



AN EARNED INCOME TAX CREDIT THAT WORKS FOR SINGLES

Final Impact Findings
from the Paycheck
Plus Demonstration in
Atlanta

EXECUTIVE SUMMARY

OPRE Report 2022-54

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Overview

Low-wage work, particularly in service sector industries, offers only precarious security for its workforce. This reflects decades of rising wage inequality, with rising wages for workers in high-paying jobs and stagnant or falling wages for workers earning low wages. Recently, the COVID-19 pandemic further exposed this tenuous situation for people working in retail, recreation, and food services, and for essential workers in grocery stores and hospitals.

The Earned Income Tax Credit (EITC), one of the federal government's largest antipoverty programs, has lifted millions of people out of severe poverty. It provides a refundable credit at tax time to eligible workers with low incomes. An extensive research base demonstrates its effectiveness, and it has gained bipartisan support from policymakers for both its antipoverty and pro-work effects. However, the credit provides only a very small refund for single workers with no qualifying children.

Paycheck Plus is a test of an EITC expansion for low-income workers without dependent children. Paycheck Plus offered childless workers a credit, referred to in the program as a bonus, of up to \$2,000 at tax time and extended benefits to eligible workers earning up to \$30,000 per year, twice the maximum income limit of the federal EITC. This report presents findings through three years of the project's work in Atlanta. Between late 2015 and early 2016, about 4,000 single adults with low incomes were recruited to take part in the study. Half of them were selected at random to be eligible for the Paycheck Plus bonus for three years, starting with the 2017 tax season, and running through 2019.

PRIMARY RESEARCH QUESTIONS

Would a more generous refundable tax credit increase the after-tax income of workers with low incomes and no children, much as it has done for workers with children?

What effects would a more generous EITC have on employment and earnings? Would it have unintended negative effects, or would it increase work effort, especially among harder to employ populations such as people with criminal justice histories and those with child support orders?

How difficult would it be to reach and engage workers with low incomes and no child dependents? Would additional support be needed to help people without jobs find employment so they can receive the more generous EITC benefit?

PURPOSE

Paycheck Plus was tested in Atlanta to add to the evidence of how an expanded EITC might work in a context different from that of New York City, where the program ran from 2014 through 2017. The Atlanta

study assessed take-up rates (the percent of eligible adults who applied for and received the bonus) and program's effects on employment, earnings, and income over three years. The goal is to use the findings from both cities to inform consideration—whether federal or state and local—of tax credit amounts for workers without dependent children.

KEY FINDINGS AND HIGHLIGHTS

About 45 percent of the program group members who were eligible for a bonus received one in the third year of the program. Among those who received bonuses in Year 3, the average amount was \$1,296. Lower tax filing rates among individuals with very low earnings who are not required to file taxes may account for the high proportion of individuals who were eligible for the Paycheck Plus bonus but did not receive it. The bonus eligibility rate of 57 percent (based on 2018 earnings) was slightly lower in the third year of the program than in the first two years, since some people stopped working and others earned more than \$30,000.

The final year of the program was affected by many operational challenges, including reaching eligible participants to encourage them to apply for the bonus. Paycheck Plus Atlanta's operating capacity also shrank substantially in its final year, driven by cutbacks in United Way's Volunteer Income Tax Assistance (VITA) program, an important operational program partner. (VITA programs offer free tax help to individuals who earned under \$57,000 in the past year.) Challenges included reductions in the number of VITA locations and reduced VITA staff capacity. Staff members also reported many instances of outdated contact information, participants forgetting about Paycheck Plus, and participants misunderstanding the eligibility requirements for the bonus payments. These challenges were exacerbated by Atlanta participants' fewer initial connections to the VITA program than the New York participants had.

Paycheck Plus increased after-bonus earnings in the first year of the program but not in Years 2 and 3. It neither increased nor reduced employment during the program's three years. Average after-bonus earnings was \$10,601 for the program group during Year 1, compared with \$9,826 for the control group, for a statistically significant increase of \$775, or about 8 percent. By Year 3, the increase in after-bonus earnings was small and statistically insignificant. About 80 percent of Paycheck Plus study participants were employed each year during the study and averaged earnings of about \$12,000 per year.

Paycheck Plus led to a large and sustained increase in tax filing rates, and particularly in the use of VITA sites to file taxes. In the third year of the program, 44 percent of the control group filed their taxes. Paycheck Plus increased the filing rate by 9 percentage points, sustaining the impacts from the first two years of the program. Additionally, the program produced a nearly fivefold increase in filing taxes at a VITA site—in Year 3, only 4 percent of control group members filed their taxes at a VITA site, compared with more than 20 percent of program group members.

