SPRINGER NATURE Link

Log in

Periodic Earned Income Tax Credit (EITC) Payment, Financial Stress and Wellbeing: A Longitudinal Study

Original Paper Published: 20 February 2019

Volume 40, pages 511–523 (2019) Cite this article



Journal of Family and Economic Issues

Karen Z. Kramer orcid.org/0000-0001-8545-0761[1], Flávia Cristina Drumond Andrade[2], Andrew J. Greenlee[3], Ruby Mendenhall[4], Dylan Bellisle[5] & Renee Lemons Blanks[6]

1598 Accesses **30** Citations **13** Altmetric Explore all metrics

Abstract

The Earned Income Tax Credit (EITC) addresses the economic needs of low-income families, but its annual distribution in one lump-sum limits recipients' ability to handle financial emergencies that arise throughout the year. We examine the relationship between an advanced periodic payment of the EITC and recipients' wellbeing. We compare the perceived financial stress of recipients receiving a traditional lump-sum payment to a group that received four advanced payments spread throughout the year. Periodic payment recipients experienced significantly lower levels of perceived financial stress. This relationship was partly mediated by less need to borrow money, lower levels of food insecurity, and fewer unpaid bills. Therefore, periodic payments may enhance the positive association between the EITC and the financial wellbeing of families.

This is a preview of subscription content, log in via an institution to check access.

Access this article

Log in via an institution

Subscribe and save

Springer+ from €37.37 /Month

- Starting from 10 chapters or articles per month
- Access and download chapters and articles from more than 300k books and 2,500 journals
- Cancel anytime

View plans

Buy Now

Buy article PDF 39,95 €

Price includes VAT (Poland)

Instant access to the full article PDF.

Institutional subscriptions

Explore related subjects

Discover the latest articles, books and news in related subjects, suggested using machine learning.

Well-Being | Happiness Economics | Welfare | Reward | Fiscal Law | Taxation Policy | Income Support Programs and Family Well-Being

References

Andrade, F. C. D., Kramer, K. Z., Monk, J. K., Greenlee, A. J., & Mendenhall, R. (2017). Financial stress and depressive symptoms: The impact of an intervention of the Chicago Earned Income Tax Periodic Payment. *Public Health, 153*, 99–102. https://doi.org/10.1016/j.puhe.2017.08.017.

Aneshensel, C. S. (1992). Social stress: Theory and research. *Annual Review of Sociology, 18*(1), 15–38. https://doi.org/10.1146/annurev.so.18.080192.000311.

Barker, J., & Frederick, C. (2016). Billions lost yearly to earned income tax credit: Errors or fraud? *Journal of Business & Economics Research (JBER), 14*(4), 145–152. https://doi.org/10.19030/jber.v14i4.9803.

Barr, M., & Dokko, J. (2006). Tax filing experiences and withholding preferences of low- and moderate-income households preliminary evidence from a new survey. *Other Publications*. Retrieved from https://repository.law.umich.edu/other/21.

Bhargava, S., & Manoli, D. (2015). Psychological frictions and the incomplete take-up of social benefits: Evidence from an IRS field experiment. *American Economic Review, 105*(11), 3489–3529. https://doi.org/10.1257/aer.20121493.

Bickel, G., Carlson, S., & Nord, M. (1999). *Household food security in the United States 1995–1998: Advance Report*. Washington, DC: US Department of Agriculture, Food and Nutrition Service.

Broussard, C. A. (2010). Research regarding low-income single mothers' mental and physical health: A decade in review. *Journal of Poverty, 14*(4), 443–451. https://doi.org/10.1080/10875549.2010.518003.

Center on Budget and Policy Priorities. (2015). Policy basics: The earned income tax credit. Retrieved Jan 10, 2018, from https://www.cbpp.org/research/federal-tax/policy-basics-the-earned-income-tax-credit.

Chetty, R., & Saez, E. (2013). Teaching the tax code: Earnings responses to an experiment with EITC recipients. *American Economic Journal: Applied Economics, 5*(1), 1–31. https://doi.org/10.1257/app.5.1.1.

Desmond, M., & Kimbro, R. T. (2015). Eviction's fallout: Housing, hardship, and health. *Social Forces, 94*(1), 295–324. https://doi.org/10.1093/sf/sov044.

Frank, R. (2013). *Falling behind: How rising inequality harms the middle class*. Berkeley, CA: University of California Press.

Garman, E. T., & Sorhaindo, B. (2005). Delphi study of experts' rankings of personal finance concepts important in the development of the InCharge financial distress/financial well-being scale. *Consumer Interests Annual, 51*, 184–194.

