The EITC and Intergenerational Mobility

by

Maggie R. Jones
U.S. Census Bureau and IZA

Emilia Simeonova
Carey Business School, Johns Hopkins University

Randall Akee
Luskin School of Public Affairs, UCLA

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Abstract

We study how the largest federal tax-based policy intended to promote work and increase incomes among the poor—the Earned Income Tax Credit (EITC)—affects the socioeconomic standing of children who grew up in households affected by the policy. Using theuniverse of tax filer records for children linked to their parents, matched with demographic and household information from the decennial Census and American Community Survey data, we exploit exogenous differences by children's ages in the births and "aging out" of siblings to assess the effect of EITC generosity on child outcomes. We focus on assessing mobility in the child income distribution, conditional on the parents' position in the parental income distribution. Our findings suggest significant and mostly positive effects of more generous EITC refunds on the next generation that vary substantially depending on the child's household type (single-mother or married family) and by the child's gender. All children except White children from single-mother households experience increases in cohort-specific income rank, own family income, and the probability of working at ages 25–26 in response to greater EITC generosity. Children from married households show a considerably stronger response on these measures than do children from single-mother households. Because of the concentration of family types within race groups, the more positive response among children from married households suggests the EITC might lead to higher within-generation racial income inequality. Finally, we examine how the impact of EITC generosity varies by the age at which children are exposed to higher benefits. These results suggest that children who first receive the more generous two-child treatment at later ages have a stronger positive response in terms of rank and family income than children exposed at younger ages.

Keyword*:* Earned Income Tax Credit, Intergenerational Mobility, Administrative Data, Census, Earnings.

JEL Classification: H24, I38, J62

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1. Introduction

The Earned Income Tax Credit (EITC) is the best-known and most widely utilized provision of the federal income tax code that targets families of low-income tax filers. As opposed to other means-tested programs, such as the Supplemental Nutritional Assistance Program (SNAP), the EITC is available only to working adults and is administered through the Internal Revenue Service as an addition to a refund on filed earned income. The EITC was first adopted in 1975 as a modest transfer to working families. It has expanded substantially and is currently the largest government cash-transfer program. In 2018, 22 million working families and individuals received EITC, with an average refund of $3,191 for a family with children. Maximum credit dollars reached $5,828 for a family of four earning around $20,000 in 2019. Refunds for families and individuals without children are much smaller, with an average payment of $298 in 2018 (Center on Budget and Policy Priorities, 2019).

Researchers credit the EITC with lifting families out of poverty, encouraging employment, and improving the long-term wellbeing of families and children (Dahl and Lochner, 2012; Hoynes et al., 2015a; Eissa and Liebman, 1996; Bastian and Michelmore, 2018; Bastian, 2020). Very little is known about the potential effects of EITC on the long-term outcomes of children from affected households, but recent research has examined late childhood and early adult outcomes (Dahl and Lochner, 2012; Bastian and Michelmore, 2018). At the same time, a large and growing literature has shown that family financial conditions during childhood, and in particular family income, have strong and persistent effects on children's wellbeing as young adults and beyond (Currie, 2009; Almond et al., 2018; Hoynes et al., 2016; Akee et al., 2013, 2018). Further, research has shown that parental use of welfare benefits and government programs affects children's utilization of these programs (Dahl et al., 2014); if the same is true of intergenerational EITC use, this may result in additional positive effects on labor force attachment and earnings.

Another strand of the literature has found that programs that enable families to "move to opportunity" have lasting impacts on the outcomes of low-income children (Chetty et al., 2016; Chetty and Hendren, 2018). In light of the fact that the EITC is often used to forestall eviction or improve a family's housing situation (Pilkauskas and Michelmore, 2019), an important and unexplored question in EITC research is how the EITC compares to other public-assistance programs, such as housing-voucher programs, in improving children's opportunities and outcomes. By using the same analysis data and similar cohort years as a recent, large-scale study of intergenerational mobility, we are in a position to assess the impact of EITC dollars on the next generation's outcomes as adults.

There are several reasons why the EITC could affect children's long-term outcomes. Prior research has demonstrated that the EITC increased household incomes and reduced the incidence of poverty among at-risk families (Dahl and Lochner, 2012; Hoynes et al., 2015a). It also affected labor force participation and attachment, especially for single mothers (Eissa and Liebman, 1996; Bastian and Michelmore, 2018; Bastian, 2020), and reduced levels of maternal stress, potentially leading to gains in long-term health status (Evans and Garthwaite, 2014). Theoretically, these findings on households' response to EITC could have the opposite effects on children's long-term labor market outcomes. On the one hand, increased household incomes, parental labor force attachment, and better parental health should have positive effects on children's long-term labor-market success. On the other hand, increased labor-force participation, especially by single mothers, is often associated with less parental supervision, which could lead to undesirable social behaviors (Dave et al., 2019).

The immediate effects of public policies aimed at reducing poverty are relatively well researched and evaluated (Hoynes et al., 2015a; Bitler and Karoly, 2015; Bitler et al., 2017; Aizer and Currie, 2014). However, the long-term and intergenerational effects are not as well understood, and they may run contrary to initial expectations because of the many different choices involved in deriving maximum individual benefit from the policy for the generation immediately affected by it. In light of the recent surge in interest in the determinants of intergenerational economic and social mobility, it is crucial that we understand better how the most expensive U.S. tax policy intended to promote work has impacted the long-term wellbeing of the next generation.

In this study we use individual-level panel data from linked Internal Revenue Service tax data and Census Bureau demographic data to evaluate whether changes in the generosity of the EITC affected the intergenerational transmission of socio-economic status. We make several contributions to the literature. First, to our knowledge, this is the first study to examine how a large federal anti-poverty program in the United States affects intergenerational income mobility. Second, because we have access to individual data, we test for important heterogeneities in effects across socio-demographic characteristics of the parents and the children at the time of EITC expansion, such as single parenthood, child gender, and race. Importantly, because we use variation in the age at which increased EITC generosity affects children residing in the same state, our estimates are not affected by other entitlements and government programs (such as Medicaid expansions), which applied to children of all ages at the time of implementation.

We find strong positive correlations between parental income and child income rank for those born in households whose income, on average, is within the qualifying range for EITC. The correlation is stable around 0.27. Consistent with some of the other literature on the effects of positive socio-economic changes to households on children's long-term outcomes, we find a positive impact of greater EITC generosity on the affected household children's outcomes measured when they are ages 25–26. These positive impacts include an improved rank in the child income distribution, higher family income, greater labor force participation, lower incidence of filing as a single parent, and a lower instance of claiming EITC in adulthood. Results vary by childhood family type and child gender, with children from married families showing stronger labor-force attachment and rank/income improvement than children of single mothers. Additionally, effects vary by race, with children from White single mothers showing less positive outcomes than comparable Black children. Girls from single-mother families improve more in income rank than do boys of single-mother families, and girls from married-parent families display stronger labor-force attachment in response to greater EITC generosity than boys from a similar background.

We collect these results to consider the impact of the EITC on differential mobility by race. Our sample of children display mean differences by race in the probability of having a married parent, with Black children more likely to grow up in single-mother households. Due to this difference in the concentration of family type by race group, a more positive response among children from married households suggests the EITC leads to higher racial income inequality in the second and later generations.

We also exploit the expansion in EITC generosity that occurred around 1994 as a way to examine variation in outcomes by the age when a child was first eligible for the new, two-child credit. Among children with siblings, there is suggestive evidence that the EITC was less positive for children of single mothers if they were "treated" at ages younger than 10, and more positive at later ages. While these results may seem to be at odds with the literature focusing on the early educational intervention for young children as shown by Heckman et al. (2010, 2013), our intervention focuses on changes in household income. Therefore, the differences at age of intervention for changes in households may play a different role than early educational interventions. This is true for rank position, family income, and the probability of single parenthood; however, our results are largely driven by the response among girls.

2. Background

2.1. The Earned Income Tax Credit

The EITC was developed in the 1970s as a way to compensate low-wage workers for regressive payroll taxes. The EITC refunded 10 cents of every earned dollar, up to an earnings maximum level of $5,000, at which point the credit phased out at a rate of 12.5 percent of income. The maximum credit a tax filer could be eligible for was between $400 and $500 between 1975 and 1986 (about $1,200 in 2019 dollars). The tax credit required some positive earnings and the filer had to have a qualified child in the household; there was no childless household EITC during the initial phase of the program.

During the decade of the 1990s, EITC qualifying rules and generosity underwent dramatic changes. Tax code amendments included a more generous benefit schedule for all families, gradually implemented over 1991 to 1996, that increased the phase-in rate from 14 percent per dollar of earned income in 1990 to 34 and 40 percent in 1996 for households with one and two or more children. A new credit schedule for childless earners was added in 1994. Meanwhile, rules over eligibility tightened, including a new cap on investment income. Section 4 describes further details of the EITC as they relate to our empirical strategy.