The program in Atlanta did not affect child support payment rates among noncustodial parents. Paycheck Plus might be expected to affect the payment of child support through the additional income

provided by the bonus or through increased work or earnings. Among noncustodial parents in the study sample, no effects on child support payments were observed through Year 3.

The Atlanta study did not measure effects on other secondary outcomes, including family formation, criminal justice involvement, and health status.

METHODS

Between October 2015 and April 2016, the project recruited approximately 4,000 single adults without dependent children to take part in the study. Individuals were eligible if they were not married, had a valid Social Security number, were not planning to claim a dependent child on their taxes in the subsequent year, were between the ages of 21 and 64, earned less than \$30,000 in the prior year, and were not receiving or applying for Supplemental Security Income or Social Security Disability Insurance. Once eligible individuals agreed to participate, half of them were assigned at random to a group eligible for Paycheck Plus and half were assigned to a group not eligible for the program but still eligible for existing tax credits. Individuals assigned to the Paycheck Plus group were given a brief explanation of the bonus on a take-home sheet. The effects of the Paycheck Plus offer were estimated by comparing the full program group, including those who did not receive bonuses, with the full control group. Data used for the study include basic demographic and background data collected from all study participants before study entry, unemployment insurance wage records from the Georgia Department of Labor, tax records from the Internal Revenue Service, and child support payment records from the Division of Child Support Services at the Georgia Department of Human Services.

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The Authors

Executive Summary

Low-wage work, particularly in service sector industries from retail to recreation to food services, and in settings from grocery stores to hospitals, offers precarious job security, even to workers whose jobs have been deemed essential.¹ The COVID-19 pandemic (which hit the nation a year after the Paycheck Plus demonstration in Atlanta ended) further exposed this vulnerability to economic instability. The Earned Income Tax Credit (EITC), one of the federal government’s largest antipoverty programs, has lifted millions of people with low earnings out of severe poverty.² Both to offset the tax burden on people who earn low wages and to help supplement those earnings, it provides a credit at tax time to eligible workers. The credit is refundable, meaning that it is first used to pay any taxes owed, with the remainder paid to the recipient as a tax refund. For tax year 2020, for example, a single mother of two children with a low income could have received a federal tax refund of up to \$5,920, depending on how much she worked.³ With an extensive research base demonstrating its effectiveness, the EITC is the rare public policy that has enjoyed bipartisan support from policymakers for both its antipoverty and pro-work effects.⁴ However, despite this support, and a nearly 50-year stretch of stagnant earnings growth in the nation’s low-wage labor markets, the EITC’s design provides only a very small refund for single workers with no qualifying children.⁵ The maximum credit for a working parent with no qualifying children is \$538. Unmarried workers with low incomes, but without dependent children, number over 20 million. This figure includes young women and men, parents with adult children, and parents who do not live with their children but often help support them, referred to throughout this report as “noncustodial parents.”⁶

¹Cynthia Miller, *Expanding the Earned Income Tax Credit as a Response to the COVID-19 Crisis* (New York: MDRC, 2020).

²Center on Budget and Policy Priorities, *Policy Basics: The Earned Income Tax Credit* (Washington, DC: Center on Budget and Policy Priorities, 2019), website: <https://www.cbpp.org/research/federaltax/policy-basics-the-earned-income-tax-credit>.

³Internal Revenue Service, “Earned Income and Earned Income Tax Credit (EITC) Tables” (Washington, DC: Internal Revenue Service, 2020), website: <https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/earned-income-and-earned-income-tax-credit-eitc-tables>.

⁴Center on Budget and Policy Priorities (2019).

⁵An adult has a “qualifying” child if the child is under 19 and claimed as a minor dependent on the adult’s tax return. In this report, “dependent child” and “qualifying child” are interchangeable, as are “no children” and “no qualifying children.”

⁶Calculations from the 2016 American Community Survey. “Noncustodial parents” are individuals who reported at study entry that they had minor children living elsewhere, or those who, according to administrative records, had open child support cases with positive monthly obligation amounts or positive child support debt amounts when they enrolled in the study.

Expanding the EITC for childless workers has also garnered bipartisan support and support among policy experts, although it has yet to become a long-term federal policy. In 2014, for example, both President Barack Obama and House Speaker Representative Paul Ryan made similar proposals to increase the credit for childless workers and extend eligibility based on income and age.⁷ More recently, a handful of states expanded their state EITC for workers without dependent children to reduce some of the disparity in benefits between workers with and without children.⁸ The American Rescue Plan Act of 2021 includes a one-year expansion of the federal EITC for childless workers that would raise the maximum credit to just under \$1,500.⁹

The Paycheck Plus demonstration, evaluated by MDRC and run in New York City and Atlanta, Georgia, tested this type of EITC expansion. Paycheck Plus offered childless workers a credit, referred to in the program as a bonus, of up to \$2,000 at tax time. The demonstration also extended benefits to eligible workers earning up to \$30,000 per year, twice the maximum income limit of about \$15,000 for the 2018 version of the federal EITC. In both cities, individuals without dependent children who earned less than \$30,000 in the previous tax year were enrolled in the study. Half of the participants were randomly selected to be eligible for the Paycheck Plus program for three years, and the other half served as a control group. The study tracked both groups over time to assess the policy's effects.