Gennetian, L. A., & Shafir, E. (2015). The persistence of poverty in the context of financial instability: A behavioral perspective. *Journal of Policy Analysis and Management, 34*(4), 904–936. https://doi.org/10.1002/%28ISSN%291520-6688/issues.

Gerrans, P., Speelman, C., & Campitelli, G. (2014). The relationship between personal financial wellness and financial wellbeing: A structural equation modelling approach. *Journal of Family and Economic Issues, 35*(2), 145–160. https://doi.org/10.1007/s10834-013-9358-z.

Gottschalk, P., & Smeeding, T. M. (2000). Chapter 5 Empirical evidence on income inequality in industrialized countries. In *Handbook of income distribution* (Vol. 1, pp. 261–307). Amsterdam: Elsevier. https://doi.org/10.1016/S1574-0056(00)80008-1.

Government Accountability Office. (2007). Advance Earned income tax credit:

Low use and small dollars paid impede IRS's efforts to reduce high noncompliance, (GAO-07-1110). Retrieved from https://www.gao.gov/products/GAO-07-1110.

Grinstein-Weiss, M., Shanks, T. R. W., & Beverly, S. G. (2014). Family assets and child outcomes: Evidence and directions. *The Future of Children, 24*(1), 147–170.

Grzywacz, J. G., Almeida, D. M., Neupert, S. D., & Ettner, S. L. (2004). Socioeconomic status and health: A micro-level analysis o exposure and vulnerability to daily stressors. *Journal of Health and Social Behavior, 45*(1), 1–16. https://doi.org/10.1177/002214650404500101.

Gutter, M., & Copur, Z. (2011). Financial behaviors and financial well-being of college students: Evidence from a national survey. *Journal of Family and Economic Issues, 32*(4), 699–714. https://doi.org/10.1007/s10834-011-9255-2.

Halpern-Meekin, S., Sykes, J., Tach, L., & Edin, K. (2014). *It's not like I'm Poor: How working families make ends meet in a post-welfare world*. Oakland, CA: University of California Press. Retrieved from http://proxy.uchicago.edu/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=nlebk&AN=858568&site=eds-live&scope=site.

Henly, J. R., & Lambert, S. J. (2014). Unpredictable work timing in retail jobs: Implications for employee work–life conflict. *ILR Review, 67*(3), 986–1016. https://doi.org/10.1177/0019793914537458.

Holt, S. (2008). Periodic payment of the earned income tax credit. Retrieved December 8, 2018, from https://www.brookings.edu/research/periodic-payment-of-the-earned-income-tax-credit/.

Hutton, M. (2015). Consuming stress: Exploring hidden dimensions of

consumption-related strain at the intersection of gender and poverty. *Journal of Marketing Management, 31*(15–16), 1695–1717. https://doi.org/10.1080/0267257X.2015.1061583.

Jacobs, D., & Myers, L. (2014). Union strength, neoliberalism, and inequality: Contingent political analyses of U.S. income differences since 1950. *American Sociological Review, 79*(4), 752–774. https://doi.org/10.1177/0003122414536392.

Jones, D. (2010). Information, preferences, and public benefit participation: Experimental evidence from the advance EITC and 401(k) savings. *American Economic Journal: Applied Economics, 2*(2), 147–163. https://doi.org/10.1257/app.2.2.147.

Jones, L. E., & Michelmore, K. (2018). The impact of the earned income tax credit on household finances. *Journal of Policy Analysis and Management, 37*(3), 521–545. https://doi.org/10.1002/pam.22062.

Kaushal, N., Gao, Q., & Waldfogel, J. (2007). Welfare reform and family expenditures: How are single mothers adapting to the new welfare and work regime? *Social Service Review, 81*(3), 369–396. https://doi.org/10.1086/520341.

Lazarus, R. S. (1966). *Psychological stress and the coping process*. New York: McGraw-Hill.

Marr, C., Huang, C.-C., Sherman, A., & Debot, B. (2015). EITC and child tax credit promote work, reduce poverty, and support children's development, research finds. Retrieved Dec 8, 2018, from https://www.cbpp.org/research/federal-tax/eitc-and-child-tax-credit-promote-work-reduce-poverty-and-support-childrens.

McLeod, J. D. (2013). Social stratification and inequality. In C. S. Aneshensel, J. C. Phelan & A. Bierman (Eds.), *Handbook of the sociology of mental health* (pp. 229–

253). Dordrecht: Springer Netherlands. https://doi.org/10.1007/978-94-007-4276-5_12.

