperity: A National Strategy to Cut Poverty in Half," Center for American Progress (April 2007). Note that marriage penalty relief could be made more or less generous by determining the percentage of earnings to be disregarded.

¹⁰ The effectiveness of an any expanded EITC for NCPs may well be limited by the fact that these refunds are intercepted for those with a child support debt, and also by the very high tax rates imposed on the meager earnings of many low-income NCPs who are in "arrears." We believe that, for any EITC plan to be most effective in encouraging more work among this group, some type of arrears management and perhaps forgiveness should be considered within the context of broader changes in child support policies. See Edelman et al. (2006) for a discussion of these issues.

¹¹ Modeling by the Urban Institute and Urban-Brookings Tax Policy Center using the Transfer Income Model, Version 3 (TRIM3), <http://trim.urban.org/T3Cite.php>, and associated databases. TRIM3 requires users to input assumptions and/or interpretations about economic behavior and the rules governing federal programs. Therefore, the conclusions are attributable only to the analysts at the Urban Institute and Tax Policy Center.

- Most benefitting households (58 percent) have a head with high school education or less.
- Most benefitting households (84 percent) would be singles, with the remainder married.
- While both African-Americans (15 percent) and Hispanic (22 percent) households would disproportionately benefit, most beneficiaries would be white non-Hispanic households (56 percent).
- Most beneficiaries would be in households with a head age 30 or above (55 percent), but 27 percent of benefitting households ---- 4.3 million --- would be aged 21 to 24. One third of the expansion's benefits (32 percent) would be attributable to extending the expansion to workers ages 21-24.
- Most benefits --- 61 percent --- would be concentrated in households earning between \$10,000 and \$20,000 a year, with nearly one-quarter (23 percent) provided to households with lower incomes and the remainder to households with higher incomes.
- Among benefitting singles, 57 percent would be male, 43 percent female.
- Among benefitting singles, 44 percent work full-time and full-year, and an additional 42 percent work either full-time part-year or part-time full-year.

The demographic data make clear that the proposed expansion would be highly targeted: it would, by definition, be limited to workers, would principally benefit low-income workers working either full-time or full-year, and would principally benefit workers with high school educations or less. While the expansion would significantly aid young workers, most of the beneficiaries would be age 30 or older.

We appreciate that in a budget-constrained environment, policymakers may wish to advance proposals that cost less than our recommended approach. If it is necessary to reduce costs, we think the single best way to do so would be to impose an age constraint on the expansion, i.e., to target it to younger individuals. We would do this with great reservation, because the purposes of the EITC expansion logically apply to both younger and older workers. However, if it is essential to reduce costs, our view is that having a highly effective provision that applies to a more limited group of workers is preferable to watering down the provisions as they apply to a larger group. The modeling by the Urban Institute and Urban-Brookings Tax Policy Center indicates that:

- If the proposed expansion was limited to households in which the head was under age 45, total costs would be reduced to \$8.8 billion in 2010 dollars;
- If the proposed expansion was limited to households in which the head was under age 30, total costs would be reduced to \$6 billion in 2010 dollars.

To reiterate, we think an expansion without an age restriction would be far preferable, but if a constraint to reduce costs must be imposed, we believe that targeting the expansion to the younger age groups for which there is the highest priority on encouraging workforce participation would be the best approach to take.

Conclusion

We believe there is a strong need to subsidize the earnings of less-educated workers in the US, and that an expansion of the EITC for workers without qualifying children would help to accomplish this goal. The House approach to expanding the EITC for workers without qualifying children in the energy bill would be an important step forward. But Congress should go further and ensure that the EITC for workers without qualifying children has strong work incentives, provides a significant earnings subsidy to lower-earning workers, and is effectively coordinated with the Making Work Pay Credit. This would improve the incentives of less-educated workers to be attached to the labor market and would subsidize the earnings and reduce the poverty of very low earners.