The studies were designed to help policymakers answer three central questions:

- Would a more generous refundable tax credit increase the after-tax income of workers with no children, much as it has done for workers with children?
- What effects would a more generous EITC have on employment and earnings? Would it have unintended negative effects, or would it increase work effort, especially among harder-to-employ populations such as people with prior justice system involvement and people with child support orders?
- How difficult would it be to reach and engage childless workers with low incomes? Would additional support be needed to help people without jobs find employment so they can receive the more generous EITC benefit?

Two earlier reports detailed the effects of Paycheck Plus in [New York](#) after three years and in [Atlanta](#) after two years. In New York, the more generous bonus increased workers' after-bonus earnings

⁷Darrel Thompson, Ashley Burnside, and Whitney Bunts, *EITC of Childless Workers: What's at Stake for Young Workers* (Washington, DC: Center for Law and Social Policy, 2020).

⁸Richard Williams, "Expanding Earned Income Tax Credits for Childless Workers," *National Conference of State Legislatures LegisBrief* 27, 43 (2019). Each state does this a bit differently, with changes to phase-in/phase-out percentages, income eligibility thresholds, and maximum credit allowances.

⁹Chuck Marr, Kris Cox, Stephanie Hingtgen, Katie Windham, and Arloc Sherman, *American Rescue Plan Act Includes Critical Expansions of the Child Tax Credit and EITC* (Washington, DC: Center on Budget and Policy Priorities, 2021).

(earnings after accounting for taxes and the Paycheck Plus bonus), modestly increased employment rates, increased tax filing rates, and increased child support payment among noncustodial parents.¹⁰ The findings in Atlanta after two years were less consistent than in New York. The program produced an increase in after-bonus earnings in the first year of the program but did not increase employment rates. Paycheck Plus increased tax filing rates, including large increases in the use of Volunteer Income Tax Assistance (VITA) sites for tax preparation.¹¹ The program had no effects on child support payments through the first two years of the program.¹²

This report presents findings from Atlanta after three years of operating Paycheck Plus. The program had no effect on after-bonus earnings or employment in the third program year. Lower program engagement in Atlanta than in New York may have contributed to the lack of detectable effects on after-bonus earnings or employment. Study participants in Atlanta were more geographically dispersed and less connected to the tax system and free tax preparation sites than participants in New York.

One important consideration in this evaluation: When program recruitment began, the United Way of Greater Atlanta, MDRC's partner in administering the program, had only recently assumed responsibility for administering the VITA program in Atlanta and was now being asked to recruit a previously underserved category of workers with low wages. In the third year of the program, amid some larger restructuring efforts, it was forced to scale back the number of VITA center sites that had previously been frequented by Paycheck Plus participants, and this further limited access to free tax preparation sites for study participants. These challenges notwithstanding, Paycheck Plus continued to have a large effect on the tax filing rate, especially among those who had earnings in the year before they enrolled in the study.

Paycheck Plus in Atlanta is being funded by the U.S. Department of Health and Human Services, Administration for Children and Families, Office of Planning, Research, and Evaluation; the U.S. Department of Labor; the Ford Foundation; the Annie E. Casey Foundation; the W. K. Kellogg Foundation; the JPB Foundation; the Chan Zuckerberg Initiative; Arnold Ventures; the Kresge Foundation; and the European Union's Horizon 2020 Research and Innovation Programme Lifepath Project.

¹⁰Cynthia Miller, Lawrence F. Katz, Gilda Azurdia, Adam Isen, Caroline Schultz, and Kali Aloisi, *Boosting the Earned Income Tax Credit for Singles: Final Impact Findings from the Paycheck Plus Demonstration in New York City* (New York: MDRC, 2018).