2.2. Related research

This work is related to several strands of the existing literature. First, we contribute to the work on intergenerational mobility that relates parents' and childrens' income ranks over time. That literature examines the persistence of income ranks across parent-child generations. There has been considerable research in the previous twenty years examining whether the intergenerational transmission of economic conditions and circumstances has been increasing or decreasing. Solon (1992) uses the Panel Study of Income Dynamics and finds that the log-log regression of parent's earnings on children's earnings results in an intergenerational elasticity (IGE) of 0.4. This estimate was significantly larger than previous estimates of elasticity such as Corak and Heisz (1999) who use Canadian tax data and find an IGE of 0.2. In related research, Lee and Solon (2009) using the PSID finds stability in IGE over time for males and estimates IGE of between 0.34-0.52 on an annual basis for the years 1977-2000. They find an increasing IGE over time for daughters, however, that ranges in value from 0.05 to 0.56 over the same time period. Corak's review of the literature Corak (2006) concludes that the range of IGE from the majority of the literature up to that point indicate appropriate ranges of 0.13-0.54. In an influential piece of research, Mazumder (2005) finds using the Survey of Income and Program Participation matched data that IGE for the population is approximately 0.6. He attributes his estimates to a longer and more appropriate range of earnings observations for both parent and child in this data. He argues that the longer time frame of data allows for transitory earnings fluctuations to average out. Aaronson and Mazumder (2008) use synthetic cohorts from the U.S. Census and also find a relatively high value for IGE of 0.4-0.5. Mazumder (2016) using the PSID also finds an IGE of 0.6 in this even longer time frame. He mentions the necessity of having coverage of the earnings lifecycle in the data and that measures based on rank should also be used in analysis.

Other researchers have examined the differences in economic opportunity for children growing up across the U.S. and how exposure to improved opportunity affects the next generation (Chetty et al., 2018, 2014; Bloome, 2014). We adopt many of the definitions of that literature, including employing income ranks in our analysis.

A second strand of emerging related research is dedicated to the intergenerational effects of public policies. Some of this work has focused on the intergenerational effects of fertility policies (e.g., Ananat and Hungerman (2012); Madestam and Simeonova (2018)); others have investigated large public assistance programs such as Food Stamps (e.g., Hoynes et al. (2015b)) and the expansion of public health clinics and Title X (Bailey et al., 2019). This work is also related to the large literature on household socio-economic status and children's adult outcomes, ranging from socio-economic success to long-term health. This literature has demonstrated strong associations between parents' resources and children's success. As the EITC expansion created exogenous positive variation in some families' resources (but not others'), our findings contribute to the small but growing branch of this literature exploiting natural and social experiments to identify the mechanism of SES transmission across generations net of selection and omitted variable biases.

Last, and most directly, this work is related to the many strands of research on the effects of EITC and EITC expansions on the individuals directly affected by the policy and their dependents.

2.3. EITC and Effects on Parents' Outcomes and Own Employment

Eissa and Liebman (1996) investigate the role of the 1986 EITC expansion on mothers' labor force participation and hours worked; they find that there is an almost 3 percentage point increase in labor force participation rates for single mothers with children. Subsequent analysis by Eissa and Hoynes (2004) finds that later expansions of EITC to married couples effectively reduces total family labor supply. Their analysis finds that while males increase their labor force participation, their female spouses tend to more than proportionately reduce their labor force participation rates. On net, this leads to a reduction in total family labor in the market; the authors characterize the expansion as subsidizing married mothers to stay at home. On the other hand, Hotz et al. (2006) find that EITC increases labor force participation for single-parent families. Chetty et al. (2013) find that the EITC provides significant incentives for individuals to increase the number of hours worked so as to maximize their EITC refunds on the initial phase-in portion of benefits. The prevailing analysis for EITC impact shows that the EITC has an effect on hours worked as well as on labor force participation—both on intensive and extensive margins.[1]

2.4. The EITC and Children's Outcomes

The most closely related literature is that on EITC and children's educational outcomes—in the period during and right after EITC exposure, and also the college years. Dahl and Lochner (2012) utilize the same variation in EITC as we do—the federal expansion for households with two or more children—and data from the NLSY to investigate the effect of increased household resources on children's test scores. They find that a thousand dollar increase in income improved math and reading test scores by six percent of a standard deviation. This improvement is contemporaneous with EITC receipt by the mothers, and echoes findings on reduced maternal stress by Evans and Garthwaite (2014), and findings in Akee et al. (2013, 2018) demonstrating that extra income reduces parental stress and improves children's schooling outcomes and emotional and behavioral health. Our analysis differs from the Dahl and Lochner (2012) analysis in two ways: first, because we have more observations we are able to disaggregate by race and gender of the focal child; second, we look at long-run outcomes for the children when they are adults.

A contemporaneous paper by Chetty et al. (2011) examines how the EITC affects long-run outcomes through its impact on childhood test scores. Dahl and Lochner (2017) rely on the National Longitudinal Study of Youth, which while representative does not contain a large number of individuals. Chetty et al. (2011) combine data from a large urban school

[1]This consensus view was challenged recently by Kleven (2019), which in turn has been challenged by Schanzenbach and Strain (2020).

district with administrative tax records. Importantly, they also find that a $1,000 increase in tax credits leads to a 6% of a standard deviation increase in childhood test scores. This increase in childhood test scores results in a 0.3 percentage point increase in college going by age 20.

Bastian and Michelmore (2018) consider exposure to EITC throughout childhood and across all children from potentially affected cohorts that are surveyed by the PSID. They sum the total amount of EITC credits that the child could potentially be eligible for during her time in her parents' household, regardless of whether the child's household was ever actually eligible for EITC receipts. Both single children and children from multiple sibship pairs are included in the analysis, and the identifying variation comes from changes in EITC exposure by birth cohort and state of residence. Thus, the estimated results are interpretable as the average effects of EITC exposure by state and birth cohort across all children. Bastian and Michelmore use all EITC expansions, thus utilizing changes in household refunds starting as early as 1975, and relatively few children—thus a very small fraction of the identifying variation comes from cohorts born after 1990. The most substantial changes in EITC generosity happened in the period 1991–1996.

3. Data

3.1. Data Sources

Our data reflect the same intergenerational relationships as described in Chetty et al. (2020) (hereinafter CHJP). The online appendices to that paper provide the details on the sources of variables and their descriptions. In brief, the data comprise information from several Census-held data sets: the decennial 2000 and 2010 short forms; the decennial 2000 long form; the 2005 to 2017 American Community Surveys (ACS); IRS Form 1040 returns from 1994, 1995, and 1998 to 2017; and IRS Form W-2 data from 2005 to 2017. The decennial short forms cover the entire population of the U.S., while the long form and ACSs are stratified random samples covering one-sixth and 2.5 percent of U.S. households per year, respectively.

These records are linked using a unique person identifier called a Protected Identification Key (PIK) that the Census Bureau assigns using personally identifiable information such as a Social Security Number (SSN), name, address, and date of birth. The algorithm used for record linkage is described in Wagner and Layne (2014). CHJP, both in its text and online appendices, provide evidence on the quality of the PIK placement and data match. The population frame for the linked data is the 2016 Census Numident, which is the universe of SSNs issued up to that year.

3.2. Sample and variable definition

Our target sample comprises all children in the 1979–1991 birth cohorts who were born in the U.S. or who came to the U.S. in childhood. Both children and their parents must be authorized immigrants to be included in the sample. We identify all children who were claimed as a child dependent on an IRS 1040 tax form at any time between 1994 and 2017. Children were assigned a unique identifier beginning in 1994 from the IRS 1040 tax forms. We code the first person to claim the child as a dependent as the child's "parent," for the duration of our analysis; we restrict parents to any adult who appears in the 2016 Numident and were between the ages of 15 and 50 when the child was born. In two-parent households, we take the head of household as the child's parent. The linking to an invariant parent captures approximately 93 percent of all children who appear in the Numident in the target cohorts.

In assigning siblings, we collect children by the mother's identifier, regardless of whether the mother's filing status changed between sibling births. For example, a child claimed in 1994 by two parents may have a sibling born after 1994 who was claimed only by the mother. In each child's case, the mother's filing status is captured at the time of the focal child's claiming—in the example considered here, the mother would be considered married throughout the focal child's childhood. When the mother's identifier is absent, we use the father's identifier. While the target sample includes birth cohorts 1979–1991, we capture siblings claimed on parents' 1040s who were born between 1978 and 1999.

