Supporting Family Caregivers Through the Earned Income Tax Credit

Across the nation, more than 10,000 people turn 65 every day, and 70 percent of them will need some form of long-term care. Demand for care is growing faster than the system can respond to it. In the face of stagnant worker wages, increasing costs of care, lack of retirement savings, and shortage of direct care workers, family caregivers are increasingly becoming the backbone of the care infrastructure. Caregiving is a labor of love, with inherent joys and challenges, and you can’t put a price on that—but that doesn’t mean that it shouldn’t be compensated accordingly.\(^1\)

The costs of caregiving add up:

- Family caregivers suffer loss of wages, health insurance and other job benefits, retirement savings and investments, and Social Security benefits—losses that hold serious consequences.\(^2\) In 2010, MetLife estimated that America’s 10 million caregivers age 50 and over who cared for their parents would lose $3 trillion in wages, pensions, retirement funds, and benefits over their lifetimes.\(^3\)
- Out-of-pocket expenses to support the care of a loved one, such as medical equipment or brief respite care, are almost $7,000 per year, and those costs are even higher in communities of color.\(^4\)
- Family caregivers report increased stress, burn-out and health problems.
- 69 percent of working caregivers caring for a family member or friend report having to rearrange their work schedules, decrease their hours, take unpaid leave, or even leave their jobs in order to meet their caregiving responsibilities.\(^5\)

With over 40 million family caregivers providing 37 billion hours of care worth $470 billion, to young children, parents, spouses, and other adult loved ones, this is a crucial economic issue that we cannot afford to ignore.

The family care agenda calls for solutions that offer financial support and relief to family caregivers, as part of an overall path to building a strong care economy. We have to recognize caregiving as the hard work that it is. One solution is to expand access to the Earned Income Tax Credit (EITC) for family caregivers. The EITC is the nation’s most effective anti-poverty program, and more than half of states offer their own EITC tax refunds. As the name suggests, eligibility is based on earned income. Many family caregivers who are employed benefit from the EITC, but the lowest-income caregivers receive little or no help today, despite their work caring for loved ones.

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1. BLS Consumer Expenditures: https://www.bls.gov/news.release/cesan.nrO.htm
We must modernize the EITC to cover family caregivers by expanding the definition of work to include providing care for a young child, a sick parent, or a disabled dependent, reaching those who earn too little from paid employment to get much of an EITC credit. By expanding the EITC to caregivers, our policymakers acknowledge how essential unpaid care work is to our society, while boosting the economic security of families. This expanded definition of work is a central element in the Cost-of-Living Refund Act, an EITC modernization policy moving at the federal level.

It’s simple: If you have a young child under 6, an elderly dependent over 65, or a disabled dependent, and your earned income is too low to qualify for a substantial EITC, you would receive a “top-up” credit: In a model state policy, you would receive a credit of $1200 a year, while your credit under a federal EITC policy could be up to $4,000. In addition, lowering the EITC eligibility age and eliminating the upper age limit expands the program to more caregivers.

Importantly, the EITC would remain dependent on work, as we begin to acknowledge the role these caregivers—two-thirds of whom are women, including many people of color—play.

Most voters support this expanded definition of work: Nationally, 66 percent support the expanded definition vs. 20 percent opposed. Democrats show +57 net support, Independents +44, and Republicans +34.

The EITC credit for caregivers is essential in several pieces of federal legislation, including the Cost-of-Living Refund Act in the House and the Senate, and the EITC Modernization Act in the House. Similar proposals exist in several states, including California, Maine, and Washington.

This proposal is not only a down payment toward improving all conditions for paid and unpaid caregivers, but begins to repay families for the invaluable care services they provide to society through their unpaid work.

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6 AARP and National Alliances for Caregiving. “Caregiving in the U.S.” 2015