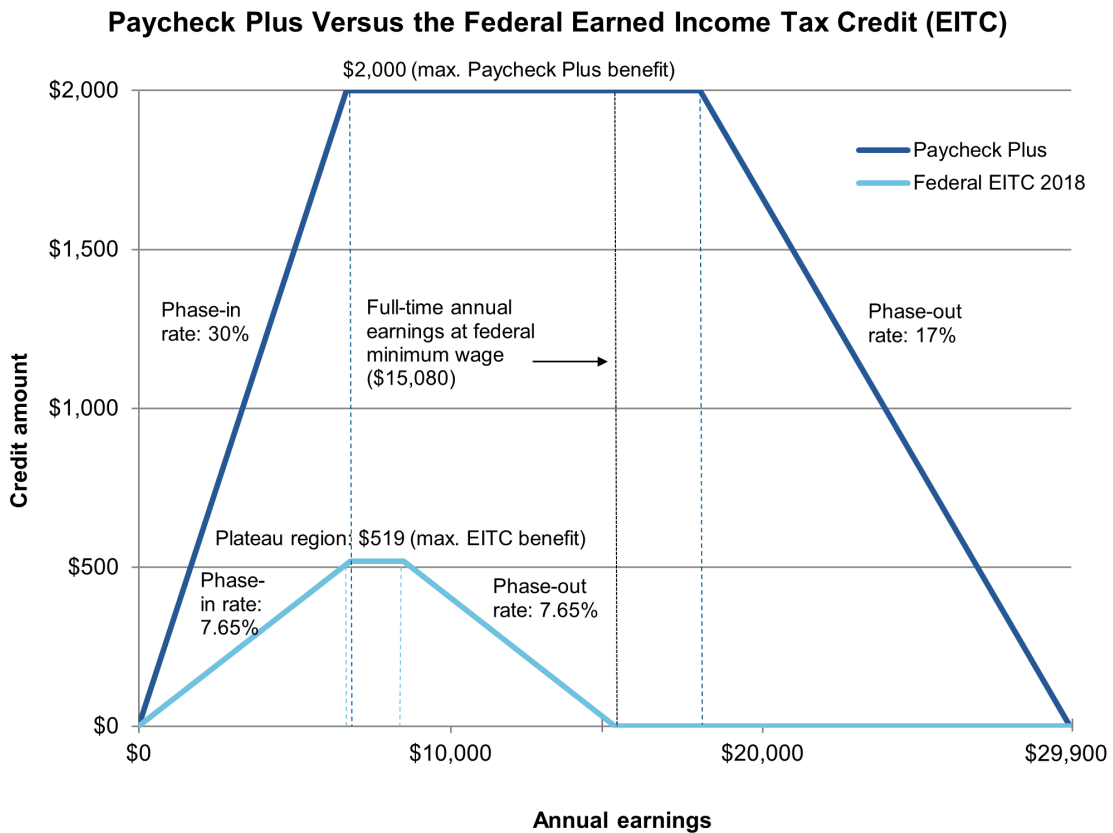
¹¹VITA programs have locations nationwide and provide free tax preparation and counseling services for people with low to moderate incomes, people with disabilities, and people with limited English proficiency. For more information, see <https://www.irs.gov/individuals/free-tax-return-preparation-for-qualifying-taxpayers>.

¹²Cynthia Miller, Lawrence F. Katz, Edith Yang, Alexandra Bernardi, Adam Isen, and Kali Aloisi, *A More Generous Earned Income Tax Credit for Singles: Interim Findings from the Paycheck Plus Demonstration in Atlanta* (New York: MDRC, 2020).

PAYCHECK PLUS

Paycheck Plus tests the effects of a more generous EITC for adults without dependent children. Figure ES.1 shows how the Paycheck Plus bonus compares with the federal EITC for workers without dependent children. For tax year 2018, the federal EITC was available only to workers who made less than about \$15,000, with a maximum benefit of \$519. Paycheck Plus raised the income limit for eligibility to \$30,000 and increased the maximum benefit to \$2,000.

Figure ES.1



SOURCES: Tax Policy Center (2019); Paycheck Plus program documents.

NOTES: The light blue "Federal EITC 2018" line illustrates the credit schedule for a single adult with no qualifying children.

The dark blue "Paycheck Plus" line illustrates the Paycheck Plus bonus schedule for a single adult with no qualifying children.

The dashed vertical lines delineate the earnings range in which the maximum credit amount is permitted, shown in light blue for the federal EITC and in dark blue for Paycheck Plus.

MDRC partnered with the United Way of Greater Atlanta to recruit study participants and to run the program. Over 4,000 single adults without dependent children enrolled in the study between October 2015 and April 2016. Adults were eligible for the study if they were unmarried, between the ages of 21 and 64, earned less than \$30,000 in the prior year, and were not planning to claim a child dependent on their next tax return. United Way directed its recruitment effort to organizations in its network and throughout the Atlanta metropolitan area, which includes 13 counties, that served populations who qualified for Paycheck Plus. Georgia's Department of Human Services Division of Child Support Services (DCSS) was also an important partner during enrollment. It invited Paycheck Plus program staff to recruit eligible individuals from several fatherhood programs sponsored by DCSS. The Atlanta study sample had much higher proportions of noncustodial parents and previously incarcerated individuals than in the New York study sample.

