

Unintended Consequences: Childless Workers, the EITC, and the Minimum Wage

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Introduction: motivation, gap, and contribution

- **Two flagship policies for low-wage workers:** state minimum wages and the federal Earned Income Tax Credit (EITC).
- **Why childless workers?** They comprise a sizable share of EITC recipients (28% in tax year 2022), but receive much smaller credits and have lower earnings cut offs for eligibility. This group was a major focus of recent and proposed expansions.
- **Mechanism:** A higher state minimum wage can raise annual earnings enough to move some workers *out of* the EITC eligibility/phase-in range, reducing eligibility and/or credit amounts.
- **Gap:** We have extensive evidence on minimum wages and on the EITC separately, but much less on their **interaction** for **adults without qualifying children**.
- **This paper:** Estimate how state minimum wage increases relate to (i) federal EITC eligibility and (ii) real federal EITC amounts for childless adults (ages 25–64).

Results summary

- **Eligibility falls at moderate MW levels:** predicted EITC eligibility declines by about **1.2 pp** when the MW is around **\$10–\$11**), relative to a **12.6%** baseline at \$7.25.
- **Nonlinearity:** The quadratic implies the negative association is strongest around **\$ 10.9** (turning point), then flattens at higher MWs.
- **Amounts:** In a low-earnings sample, higher MWs are associated with slightly lower real federal EITC amounts, but magnitudes are small in dollars.
- **Among eligibles:** No robust evidence that MWs change federal EITC amounts *conditional on eligibility*.

Takeaway: state MW increases can mechanically reduce federal EITC eligibility for childless workers, especially for MW in the \$10–\$12 range.

Previous literature

- **Childless EITC: limited evidence relative to the broader EITC literature.** Quasi-experimental studies on impact of childless EITC (J. Lee et al., 2024; Meer & Witter, 2023; Witter, 2020)
- **EITC–minimum wage interactions (mostly not childless-focused).** See e.g. Berger et al., 2025; DeFina, 2008; Dube, 2019; D. Lee and Saez, 2012; Lenhart and Chakraborty, 2024; Neumark and Wascher, 2001, 2011; Neumark and Williams, 2020; Nichols and Rothstein, 2015. Incidence arguments suggest employers may capture part of EITC benefits absent a binding wage floor (D. Lee & Saez, 2012; Leigh, 2010; Nichols & Rothstein, 2015; Rothstein, 2010).
- **Place-based and targeting-focused work most related to our paper**
 - DC-specific: simulations of prospective EITC–minimum-wage interactions and eligibility loss for some childless recipients (Fahimullah et al., 2019); earlier DC minimum-wage analysis (Acs et al., 2014).
 - Targeting critique: California EITC (Iselin, 2024; Neumark & Li, 2025).
- **This paper.** Evaluates how state-level minimum wages affect EITC eligibility and amounts for childless workers.

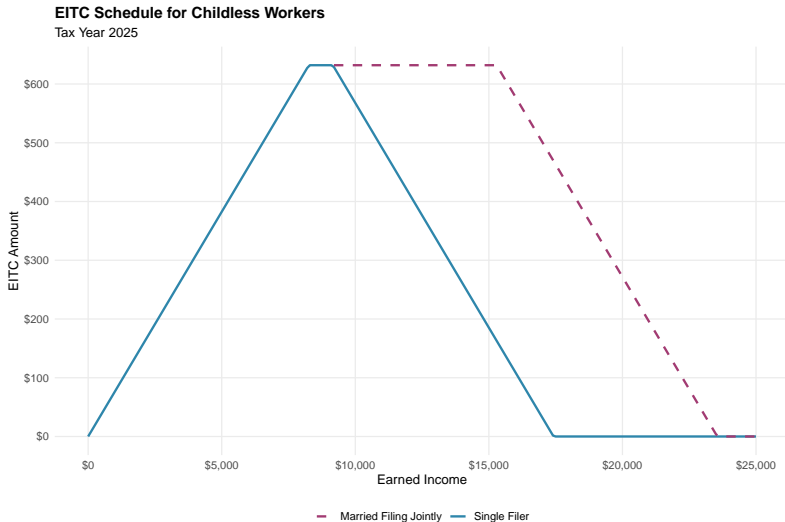
Microdata

- CPS ASEC microdata (IPUMS), tax years **2010–2020** and **2022–2024**.
- Sample: adults ages **25–64** without qualifying children (and spouses, if married).
- Drop observations with imputed wages/earnings to limit measurement error.