Our key outcome of interest is the child's rank in the cohort income distribution averaged over ages 25 and 26. For children born in 1991, this value is captured in 2016/2017, our last available years of tax data. This choice of cohort range and the timing of the outcome "sandwiches" our sample between two events: our youngest cohort was 2- to 3-years-old at the time of the major EITC policy changes in the 1990s and were 17-18 (aging out of eligibility) at the time of the 2009 three-child expansion. Rank definitions for both parents and children are based on family income reported in the adjusted gross income field of the IRS 1040 form.[2] Parents' income is averaged over years 1994–2000 and is measured within the focal child's cohort. We also examine a child's individual income (from W-2 reported earnings) and family income (from 1040 filings).

Another outcome of interest is whether the child is working at ages 25/26. Working is defined as having non-zero individual earnings. Our third outcome of interest is whether the children themselves, as adults, claim EITC for their own family. We define both a binary outcome variable for any EITC claiming and also examine the average amount of EITC claimed by the child.

We define child and parent's race based on the most recent race reported for them on a decennial census or an ACS. Gender is also defined using the available demographic data. The filing status of parents, used to identify our sample of single mothers, is derived directly from the Form 1040 on which the child was first claimed. We define single mothers as those who file as "single" or "head of household" and married families as those who file jointly. We consider households below the 35th percentile of the income distribution because these households could, on average, qualify for EITC.

Several features of this time frame should be noted. First, all of the children in our sample were still claimable by parents under different EITC regimes, with major EITC changes taking place in 1985 (children ages 1 to 6) and over 1991–1996 (children ages 1 to 18). Each cohort in our sample spent at least some of their childhood after the one- versus two-child split in the EITC schedule, which provides much of the source of variation in lifetime EITC amount within a cohort.

[2] We mention that the tax unit as designated in the IRS 1040 form is not necessarily the same as a household as defined by U.S. Census purposes. However, we use this reporting of tax unit total income reporting as a proxy for family incomes throughout our analysis.

Our main treatment variable is the lifetime value of EITC, which depends on the focal child's cohort and the number and timing of a focal child's siblings (we cover the calculation of the variable in detail in the methodology section). Because of differences in scale and to facilitate interpretation, we express this variable in \$10,000s, dividing family income the individual child's income by the same value. EITC claimed by the focal child between 25/26 is expressed in \$100s.

3.3. Sample description

Table 1 presents the means for the main outcomes and explanatory variables for children residing in households below the thirty-fifth percentile of the parental income distribution averaged over the period 1994 to 2000. We also report means for the two subsamples that we consider—children who grew up in single-mother families or in married-parent families. The category that is not shown comprises children who were first claimed by an unmarried father. Children of single mothers are exposed to slightly less potential EITC compared to children from married families, which is likely a function of higher fertility rates for married mothers at this income range, as seen by the greater number of siblings for children of married families.

Demographic characteristics are in line with expectations, with a higher proportion of Black children growing up in single mother families compared with White, Asian, or Hispanic children. Single mothers also have a lower average income rank compared with married families.

4. Empirical Methodology

Our analysis is based on linked parent-child observations spanning several decades. In practice, we observe parents over the years 1994-2000 and average their income amounts to identify their income ranks. Using unique child identifiers, we locate the focal child as an adult at ages 25 or 26 in their respective cohort income distribution. Additionally, we are able to estimate our variable of interest—the lifetime EITC amounts a focal child is eligible for in their household given the number of siblings and level of generosity of the EITC program—due

Table 1: Summary statistics

	All Families	Single Mothers	Married Families
	(1)	(2)	(3)
Childhood eligible EITC, in 10,000s	5.86	5.73	5.97
Average child income rank at ages 25-26	0.41	0.39	0.45
Child family income at 25-26	21,430	19,900	24,910
Child individual income at 25-26	16,260	15,690	17,940
Child works at ages 25-26	0.80	0.82	0.82
Child single parent at 25-26	0.02	0.02	0.02
Average EITC claimed at ages 25-26	84.71	93.52	70.85
Probability child claims EITC at ages 25-26	0.04	0.04	0.03
Child cohort	1985	1985	1985
Number of siblings	2.39	2.13	2.70
Years between closest sibling	2.44	2.43	2.55
Order of siblings	1.52	1.44	1.63
First child	0.62	0.66	0.56
Male	0.51	0.50	0.51
White	0.42	0.36	0.56
Black	0.26	0.38	0.09
Asian	0.04	0.02	0.07
Hispanic	0.23	0.20	0.23
AIAN	0.01	0.01	0.01
Other	0.03	0.03	0.03
Parent income rank	0.17	0.16	0.20
Parent year of birth	1959	1960	1959
Single mother	0.43	1.00	.
Married family	0.38	.	1.00
Observations	17,700,000	7,569,000	6,779,000

Source: Linked parent-child data derived from Numident, 2000 and 2010 decennial, American Community Survey, and Form 1040, Form W-2, and Form 1099 tax records. Numbers were rounded to comply with disclosure-avoidance guidelines; Census Bureau's Disclosure Review Board approval number CBDRB-FY2021-CES014-001.

to the longitudinal nature of our data set.

Our analysis focuses on children born between 1979 and 1991. These children are included on the parents' 1040 IRS forms. For siblings, we capture individuals who were claimed on parents' 1040 forms between the years 1978 and 1999 to identify whether they play a role in the two-child EITC eligibility for the household. We also examine these focal children as adults and examine their outcome variables such as income, employment, single parenthood, income rank at ages 25/26. Our last available year of data is 2017.

Children covered in our analysis grew up over a period of expanding EITC generosity (1991-1996). In 1991, the two-child credit schedule was added, although in this year the difference between it and the one-child credit was only $43 at the maximum credit value. This maximum credit difference changed little between 1991 and 1993. Then, between 1993 and 1994, the credit difference expanded from $77 to $490, the largest single increase in percent terms over the policy roll-out (a 36 percent change versus 8 to 18 percent in all other years). Figure 1 shows the changes in generosity in the EITC schedule by number of children over time.

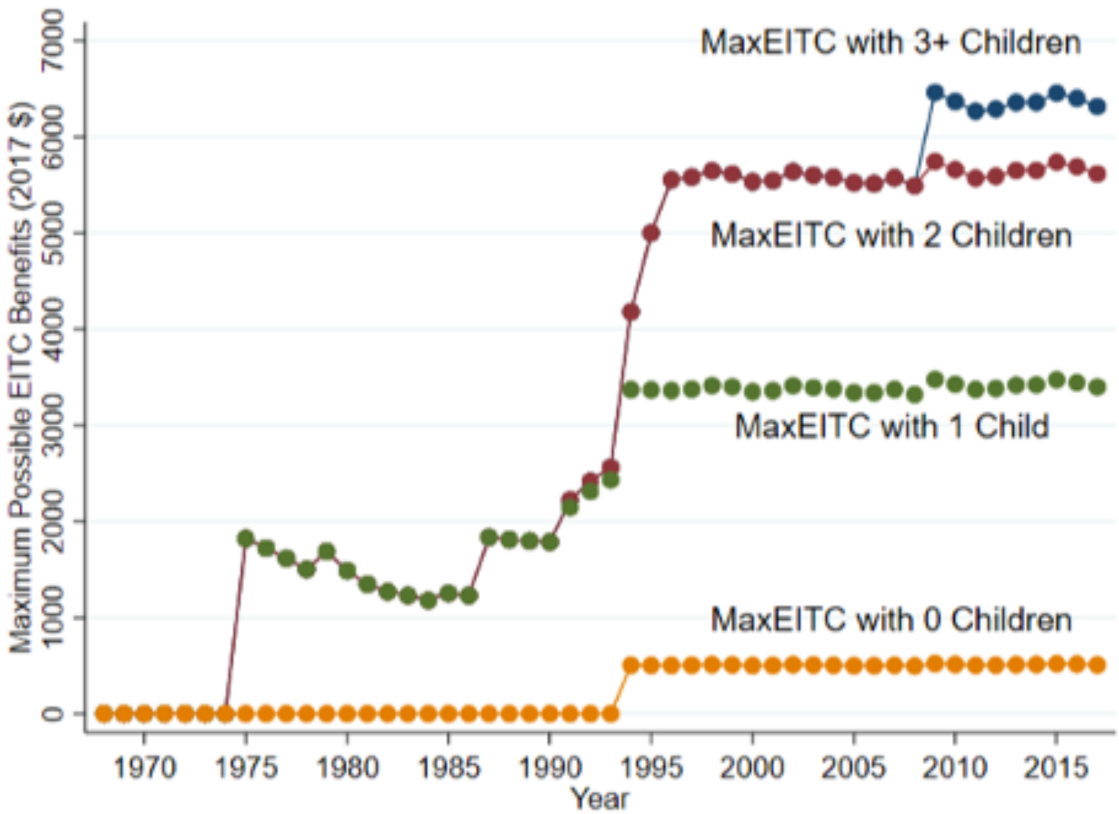
Throughout our analysis, we follow the standard procedure of treating EITC policy changes as exogenous in terms of family structure. We apply broad eligibility by family size over the lower third of the parental income distribution, rather than calculating it directly using income or earnings, which may be endogenously determined by households' adapting their labor supply to changes in EITC generosity. Our estimates are thus interpretable in an intention-to-treat framework.[3]

For each child, we calculate the year-by-year maximum EITC, adjusted to 2015 dollars, that a child's household would be eligible for based on the number of children in the household for that year. This annual value is calculated independent of parental income.[4] These annual

[3]If the parents in our analysis data respond to the EITC by increasing their own rank, we may mechanically over- or underestimate the EITC's impact on a child's income rank. We examined this through both a standard difference-in-differences model, where we estimated parents' year-by-year income rank as a function of EITC generosity changes and all of the time-variant and -invariant controls used in the child-specific regressions; and through individual fixed-effects models, where the filing unit was the unit of observation. In each case, we estimated precise zeroes—either very small positive or very small negative effects—depending on the model and the inclusion of parents with gaps in their tax filing. Taken together, the results provide little concern that movement in the parent income distribution bias our findings.