Of the 4,000 participants in the study, about 86 percent were non-Hispanic Black, 61 percent were male, and 60 percent were older than 35.¹³ Most participants had at least a high school diploma or equivalent (only 14 percent had no degree), and the vast majority (80 percent) earned less than \$18,000 in the previous year. About 42 percent of participants reported that they were noncustodial parents at the time of study enrollment.

Once eligible individuals agreed to participate, half of them were assigned at random to a group eligible for Paycheck Plus and half were assigned to a group not eligible for the program. The bonus was available to the program group for three years, payable at tax time in 2017, 2018, and 2019, based on earnings in the previous year: that is, earnings in tax years 2016, 2017, and 2018, respectively.

Paycheck Plus was designed to mirror the process of applying for and receiving the federal EITC as much as possible. This was not entirely feasible, however, since the program operated outside of the federal tax system. One important difference was that study participants needed to actively apply for the bonus each year, rather than receive the bonus automatically with their tax refund. This meant that program operators needed to follow up with the program group during tax time to offer free tax filing services, encourage them to apply for their bonuses, and resolve any documentation inconsistencies. For many participants, the time elapsed between program enrollment and tax filing to claim their first bonus could be a year or longer. Additionally, the Paycheck Plus bonus in Atlanta was not subject to an intercept for noncustodial parents with IV-D child support debt, meaning DCSS was not using any or all

¹³The Paycheck Plus baseline survey included an ethnicity question asked in the same way as asked on the United States Census about whether the study participant is "Hispanic or Latino." The United States Census defines Hispanic or Latino (masculine) or Latina (feminine) as any person of "Cuban, Mexican, Puerto Rican, South or Central American, or other Spanish culture or origin." In recent years, some research publications and other sources have started using "Latinx" as a gender-neutral reference to this population. See Andrew H. Nichols, *A Look at Latino Student Success: Identifying Top- and Bottom-Performing Institutions* (Washington, DC: The Education Trust, 2017). For simplicity, this report uses "Hispanic" for all those groups.

of the bonus to enforce a support order.¹⁴ This differs from the federal EITC and the Paycheck Plus bonus in New York, which were subject to the intercept. Program designers of the Atlanta intervention wanted to enhance the attractiveness of the bonus to noncustodial parents in the child support program.

This report presents the effects of the Paycheck Plus program as implemented in Atlanta on economic, tax filing, and child support payment outcomes. The primary outcomes of interest are after-bonus earnings, work, and earnings. The bonus should directly increase the incomes of those who receive it, assuming it does not reduce earnings.¹⁵ Since the program is conditioned on work, it may encourage those who are not working to find employment so they can qualify for the bonus.

For those already working, the expected effects on work behavior depends on whether they are in the “phase-in” region, where additional earnings mean higher bonus amounts; the “plateau” region, where individuals already work enough to qualify for the maximum bonus, and the “phase-out” region, where additional earnings mean lower bonus amounts, as shown in Figure ES.1. This bonus payment structure is designed to target benefits to the workers with the lowest incomes but also raises the possibility that some workers with earnings on the “phase-out” region might reduce their earnings to qualify for a larger bonus.

FINDINGS

- **About 45 percent of the program group members who were eligible for a bonus received one in the third year of the program—slightly lower than in the first two years (when just over 50 percent of eligible participants received them). Among those who received bonuses in Year 3, the average amount was \$1,296. Lower tax filing rates among individuals with very low earnings who are not required to file taxes may account for the high proportion of individuals who were eligible for the Paycheck Plus bonus but did not receive it.**

Workers with low incomes, such as those targeted by the study, often have highly variable earnings and employment from year to year. Thus, it was expected that some portion of the sample would not be eligible for the bonus each year, with either no earnings in the relevant year or possibly earnings above the \$30,000 eligibility cutoff. The bonus eligibility rate of 57 percent (based on 2018 earnings) was slightly lower in the third year of the program than in the first two, as some individuals moved out of work and others earned more than \$30,000.

¹⁴An IV-D child support case is one in which the child support order is enforced by the Office of Child Support Enforcement. Privately maintained orders are not subject to the intercept.

¹⁵Workers may decide to work fewer hours (and consequently reduce their earnings) if they expect to receive additional income and can achieve the same income with less work. In economic theory, this behavior is known as the “income effect.”

Among those eligible, 45 percent received a bonus in the third year of the program. Put in other terms, among the full program group, including those not eligible, 26 percent received a bonus in the third year. Part of the reason not all eligible participants received the bonus is that those with very low earnings had lower tax filing rates. Individuals who earned less than \$12,000 were not legally required to file taxes, and some may have judged the bonus to not have been enough of an incentive for them to do so. This is especially true if many of these individuals were the harder-to-reach participants who may not have remembered the details of the Paycheck Plus bonus. Someone making \$12,000 would be in the “phase-out” region for the federal EITC but would receive the maximum Paycheck Plus bonus of \$2,000—nearly 20 percent of their earned income.