Policy and outcomes

- Federal EITC **eligibility** and **amount** are **simulated** from CPS income and family structure using IRS EITC rules by year.
- State minimum wage histories merged in; key regressor: **state MW above federal floor** and its square.
- State controls include unemployment and real GDP per capita (preferred specs); state and year fixed effects.

Federal EITC schedule (childless adults, TY 2025)



Dashed line shows extended plateau/phase-out for married joint filers

Florida earnings distribution (2018–2024)

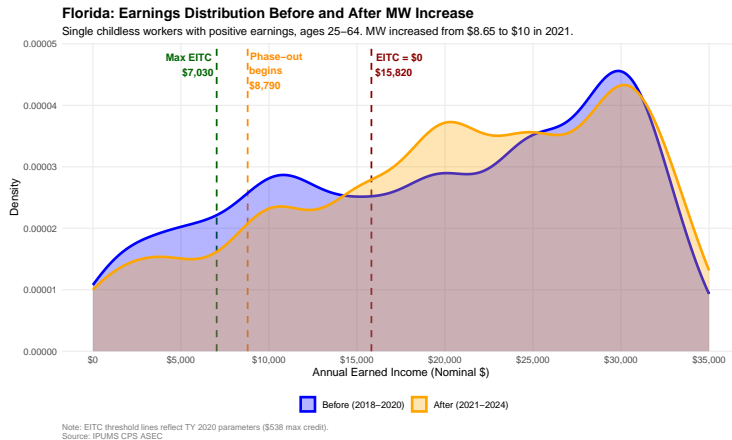


Figure 4: Florida earnings (kernel density), 2018–2024

Minimum wage and EITC eligibility

	Dependent Variable: eitc_eligible				
	(1)	(2)	(3)	(4)	(5)
Constant	0.1293*** (0.0025)				
StateMWAboveFed	-0.0062*** (0.0016)	-0.0049* (0.0020)	-0.0048* (0.0019)	-0.0053*** (0.0014)	-0.0065*** (0.0013)
StateMWAboveFed ²	0.0004* (0.0002)	0.0004* (0.0002)	0.0004* (0.0002)	0.0005*** (0.0001)	0.0009*** (0.0001)
unemp_rate				0.0025* (0.0015)	0.0006 (0.0013)
log(real_gdp_per_cap)					-0.1266*** (0.0289)
<i>Fixed Effects:</i>					
Year FE	No	Yes	Yes	Yes	Yes
State FE	No	No	Yes	Yes	Yes
S.E. Clustered by	STATEFIP	STATEFIP	STATEFIP	STATEFIP	STATEFIP
Observations	289,555	289,555	289,555	275,806	253,812
R ²	0.00054	0.00090	0.00234	0.00242	0.00258
Within R ²	—	0.00018	0.00006	0.00009	0.00018

Predicted changes in EITC eligibility (based on prior table)

MW Level (per hour)	Change in EITC Eligibility (pp)	Change Relative to \$7.25/hr Baseline
\$8.00	−0.44	−3.5%
\$9.00	−0.86	−6.8%
\$10.00	−1.11	−8.8%
\$11.00	−1.17	−9.3%
\$12.00	−1.06	−8.4%
\$15.00	0.37	2.9%

Minimum wage and EITC amounts

- For low earners (less than 35k), higher minimum wages are associated with **slightly lower real federal EITC amounts** (less than 4\$ per 1\$ minimum wage increase).
- Among those who are EITC-eligible, estimated effects of minimum wages on EITC amounts are noisy and generally not statistically significant.
- **Interpretation:** minimum wage increases more strongly associated with **moving people in/out of eligibility** than changing average EITC amounts conditional on eligibility.

Conclusion

- **Main message:** State minimum wage increases associated with **lower federal EITC eligibility** for childless adults, with the largest declines ($\approx 9\%$) at **moderate** state minimum wage levels.
- **EITC amounts:** Conditional on eligibility, no robust changes in the federal credit amount; mechanically, eligibility is the main margin.
- **Policy implication:** When states pair MW hikes with childless EITC expansions, some intended beneficiaries may be pushed above eligibility cutoffs. States can consider increasing eligibility cut-offs to limit loss of eligibility.
- **Next steps:** Separate mechanical eligibility effects (at constant hours worked) from labor supply/demand and other changes.

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