[4]We restrict our analysis to families whose average parental income rank was below the 35th percentile to

Figure 1: **Changes in EITC eligibility over time**



values are then summed to generate a "childhood total EITC," expressed in $10,000s. This value implicitly nests variation in EITC "treatment" based on three characteristics: the cohort of the child, which captures variation over time in EITC generosity; the child's order in the family, which determines the persistence of the two-child versus one-child treatment based on whether the child is an only, middle, first, or last child; and the difference in age between the child and their older/younger sibling, which determines the duration of the two-child versus the one-child treatment. Because of the time frame of our data, we use the age of 18 as the last year of eligibility, even though full-time students may remain eligible until age 24.

For example, focal children born in 1991 or later, with both an older and a younger sibling (appropriately spaced), live in a family that was eligible for the two-child credit for the

focus on EITC-eligible households.

entirety of the child's lifetime. We assign the maximum possible lifetime value to these focal children. Alternatively, a child in the same cohort with only an older sibling would reside in a household eligible for the two-child credit for the years in which the older sibling was below age 18 ("aging out"). On the other hand, focal children with just a younger sibling would reside in a household eligible for the two-child credit only for the years after their sibling was born (for siblings born after 1991). This provides significant variation in the total lifetime EITC credit for children from the same birth cohort as well as variation among children with the same number of siblings (due to sibling age with respect to the focal child's age and with respect to 1991). Finally, single children are assigned the maximum possible value for the one-child credit.

The main estimating equation is:

$$Y_i = \alpha + \beta \times ParentRank_i + \delta \times LifetimeEITC + \nu_i + \theta_i + \gamma_i + \mu_i + \omega_i + \pi_i + \chi_i + \epsilon_i \quad (1)$$

where the outcomes, measured between ages 25 and 26, include: the child's income rank in her cohort's income distribution; the child's family and individual income; whether the child worked; whether the child filed as a single parent; the dollar amount of EITC claimed by the child as an adult; and a binary outcome variable indicating receipt of EITC as an adult. The variable $ParentRank_i$ is the income rank of the claiming parent averaged over the years 1994 through 2000 within the parent's birth cohort. We include a measure for the lifetime EITC receipt (during childhood) that a child is eligible for given the family structure, birth cohort, and family type: this variable is $LifetimeEITC$. The additional control variables are cohort fixed effects, ν_i; birth order fixed effects, θ_i; a gender dummy variable, γ_i; single-mother family-type, μ_i; race fixed effects ω_i; indicators for the total number of siblings, π_i; a parent cohort fixed effect; a quadratic in the difference in age to closest sibling; and a state of residence fixed effect, χ_i. Family type (married vs. single) is assigned based on the first year that a child is claimed. Along with state fixed effects, we include a rich set of state-level covariates that are measured when the focal child is claimed, including minimum wage rates, employment rates, AFDC/TANF waiver types and time limits, and state EITCs.

Differences in outcome variables, conditional on parental income rank, are thus identified through differences in the total childhood EITC amount eligible for children born in the same cohort, having the same birth order, family type, gender, race, and total sibship size and sibling age differences, and residing in the same state at the time they are first claimed. The cohort years we examine allow us to calculate our main outcome—child income rank averaged over ages 25 and 26—for all children from the same birth cohort.

A potential threat to identification could arise from endogenous fertility in response to the increased EITC generosity for families with 2 or more children. If some families responded to the policy by acquiring more children, then a specification comparing families of different sizes over time would produce biased estimates affected by selection. This is not a concern for us for two reasons. First, there is no evidence that the EITC affected fertility (e.g., Baugman et al., 2009) or marriage formation. Second, our identification is based on differences between children treated at different ages, with variation in treatment within a cohort depending on the timing of sibling births and the focal child's order in the family rather than general fertility.

As a further investigation into the impact of EITC generosity by the age of the focal child, we restrict our analysis only to children who have siblings and examine the timing of the two-child credit based on cohort and sibling ages. We use own age and sibling age vis-a-vis 1994 as the treatment, since this was the year of the largest percentage increase in the two-child versus one-child credit. While some of the variation in this treatment will come from higher-order children who gain a sibling, some of it will come from a child's cohort and family structure in 1994. For this analysis, we continue to control for both parental income rank and lifetime EITC.

For all analyses, we provide subgroup results for key groups: single versus married families, girls versus boys, and Black children versus White.

5. Results - Intention to Treat Estimates of Childhood EITC on Adult Outcomes

Table 2 shows the results from estimating equation 1. The treatment variable of interest is childhood total EITC, constructed as described earlier. The child's rank in the child-specific household income distribution is calculated as the child's average rank over ages 25 and 26. Family income reflects the adjusted gross income reported on the 1040, while individual income reflects W-2 wage and salary income. "Working" reflects the presence of W-2 or self-employment data. Single filing is captured on the 1040, where we can also observe if the filer claimed children and EITC. The total EITC dollar amounts are derived from 1040 variables: the number of children claimed for EITC and the dollar amount of earnings on which the EITC claim is based. This is a simple calculation of what the focal child claimed, on average, between the ages of 25 and 26.

In each case, we report the association between parent household income rank and the outcome variable, finding an overall child income rank association of 0.27, which is close to the values calculated in CHJP. Higher parental income is associated with higher family and individual income, a higher probability of working, and a lower involvement with single parenthood and EITC claiming in early adulthood.

Meanwhile, higher values of childhood EITC led to an increased rank in the child income distribution, with $10,000 more childhood EITC associated with a 0.3 percentage point higher rank. For family income, $10,000 more lifetime EITC is associated with $240 annually, but has no effect on individual income. More childhood EITC also leads to a 0.4 percentage point increase in the probability of working at ages 25 and 26, a 0.1 increase in single-parent filing, and about $8 in EITC dollars claimed.

In the next two panels, we present the results for single mother households and married households separately. Higher values of childhood EITC increase the child's own rank in the child household income distribution for single mother and married households: a $10,000 increase in EITC leads to a 0.7 percentage point increase in child rank for children brought

Table 2: Effect of childhood total EITC on child outcomes, conditional on parent rank

	Rank	Family income	Individual income	Working	Single parent	EITC claimed	Claim probability
Panel A: All families							
Parent income rank	0.268***	2.025***	1.577***	0.248***	-0.008***	-0.816***	-0.020***
	(0.0133)	(0.0871)	(0.0619)	(0.0116)	(0.0008)	(0.0360)	(0.0011)
Childhood eligible EITC,	0.003***	0.024***	-0.002	0.004***	0.0003***	0.008**	0.000
in $10,000s	(0.0004)	(0.0055)	(0.0141)	(0.0005)	(0.0001)	(0.0029)	(0.0002)
Observations	17,700,000						
Panel B: Single mothers							
Parent income rank	0.283***	2.115***	1.775***	0.258***	-0.008***	-0.875***	-0.021***
	(0.0119)	(0.0695)	(0.0908)	(0.0130)	(0.0011)	(0.0398)	(0.0013)
Childhood eligible EITC,	0.003***	0.029***	-0.020	0.004***	0.0005**	0.018***	0.0004*
in $10,000s	(0.0003)	(0.0068)	(0.0287)	(0.0006)	(0.0001)	(0.0045)	(0.0002)
Observations	7,569,000						
Panel C: Married families							
Parent income rank	0.246***	1.913***	1.387***	0.228***	-0.006***	-0.750***	-0.020***
	(0.0175)	(0.1339)	(0.0811)	(0.0135)	(0.0006)	(0.0526)	(0.0012)
Childhood eligible EITC,	0.007***	0.052***	0.030***	0.008***	0.0002	0.008	-0.000
in $10,000s	(0.0005)	(0.0056)	(0.0034)	(0.0005)	(0.0002)	(0.0064)	(0.0003)
Observations	6,779,000						