Additionally, for Paycheck Plus participants, tax filing can be burdensome. For example, more disadvantaged men, who made up about 40 percent of the study sample, may find filing taxes to be daunting or off-putting. For noncustodial parents in particular, tax refunds may be subject to intercepts for child support obligations. This disincentive applies to those within the IV-D child support system, but may even apply to those outside of it, if they do not want to be identified by the system or believe that any refund might be intercepted. Similarly, people with prior justice involvement can amass significant debt during their time in prison, ranging from fees related to their conviction to costs of supervision and services. This debt can affect credit scores and hinder their ability to obtain housing, for example, and drivers licenses. Although not all debt is subject to federal tax intercepts, it is easy to imagine that the formerly incarcerated may be concerned about this possibility and be reluctant to file.¹⁶ They also face much steeper challenges to employment than those with no prior justice involvement; thus, many do not benefit from work-based tax credits.¹⁷

- **Operational challenges deeply affected the final year of the Paycheck Plus program.**

Paycheck Plus Atlanta’s operating capacity shrank substantially in the final year of the program, a by-product of the general downsizing of United Way’s VITA program (among larger organizational priority shifts). During the final year of Paycheck Plus, United Way’s VITA program operated with far fewer locations than the first two years. Staff capacity was also reduced when a senior VITA staff person left United Way during the tax season. As a result, the remaining staff had to focus on coordinating VITA operations and reducing their capacity to additionally refer VITA tax filers who were Paycheck Plus participants to Paycheck Plus Engagement Specialists. After the tax season ended in mid-April, the Paycheck Plus program operated with only one Engagement Specialist, which reduced the amount of direct, personal outreach and interaction that were available to participants in previous years.

The United Way staff working on Paycheck Plus tried various strategies to continue engaging and supporting participants, despite their reductions in capacity. They extended the deadline for final bonus

¹⁶Juleyka Lantigua-Williams, “How Prison Debt Ensnarers Offenders,” *The Atlantic* (June 2, 2016).

¹⁷Luis Couloute and Daniel Kopf, *Out of Prison and Out of Work: Unemployment Among Formerly Incarcerated People* (Northampton, MA: Prison Policy Initiative, 2018).

applications, allowing participants to apply for both their 2017 and 2018 tax year bonuses through November of 2019; the latest deadline in prior years had been October. United Way also held more frequent one-day tax filing events outside of normal tax service operations than they had in previous years, in efforts to make applying to the bonus more streamlined with the tax filing process. Staff also implemented more regular outreach reminders using various communication modes—text messages, phone calls, emails, and letters—that communicated application deadlines and offered ways for participants to clarify how the application process worked.

Despite the additional engagement efforts employed in Year 3, the fact that many participants had outdated contact information meant reaching them proved challenging.

- **Reaching eligible participants to encourage them to apply for the bonus was a substantial challenge.**

As mentioned earlier, program group participants needed to actively apply for the Paycheck Plus bonus; receipt was not automatic with their tax filing, as the EITC was. Program staff in both New York and Atlanta faced challenges in finding and getting eligible study participants to file taxes and claim their bonuses. In Atlanta, this was particularly difficult in the third year—staff members said outdated contact information, participants not remembering the Paycheck Plus program, and participants misunderstanding the eligibility requirements for the bonus payments reduced the program’s ability to engage eligible participants.

Additionally, the study participants in Atlanta were generally less connected to Atlanta’s VITA program than in New York, so maintaining updated contact information for eligible workers proved difficult. Atlanta study participants were recruited from a diverse region of 13 metropolitan Atlanta counties, so many eligible workers faced transportation hurdles to apply for their bonuses in person. The prevalence of noncustodial parents in the Atlanta sample, for whom the bonus may not have been a big enough draw to offset any anticipated reported income intercept, may have also added to the engagement challenge. Although the Atlanta program did not implement an intercept for child support arrears, it is unclear whether that nuance was distinct enough for those with child support debt. They may have been harder to reach, or more complex tax filing considerations may have overshadowed this detail.

- **Paycheck Plus increased after-bonus earnings in the first year of the program but not in the second and third years. It neither increased nor reduced employment over those three years.**

The expected increase in after-bonus earnings will roughly equal any increase of the program group over the control group in earnings plus the average bonus received by the Paycheck Plus group. In Year 1, for example, about 37 percent of the Paycheck Plus group received a bonus and the average bonus received was \$1,343 (not shown in Figure ES.1), for an average over the full Paycheck Plus group of \$497 (or \$1,343 multiplied by 0.37). The estimated effect on earnings in Year 1 was \$367, although this difference is not statistically significant. This means that there is not strong evidence that the effect of

Paycheck Plus on earnings is different from zero. Thus, the estimated increase in after-bonus earnings of \$775 is close to the sum of these two effects, as shown in Table ES.1, and is statistically significant at the 1 percent level. The effect in year two, of \$505, is not statistically significant at the 10 percent level.

