

# Do states with refundable Earned Income Tax Credits have lower rates of children involved in foster care?

ROSTAD, W.L., PORTS, K.A., TANG, S., & KLEVENS, J. (2020). REDUCING THE NUMBER OF CHILDREN ENTERING FOSTER CARE: EFFECTS OF STATE EARNED INCOME TAX CREDITS. CHILD MALTREATMENT. [WWW.DOI.ORG/10.1177/1077559519900922](https://www.doi.org/10.1177/1077559519900922)

## What can we learn from this study?

Previous research has demonstrated that earned income tax credits (EITCs) are related to decreases in CPS involvement and entries into foster care. However, existing research has not examined whether differences in outcomes exist depending on whether EITCs are refundable (that is, recipients receive cash refunds when their tax liability is less than the amount of tax credit) or not refundable (that is, recipients do not receive cash refunds when their tax liability is less than the amount of tax credit). The current study examines differences in entries into foster care based on whether states offer refundable EITCs.

### Study details:

- **Population:** Children and families in 50 states and the District of Columbia
- **Data source:** Annual state EITC policies, U.S. Census Bureau data, U.S. Bureau of Labor Statistics data, and AFCARS
- **Methodology:** Generalized Poisson regression model with fixed effects
- **Dates:** 2000 to 2016

## What are the critical findings?

- **Compared to states without a state EITC, those with a refundable EITC had 11% fewer entries into foster care**, controlling for race/ethnicity, child poverty, education, and unemployment.
- If states without an EITC implemented a refundable EITC, they would experience an **annual reduction of nearly 50 children entering foster care per 100,000 children** in the state.
- If states without a current EITC implemented a refundable EITC, the estimated reduction in the number of children entering foster care annually would **save each state an average of more than \$19 million per year in foster care costs**, but implementation of the refundable EITC would cost each state an average of \$68 million.

## Why is this important for our work?

Controlling for demographic factors, states with refundable EITCs had significantly lower rates of foster care entries than states with no EITC. Although this study estimated the cost of implementing refundable EITCs exceeds the expected foster care cost savings, reductions in foster care placements result in numerous benefits other research has shown that are not captured in this calculation (such as improved physical and mental health, better educational and employment outcomes, and reduced criminal justice involvement).

This study synthesizes the findings of a single research study. To learn more, please review additional resources on economic policies and child welfare, including: [How can pre-petition legal representation help strengthen families and keep them together?](#) and [What do we know about the return on investment in preventing child maltreatment?](#)

For additional information, [see the abstract](#) or email [KMResources@casey.org](mailto:KMResources@casey.org).