Source: Linked parent-child data derived from Numident, 2000 and 2010 decennial, American Community Survey, and Form 1040, Form W-2, and Form 1099 tax records. All models include the covariates listed for equation 1. Each dependent variable is averaged over ages 25–26. Income variables were divided by 10,000 to scale to the treatment variable; the "EITC claimed" variable was divided by 100. Numbers were rounded to comply with disclosure-avoidance guidelines; Census Bureau's Disclosure Review Board approval number CBDRB-FY2021-CES014-001.

up in married households and a 0.3 percentage point increase in income rank for children from single-mother households. In terms of family income, $10,000 more of lifetime EITC leads to $520 and $290, respectively. While statistically significant, this overall impact is modest in absolute dollar terms. As a comparison, Chetty et al. (2018) find that moving to a neighborhood with 1 percent better outcomes in childhood is associated with a few thousand dollars per year more in young adult income. However, if we consider the amount of EITC received annually per household per child, the effects we find are not trivial. The average household received around $3000 and had about 2.4 children. The amount received per child per year is thus about $1250. We find that this transfer results in $300 to $500 in extra income per child per year in young adulthood, implying a basic rate of return of 25 to 40 percent. Children from single-mother families did not see a bump in individual income, but children from married families experienced $300 more in response to higher lifetime EITC.

For both sub-samples, a $10,000 increase in lifetime EITC receipt increased the probability of working in a child's mid-20s by 0.4 to 0.8 percentage points. Meanwhile, although children from single-mother families responded to greater EITC generosity with higher rates of single parenthood (0.1 pp), EITC claiming (0.4 pp), and EITC dollars claimed ($18), children from married families did not respond on these parameters. Taken holistically, these results imply that children who grew up in married families garnered greater benefits from equivalent EITC generosity than did children who grew up in single-mother households in terms of income, labor force participation, and family formation.

5.1. Girls versus Boys

In Table 3, we examine differences by gender and the two family types: single mothers and married families. For single-mother families, the improvement in income rank is driven by girls, who show a 0.4 pp increase in income rank for every $10,000 of childhood EITC. The effect for boys is about 4 times smaller and borderline statistically significant. Girls from single-mother households also show an increased response in family income, and both boys and girls show an increase in labor force participation (0.4 pp). Both boys and girls show an increase in EITC dollars claimed, with boys slightly more likely to claim as a single parent (0.1 pp) and girls more likely to claim EITC (0.1 pp).

For married families, both boys and girls improve their income rank by 0.7 percentage points in response to an additional $10,000 in EITC and to improve in terms of both individual and family income. Both genders are more likely to be gainfully employed in their mid-20s in response to increased EITC generosity. Meanwhile, we did not discover any differences in response on the single parenthood/EITC claiming outcomes by gender—both boys and girls show no statistically significant response on these outcomes.

5.2. White versus Black

Table 4 reports subgroup analysis based on family type and race. Following CHJP, we limit our analysis to White and Black children.

Panel A of Table 4 reports the comparison for White and Black children of single mothers. The results indicate that the rank and income responses among single mothers as a unified group is partially driven by children of Black single mothers, with positive impacts of 0.02 pp in rank position and $260 more per year in family income. Meanwhile, White children from single-mother households saw no improvement in rank and a statistically significant *decrease* in individual income. Both White and Black children were more likely to work (0.3 and 0.2 pp), but only White children were more likely to file as a single parent (0.1 pp), claim EITC (0.1 pp), and claim a higher dollar value ($4.1) in response to $10,000 in lifetime EITC.

Meanwhile, children from married families displayed a more homogeneous pattern. Both groups improved in rank position (0.8 and 0.6), family income ($630 and $540), individual income ($410 and $370), and labor force participation (0.9 and 0.5 pp). Neither subgroup was more likely to file as a single parent or to claim EITC.

5.3. Implications for Mobility Gap

The results of the foregoing analysis provide evidence that the EITC conferred stronger benefits on children from low-income married families than on children of single-mother families.

Table 3: Effect of childhood total EITC on child outcomes by child gender, conditional on parent rank

	Rank	**Family income**	**Individual income**	**Working**	**Single parent**	**EITC claimed**	**Claim probability**
				Panel A: Single mothers			
				Girls			
Parent income rank	0.282***	2.191***	1.807***	0.225***	-0.013***	-1.323***	-0.029
	(0.0105)	(0.0692)	(0.1725)	(0.0123)	(0.002)	(0.0649)	(0.0019)
Childhood eligible EITC, in 10,000s	0.004***	0.037***	-0.044	0.004***	0.001**	0.026**	0.001*
	(0.0006)	(0.0054)	(0.0566)	(0.0006)	(0.0003)	(0.0098)	(0.0003)
Observations	3,596,000						
				Boys			
Parent income rank	0.284***	2.034***	1.742***	0.292***	-0.001***	-0.411***	-0.014***
	(0.0134)	(0.0838)	(0.0779)	(0.0143)	(0.0008)	(0.0212)	(0.0010)
Childhood eligible EITC, in 10,000s	0.001*	0.020	0.005	0.004***	0.0001	0.016**	0.000
	(0.0005)	(0.0129)	(0.0130)	(0.0009)	(0.0002)	(0.0051)	(0.0002)
Observations	3,762,000						
				Panel B: Married families			
				Girls			
Parent income rank	0.234***	1.900***	1.209***	0.208***	-0.010***	-0.990***	-0.024***
	(0.0178)	(0.1365)	(0.0749)	(0.0161)	(0.0001)	(0.0647)	(0.0014)
Childhood eligible EITC, in 10,000s	0.007***	0.058***	0.025***	0.008***	0.0001	0.007	-0.000
	(0.0007)	(0.0079)	(0.0030)	(0.0007)	(0.0002)	(0.0086)	(0.0003)
Observations	3,309,000						
				Boys			
Parent income rank	0.258***	1.922***	1.557***	0.248***	-0.037***	-0.514***	-0.016***
	(0.0172)	(0.1333)	(0.0929)	(0.0114)	(0.0018)	(0.0507)	(0.0014)
Childhood eligible EITC, in 10,000s	0.007***	0.047***	0.034***	0.008***	0.0002	0.008	-0.000
	(0.0006)	(0.0075)	(0.0064)	(0.0008)	(0.0002)	(0.0062)	(0.0003)
Observations	3,470,000						

Source: Linked parent-child data derived from Numident, 2000 and 2010 decennial, American Community Survey, and Form 1040, Form W-2, and Form 1099 tax records. All models include the covariates listed for equation 1. Each dependent variable is averaged over ages 25–26. Income variables were divided by 10,000 to scale to the treatment variable; the "EITC claimed" variable was divided by 100. Numbers were rounded to comply with disclosure-avoidance guidelines; Census Bureau's Disclosure Review Board approval number CBDRB-FY2021-CES014-001.

Table 4: Effect of childhood total EITC on child outcomes by child race, conditional on parent rank

	Rank	**Family income**	**Individual income**	**Working**	**Single parent**	**EITC claimed**	**Claim probability**
				Panel A: Single mothers			
				White			
Parent income rank	0.335***	2.643***	1.937***	0.267***	0.006***	-0.699***	-0.023***
	(0.0121)	(0.0773)	(0.0501)	(0.0125)	(0.0016)	(0.0448)	(0.0016)
Childhood eligible EITC, in 10,000s	-0.000	0.007	-0.009*	0.003***	0.001***	0.041***	0.001***
	(0.0005)	(0.0071)	(0.0045)	(0.0005)	(0.0002)	(0.0055)	(0.0003)
Observations	2,527,000						
				Black			
Parent income rank	0.257***	1.778***	1.652***	0.282***	-0.009***	-1.027***	-0.019***
	(0.0080)	(0.0699)	(0.0566)	(0.0123)	(0.0014)	(0.0449)	(0.0018)
Childhood eligible EITC, in 10,000s	0.002***	0.026**	0.016	0.002*	0.0003	0.003	-0.000
	(0.0004)	(0.0092)	(0.0082)	(0.0010)	(0.0002)	(0.0088)	(0.0003)
Observations	2,688,000						
				Panel B: Married families			
				White			
Parent income rank	0.264***	2.053***	1.448***	0.246***	-0.005***	-0.725***	-0.020***
	(0.0164)	(0.1286)	(0.0749)	(0.0140)	(0.0008)	(0.0506)	(0.0014)
Childhood eligible EITC, in 10,000s	0.008***	0.063***	0.041***	0.009***	0.0003	0.015	-0.000
	(0.0006)	(0.0059)	(0.0038)	(0.0007)	(0.0002)	(0.0089)	(0.0004)
Observations	3,545,000						
				Black			
Parent income rank	0.214***	1.650***	1.402***	0.243***	-0.011***	-0.808***	-0.017***
	(0.0048)	(0.0927)	(0.0718)	(0.0068)	(0.0030)	(0.0892)	(0.0027)
Childhood eligible EITC, in 10,000s	0.006***	0.054**	0.037**	0.005***	-0.0001	-0.035	-0.001
	(0.0007)	(0.0165)	(0.0121)	(0.0012)	(0.0005)	(0.0231)	(0.0008)
Observations	600,000						