By Year 3, the increase in after-bonus earnings was small and statistically insignificant. In that year, additional bonus payments averaged \$338 for the full Paycheck Plus group (or 26 percent of \$1,300), and the estimated effect on earnings was a statistically insignificant reduction of \$325. The estimated effect on after-bonus earnings in Year 3, as the sum of these two effects, is close to zero. When considered over the full period, the average increase in after-bonus earnings was \$432, although not statistically significant.

About 80 percent of Paycheck Plus study participants were employed each year during the study and had earnings that averaged about \$12,000 per year. Paycheck Plus had no overall effects on employment rates or on earnings for the three years during which program group members were eligible for the bonus. While the Paycheck Plus implementation in Atlanta did not appear to motivate individuals to find work as it did in New York, it also did not reduce work effort, which was a structural concern for the phase-out region of the EITC and bonus design.

- **Paycheck Plus led to a large and sustained increase in tax filing rates, and particularly in the use of VITA sites to file taxes.**

As mentioned earlier, individuals earning less than \$12,000 in a tax year are not legally required to file their taxes. In the third year of the program, 44 percent of the control group filed their taxes. Paycheck Plus increased the filing rate by 9 percentage points, sustaining the impacts from the first two years of the program. Additionally, the program produced a nearly fivefold increase in filing taxes at a VITA site—in Year 3, only 4 percent of control group members filed their taxes at a VITA site, compared with more than 20 percent of program group members. The substantial increase in tax filing behavior is important. By filing taxes, workers with low incomes can accrue benefits that include immediate tax credits and deductions, which can mean receiving refunds for any surplus withholdings during the tax year. Additionally, formalizing self-employment work can increase their Social Security benefits in the longer term.

- **Paycheck Plus did not affect child support payment rates among noncustodial parents.**

About 42 percent of study participants were noncustodial parents at the time of study enrollment, although only a fraction of these participants reported having formal child support orders through the state's child support system. Among study participants in the formal system, about 81 percent of the control group made at least one payment in Year 1, and the payment rate fell somewhat to 73 percent in Year 3. Paycheck Plus did not have statistically significant effects on child support payments in any of the three years.

Table ES.1
Effects on Employment and Earnings

Outcome	Program Group	Control Group	Difference (Effect)	Standard Error	P-Value
<u>After-bonus earnings (\$)</u>					
Year 1	10,601	9,826	775	266	0.004
Year 2	12,243	11,738	505	332	0.128
Year 3	13,486	13,470	16	395	0.967
Total after-bonus earnings, Years 1-3	36,330	35,034	1,295	885	0.143
<u>Any earnings (%)</u>					
Year 1	80.0	79.9	0.1	1.1	0.923
Year 2	77.0	76.0	1.0	1.2	0.407
Year 3	76.1	74.9	1.1	1.2	0.355
Ever employed, Years 1-3	86.8	87.7	-0.9	1.0	0.324
<u>Earnings (\$)</u>					
Year 1	10,281	9,914	367	293	0.211
Year 2	12,238	12,069	169	371	0.648
Year 3	13,536	13,862	-325	435	0.455
Total earnings, Years 1-3	36,054	35,845	209	980	0.831
<u>Filed taxes (%)</u>					
Year 1	60.1	48.0	12.1	1.4	0.000
Year 2	57.0	47.2	9.8	1.4	0.000
Year 3	53.2	44.2	9.0	1.5	0.000
<u>Filed at a Volunteer Income Tax Assistance (VITA) site (%)</u>					
Year 1	28.2	5.3	22.9	1.1	0.000
Year 2	24.4	4.8	19.6	1.1	0.000
Year 3	21.5	4.4	17.1	1.0	0.000
Sample size (total = 3,972)	1,996	1,976			

SOURCES: IRS tax forms, W-2s, and 1099-MISCs.

NOTES: Rounding may cause slight discrepancies in sums and differences.

Sample sizes may vary because of missing values.

A two-tailed t-test was applied to differences between the outcomes of the program and control groups. The p-value is the probability that the difference between the program and control groups arose by chance. The standard error is a measure of the variability in the outcome.

Earnings refers to wages plus self-employment income.

Employment is defined as having any earnings from wages or self-employment income.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Year 1 refers to tax year 2016, Year 2 refers to tax year 2017, and Year 3 refers to tax year 2018.

One program group member withdrew from the study during Year 3 and is excluded from the Year 3 estimates.