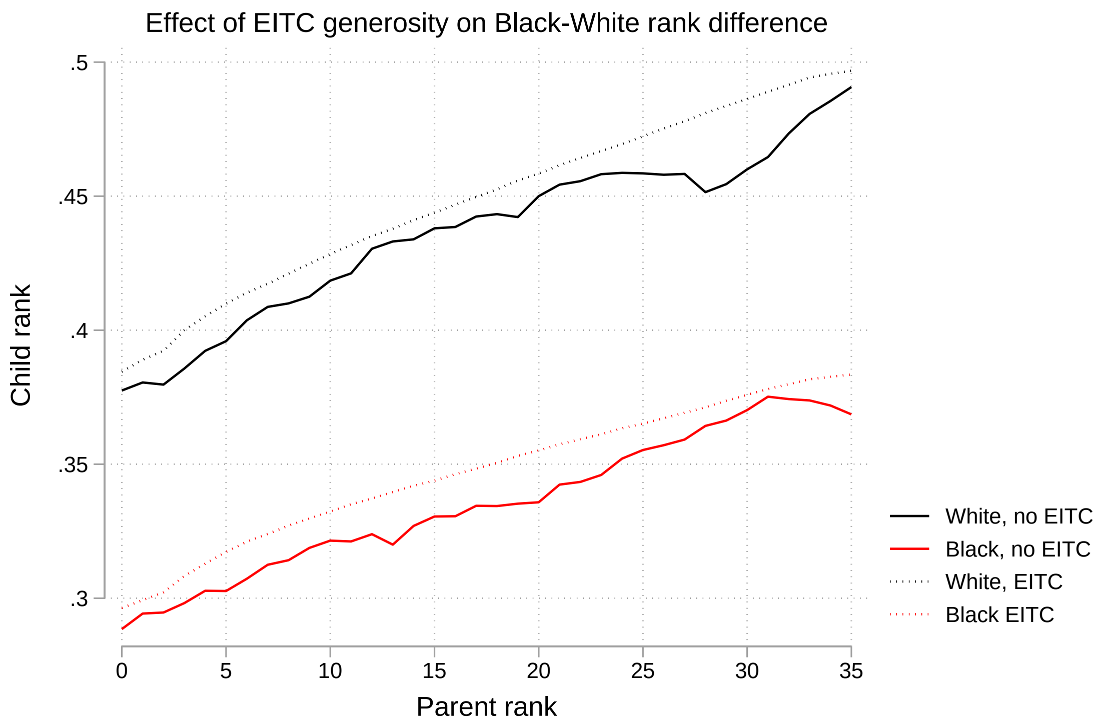
Source: Linked parent-child data derived from Numident, 2000 and 2010 decennial, American Community Survey, and Form 1040, Form W-2, and Form 1099 tax records. All models include the covariates listed for equation 1. Each dependent variable is averaged over ages 25–26. Income variables were divided by 10,000 to scale to the treatment variable; the "EITC claimed" variable was divided by 100. Numbers were rounded to comply with disclosure-avoidance guidelines; Census Bureau's Disclosure Review Board approval number CBDRB-FY2021-CES014-001.

This result is not especially surprising, since evidence indicates that for married couples, the EITC discourages labor-force participation of secondary workers. In effect, the EITC may act as a subsidy to married families for at-home investment in children. In contrast, single mothers must rely on alternative child-care arrangements and work outside of the home to receive benefits from the EITC. We also observe that there is an improvement in outcomes for Black children in single parent households for income rank, family income, and employment—in contrast to White children in single-parent households. These results call in to question how the EITC may affect intergenerational mobility and inequality across race groups. Given differences across marital status by race, and in light of our results for Black single-parent households, there may be either an improvement or worsening of the gap in mobility between Black and White children.

Figure 2 provides evidence on this possibility. For this figure, we estimated equation 1 within 5-percentile bins of the parent income distribution for every percentile between 0 and 0.35 and for Black and White children separately. We then graphed predicted values with lifetime EITC set at its calculated amount (dashed lines); we also graphed the predicted values with lifetime EITC set at 0 (solid lines). The trajectory of the rank-rank association under each condition shows that the EITC has a weak effect on closing the racial gap between the second generation over the 0 to 20th percentile, but then serves to widen the gap considerably between the 25th and 35th percentiles.

It is clear from the graph that benefits to White children mass at a high level of EITC-eligible parental income, while for Black children the mass occurs over lower levels of parental income. The likely explanation for this is the greater probability that White children grow up in married families, who simultaneously have higher family income on average and demonstrate better EITC-generated outcomes than children of single-mother families. Our summary statistics (Table 1) report that Black families make up 0.26 of all families, 0.38 of single families, and only 0.09 of married families, while White families represent 0.42, 0.36, and 0.56; additionally, we demonstrate in our main regressions that children from married families show a stronger response to the EITC.

Figure 2: **Impact of EITC on intergenerational mobility gap between Black and White children below the 35th percentile in the parental income distribution**



Source: Linked parent-child data derived from Numident, 2000 and 2010 decennial, American Community Survey, and Form 1040, Form W-2, and Form 1099 tax records. Results show predicted values from equation 1 run within 5-percentile bins of parental income with lifetime EITC as imputed (dotted lines) and set to 0 (solid lines). Census Bureau's Disclosure Review Board approval number CBDRB-FY2021-CES014-001.

The combined evidence suggests that, while there is no doubt that higher values of EITC improved average outcomes for children within each race subgroup, the EITC did not serve to mitigate differences in mobility between Black and White children. In fact, to the extent that relatively better-off White children respond especially strongly to greater EITC generosity, the EITC may exacerbate within-generation racial income inequality.

5.4. Impacts by the Age of Treatment

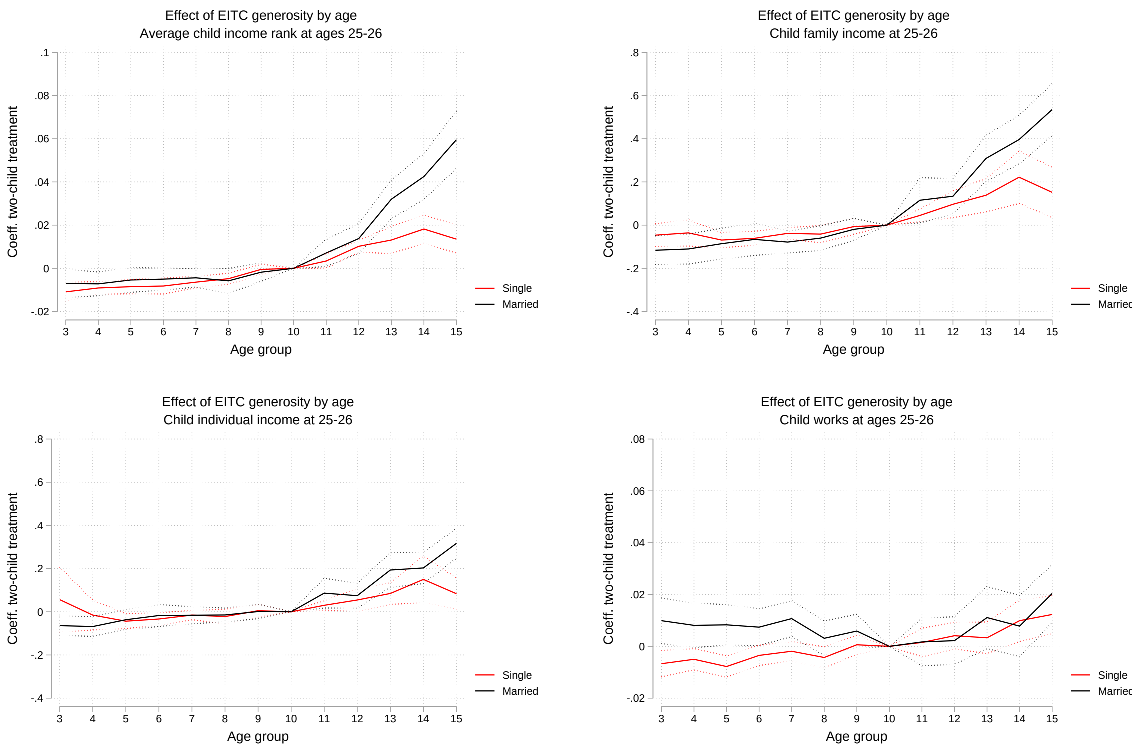
We next turn to an examination of how greater EITC generosity affected children depending on the age at which they were first exposed. We deployed equation 1 and included age-of-treatment fixed effects, where the age of treatment was defined as the age when a focal child was first in a family eligible for the two-child credit. As discussed previously, we use 1994 as the year of two-child treatment and age 10 as the base group. All results are conditional on parent income rank and lifetime EITC, and the samples are necessarily restricted to children in multi-sibling families.