The Atlanta study did not measure effects on other secondary outcomes, including family formation, criminal justice involvement, and health status, due to low response rates on the Paycheck Plus survey.

CONCLUSION

This report presents findings from the Paycheck Plus program in Atlanta after bonus payments were offered for three years. The program increased after-bonus earnings in Year 1, but by Year 3 the effect had fallen to close to zero and was no longer statistically significant. While it did not positively affect employment or earnings among the full sample or child support payments among noncustodial parents, neither did it have unintended consequences of reducing work effort.

The program did continue to show large, sustained effects on tax filing during all three years of operation. Although tax filing is a secondary outcome of the program, it is important, since establishing formal connections to the tax system can increase access to benefits in both the short and long term. The COVID-19 pandemic has elevated the importance of this, as eligible tax filers who have recently experienced wage or job loss as a result may receive some much-needed relief when their tax refunds are issued. A recent survey conducted by the Pew Research Center showed that about 25 percent of adults reported that they or someone in their household lost a job because of COVID-19. Among lower-income households, job loss was even more prevalent, affecting a third of adults surveyed. Caught in a cycle of repeated business closings and reopenings, facing requirements to isolate following exposure, and unable to work from home, workers earning low wages have been especially hard hit, with few resources to fall back on.

While many Americans are experiencing more financial difficulties due to the pandemic, the strain has been particularly severe for Black and Hispanic adults. It has also disproportionately affected adults with lower incomes. They are much more likely to have trouble paying bills, to have problems with rent, and to visit a food bank than other adults. As the economy continues to recover and temporary pandemic-time protections (such as eviction moratoriums) are lifted, many workers will likely face unpaid bills, unstable housing arrangements, and medical and other costs, adding to the need to “make work pay” at the low end of the wage scale. A larger tax-time refund during a time when many workers with low wages are trying to make ends meet can provide some much-needed relief and help workers get back on their feet. For the Paycheck Plus participants who received their final bonus payments in 2019, the extra income they received may have helped to smooth some consumption when the pandemic hit in 2020 and job instability rose.

The effect of increased tax filing among the program group may have carried over to tax year 2020, since lower earnings due to the pandemic may lead to more tax filers who are eligible for the EITC and other credits. Additionally, cash relief distributed because of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, as well as subsequent stimulus payments in 2021, may have reached 2018 tax filers sooner and more efficiently than nonfilers.

These findings are different from those in New York, where Paycheck Plus increased after-bonus earnings in all three years and also produced small increases in employment, especially for women and more

disadvantaged men. The differences may in part be attributed to operational and engagement challenges in Atlanta. United Way’s relative newcomer status as a VITA administrator coupled with the special challenges of recruiting and engaging noncustodial parents and people with criminal justice involvement may have made program outreach very difficult. Noncustodial parents and people with criminal justice involvement, who typically have low earnings and are thus not required to file taxes, may have had particularly strong reasons to avoid doing so (such as income intercepts for child support obligations, or lower employment rates that dampen the appeal of work-based tax credits). Although Georgia’s child support enforcement agency did not require an intercept of Paycheck Plus bonus dollars, any reported earnings could still have been subject to employer withholding. For these groups, filing taxes may have required significant behavioral changes and risked various forms of financial penalties.

As mentioned earlier, Paycheck Plus was designed and implemented outside of the formal tax system. What would it mean if an expansion of the federal EITC for workers without dependent children were integrated into the tax code? The Atlanta story demonstrates that, at least initially, the rollout might look different in different cities. A fully embedded expansion of the EITC in Atlanta, where tax filing rates among individuals not required to file taxes are very low, would increase take-up among eligible tax filers but would still leave a substantial proportion of eligible workers unaffected without further outreach or awareness campaigns, like the ones implemented after the big EITC expansion in the 1990s. It is likely that the low rates of connections to VITA in Atlanta would result in lower take-up among the workers without children than in New York. As with the EITC, though, filings and participation would likely increase over time, as people learned about it from others and saw its value.¹⁸

The findings from this report, taken in combination with the New York findings, highlight the importance of testing an idea in multiple locations. A final report from the Paycheck Plus demonstration synthesizes the findings from both cities combined to consider what might be expected from a national rollout of an expanded EITC for workers earning low wages, without dependent children.¹⁹ Further analyses will also explore the potential for this policy to improve health outcomes for these workers.

¹⁸Nada Eissa and Jeffrey B. Liebman, “Labor Supply Response to the Earned Income Tax Credit,” *Quarterly Journal of Economics* 111, 2 (1996) 605–637.

¹⁹Cynthia Miller, Lawrence F. Katz, and Adam Isen, “Increasing the Earned Income Tax Credit for Child Workers: A Synthesis of Findings from the Paycheck Plus Demonstration” (New York: MDRC, 2022).