Figures 3 through 6 show the coefficients and confidence intervals from this exercise, separating the effects by the subgroups defined previously. Results show a fairly consistent story: the EITC had a greater impact on children who were first treated at older ages, and children from married families showed stronger positive responses. In Figure 3, children in single-mother households experienced a negative impact on rank if they are treated before the age of 8 compared with 10-year-olds. However, we cannot rule out that children from married families responded similarly, especially at age 4. At older ages, children from married and single-mother families clearly differ after the age of 12, with children from married families continuing to improve in rank position as they are treated at older ages. The results for whether a child works at ages 25 and 26 also differ statistically between children from married and single-mother families, with children from single-mother families showing a slight negative effect before age 10 and those from married families showing a slightly positive effect.

Figure 4 may explain the patterns in Figure 3. Here, unlike children from married families who show statistically significant decreases in filing as a single parent after age 13, a child from a single-mother family never sees their probability dip below 0. Children from single-mother families who are treated at later ages are more likely to claim EITC and claim larger dollar amounts, with these effects becoming statistically different from children of married families at ages 14/15. Figure 5 further dissects these patterns, showing that the overall differences between the married and single group in single filing are driven by girls rather than boys. Girls from single-mother families show positive probabilities at ages 3, 4, and 6, while girls from married families display a sharp decrease in probability after age 10.

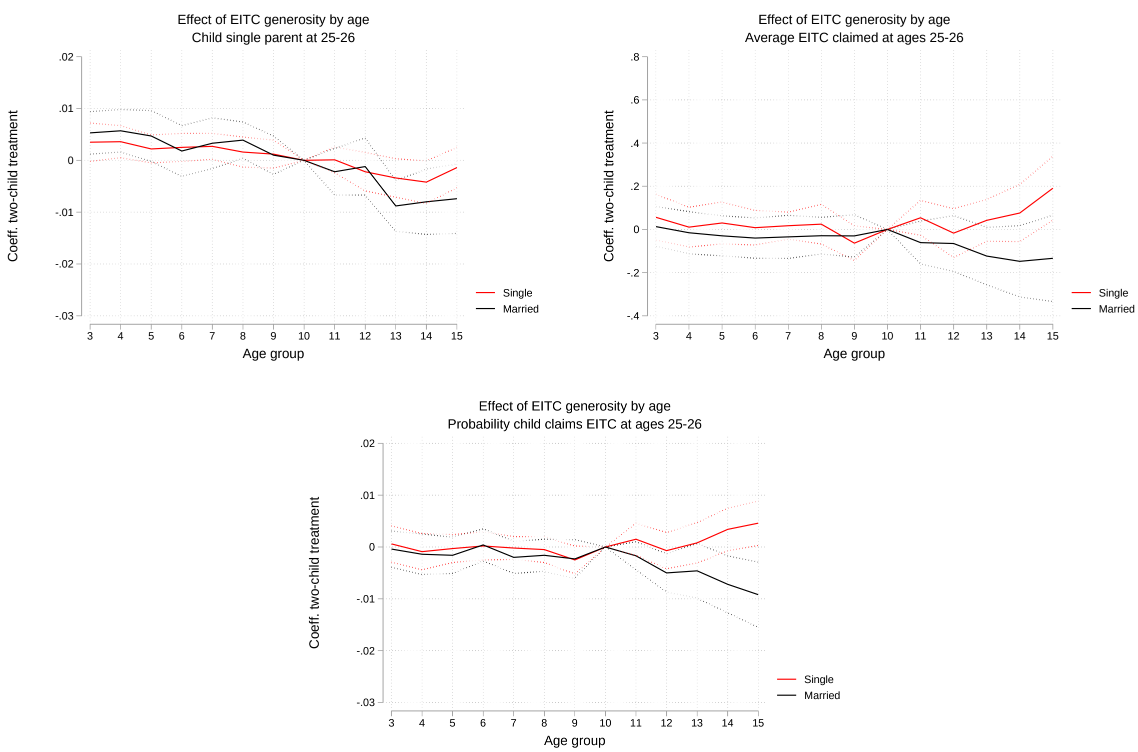
Figure 6 shows outcomes by Black and White families and single-mother versus married. In looking at rank position, children show patterns that are similar by family type. White

Figure 3: **“Age at treatment” coefficients showing the rank, income, and work impact of the two-child credit expansion on children with siblings**



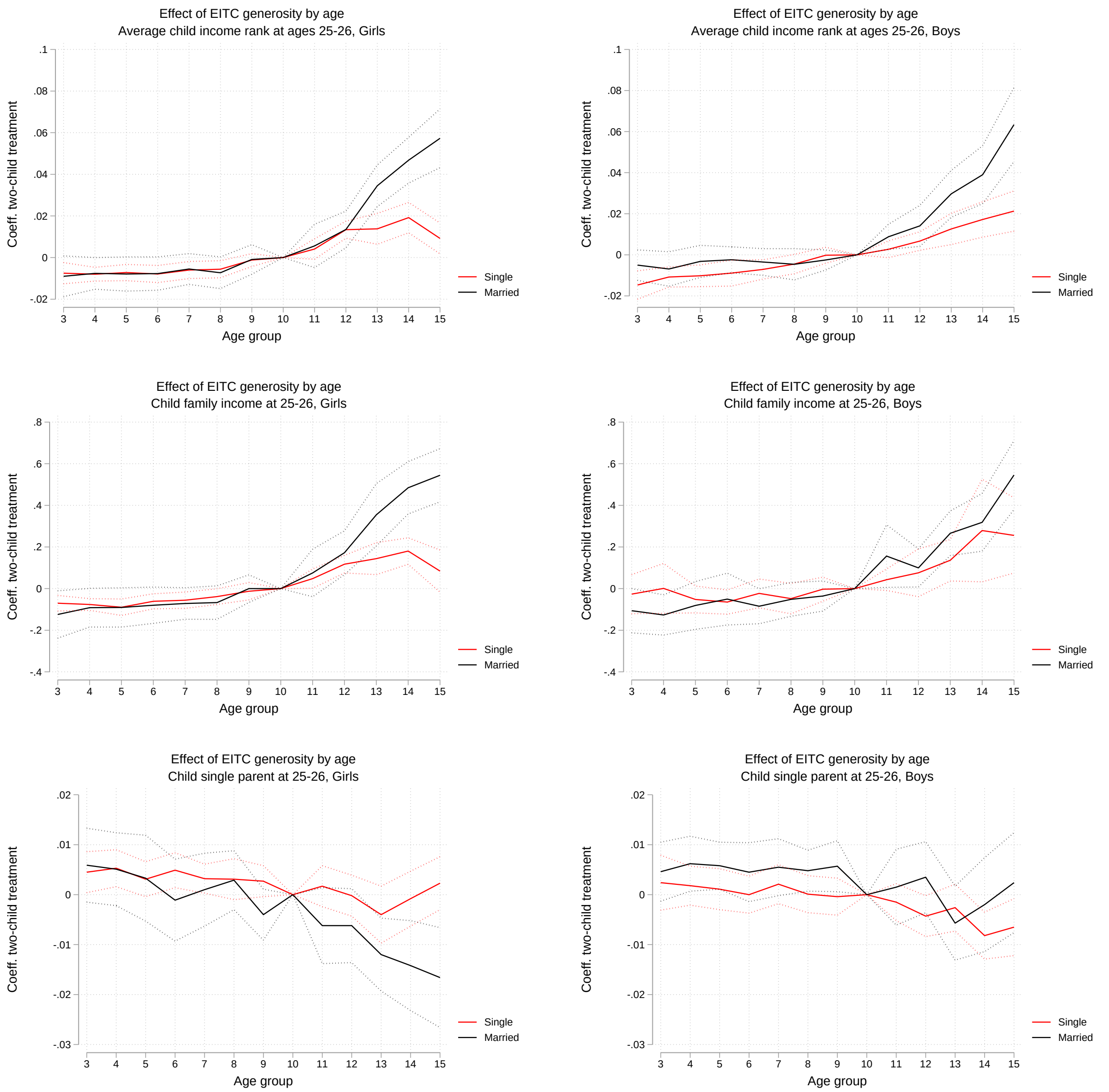
Source: Linked parent-child data derived from Numident, 2000 and 2010 decennial, American Community Survey, and Form 1040, Form W-2, and Form 1099 tax records. Model includes the covariates listed for equation 1 and the inclusion of age-of-treatment fixed effects (age 10 being the base group), where the treatment is the age at which a child in a two-plus-child family was first exposed to the two-child EITC. Results are conditional on parent income rank and the lifetime value of EITC. Census Bureau’s Disclosure Review Board approval number CBDRB-FY2021-CES014-001.

Figure 4: **“Age at treatment” coefficients showing the impact of the two-child EITC credit expansion on EITC filing, amount claimed and single parenthood or on children with siblings**



Source: Linked parent-child data derived from Numident, 2000 and 2010 decennial, American Community Survey, and Form 1040, Form W-2, and Form 1099 tax records. Model includes the covariates listed for equation 1 and the inclusion of age-of-treatment fixed effects (age 10 being the base group), where the treatment is the age at which a child in a two-plus-child family was first exposed to the two-child EITC. Results are conditional on parent income rank and the lifetime value of EITC. Census Bureau’s Disclosure Review Board approval number CBDRB-FY2021-CES014-001.

Figure 5: **"Age at treatment" coefficients showing the rank impact of the two-child credit expansion on children with siblings, by child gender**



Source: Linked parent-child data derived from Numident, 2000 and 2010 decennial, American Community Survey, and Form 1040, Form W-2, and Form 1099 tax records. Model includes the covariates listed for equation 1 and the inclusion of age-of-treatment fixed effects (age 10 being the base group), where the treatment is the age at which a child in a two-plus-child family was first exposed to the two-child EITC. Results are conditional on parent income rank and the lifetime value of EITC. Census Bureau's Disclosure Review Board approval number CBDRB-FY2021-CES014-001.

children from single mothers are slightly more likely than Black children to experience negative rank and income outcomes at treatment ages younger than 10. However, they are no more likely to be a single parent; this outcome also does not vary significantly by treatment age. Children from married families show rank position improvements at ages greater than 12 in response to higher EITC generosity regardless of race, with White children who are treated at 14 and 15 showing an especially strong response. These race differences play out for family income as well. Meanwhile, White children from married families are slightly less likely than Black children to file as a single parent when treatment occurs at ages 13 and 15, but the noisiness of the Black trend line does not rule out a null difference between the two race groups.

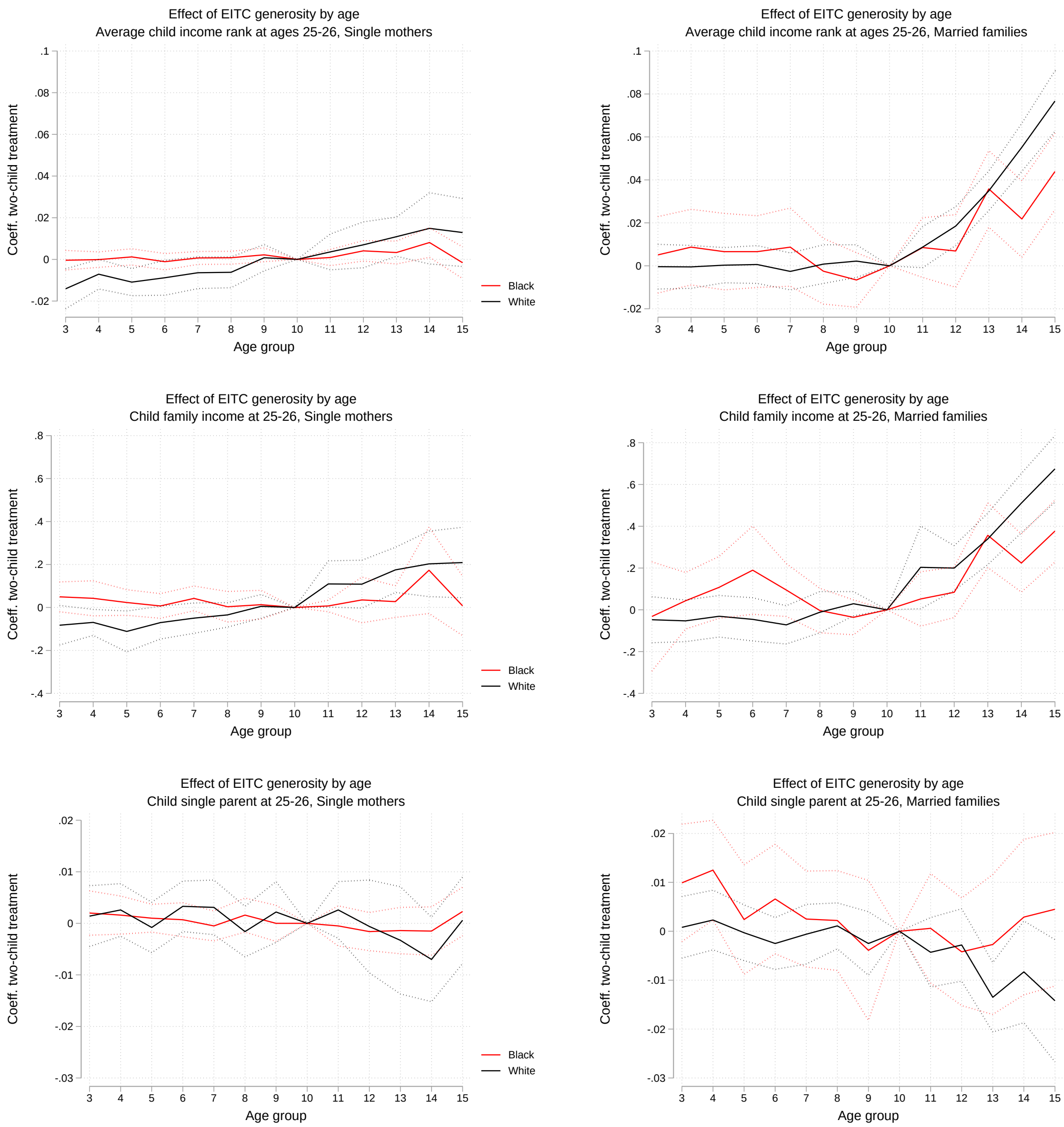
As a whole, these results indicate differential impacts on children that are more dependent on age of treatment and family type, and less dependent on race. Girls who grew up in single-mother families show slightly more negative outcomes when treated at very young ages compared with girls from married families or boys from either family type. Girls from single-mother families also tend to drop off in positive outcomes compared to other groups when treated at ages older than 13.

6. Conclusion

This study examines how changes in EITC generosity implemented in the 1980s and 1990s affected children's economic outcomes relative to their parents'. Using the universe of IRS records for parents of children born between 1979 and 1991, linked to census demographic data, we find that conditional on parent income rank, more generous lifetime EITC improved nearly all children's ranks in their cohort distribution. The clear exception to this is White children from single-mother families. Family type and gender matter in terms of the size of effects—all children from married-mother households respond more strongly to higher EITC dollars than do children from single-mother families.

A key finding from this work is the greater benefit accruing to children who grew up

Figure 6: **“Age at treatment” coefficients showing the rank impact of the two-child credit expansion on children with siblings, by child race**



Source: Linked parent-child data derived from Numident, 2000 and 2010 decennial, American Community Survey, and Form 1040, Form W-2, and Form 1099 tax records. Model includes the covariates listed for equation 1 and the inclusion of age-of-treatment fixed effects (age 10 being the base group), where the treatment is the age at which a child in a two-plus-child family was first exposed to the two-child EITC. Results are conditional on parent income rank and the lifetime value of EITC. Census Bureau’s Disclosure Review Board approval number CBDRB-FY2021-CES014-001.

in married families compared with those from single-mother households. The latter group is often viewed as the main beneficiaries of EITC dollars; however, to the extent that a married household is eligible for the EITC based on its average income rank, the EITC may act to subsidize a parent's investment in children as an alternative to work (since secondary earnings may put the family above the EITC's income threshold). These results, combined with the higher likelihood that White children grew up in married households, suggest that the EITC exacerbates racial income inequality in the second generation (and may continue to do so over time).

Our results on the negative impact for children of single parents when they are treated to greater EITC generosity at younger ages reinforces the possibility that differential investments in children contribute to observed differences in outcomes. These finding have implications regarding the equity of the EITC and its contribution to gaps in income mobility between different subgroups of children.

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