Mendenhall, R., Edin, K., Crowley, S., Sykes, J., Tach, L., Kriz, K., & Kling, J. R. (2012). The role of earned income tax credit in the budgets of low-income households. *Social Service Review, 86*(3), 367–400.

Mendenhall, R., Kramer, K. Z., & Akresh, I. R. (2014). Asset accumulation and housing cost burden: Pathways to (not) saving. *Housing Policy Debate, 24*(2), 387–414. https://doi.org/10.1080/10511482.2013.838981.

O'Neill, B., Prawitz, A., Sorhaindo, B., Kim, J., & Garman, E. T. (2006). Changes in health, negative financial events, and financial distress/financial well-being for debt management program clients. *Journal of Financial Counseling and Planning, 17*(2), 46–63.

Pearlin, L. I. (1983). Role strains and personal stress. In *Psychosocial stress* (pp. 3–32).

Pearlin, L. I., & Bierman, A. (2013). Current issues and future directions in research into the stress process. In C. S. Aneshensel, J. C. Phelan & A. Bierman (Eds.), *Handbook of the sociology of mental health* (pp. 325–340). Dordrecht: Springer Netherlands. https://doi.org/10.1007/978-94-007-4276-5_16.

Prawitz, A., Garman, E. T., Sorhaindo, B., O'Neill, B., Kim, J., & Drentea, P. (2006). *Incharge financial distress/financial well-being scale: Development, administration, and score interpretation* (SSRN Scholarly Paper No. ID 2239338). Rochester: Social Science Research Network. Retrieved from https://papers.ssrn.com/abstract=2239338.

Prawitz, A. D., Garman, E. T., Sorhaindo, B., O'Neill, B., Kim, J., & Drentea, P.

(2006). Assessment of validity and reliability in the measurement of financial distress/financial well-being. In *Proceedings of the Association for financial counseling and planning education* (pp. 77–89).

Prawitz, A. D., Kalkowski, J. C., & Cohart, J. (2013). Responses to economic pressure by low-income families: Financial distress and hopefulness. *Journal of Family and Economic Issues, 34*(1), 29–40. https://doi.org/10.1007/s10834-012-9288-1.

Rabe-Hesketh, S., & Skrondal, A. (2008). *Multilevel and longitudinal modeling using stata*, 2nd Ed. College Station: stata Press.

Rhine, S., Su, S., Osaki, Y., & Lee, S. (2005). *Householder response to the earned income tax credit: Path of sustenance or road to asset building*. New York: Federal Reserve Bank of New York.

Romich, J. L., & Weisner, T. (2000). How families view and use the EITC: Advance payment versus lump sum delivery. *National Tax Journal, 53*(4), 1245–1265.

Schreiner, M., Sherraden, M., Clancy, M., Johnson, L., Curley, J., Grinstein-Weiss, M., Zhan, M., & Beverly, S. (2001). *Savings and asset accumulation in individual development accounts*. St. Louis, MO: Washington University in St. Louis, Center for Social Development.

Smeeding, T. M., Phillips, K. R., & O'Connor, M. (2000). The EITC: Expectation, knowledge, use, and economic and social mobility. *National Tax Journal*, *53*(4), 1187.

Starcke, K., Wolf, O. T., Markowitsch, H. J., & Brand, M. (2008). Anticipatory stress influences decision making under explicit risk conditions. *Behavioral Neuroscience*, *122*(6), 1352.

Sykes, J., Križ, K., Edin, K., & Halpern-Meekin, S. (2015). Dignity and dreams: What the earned income tax credit (EITC) means to low-income families. *American Sociological Review, 80*(2), 243–267. https://doi.org/10.1177/0003122414551552.

Tach, L. M., & Greene, S. S. (2014). "Robbing Peter to Pay Paul": Economic and cultural explanations for how lower-income families manage debt. *Social Problems, 61*(1), 1–21. https://doi.org/10.1525/sp.2013.11262.

Turner, R. J., & Avison, W. R. (1989). Gender and depression: Assessing exposure and vulnerability to life events in a chronically strained population. *Journal of Nervous and Mental Disease, 177*(8), 443–455. https://doi.org/10.1097/00005053-198908000-00001.

Turner, R. J., Wheaton, B., & Lloyd, D. A. (1995). The epidemiology of social stress. *American Sociological Review, 60*(1), 104–125. https://doi.org/10.2307/2096348.

Vallas, R., Boteach., M., & West, R. (2014). Harnessing the EITC and other tax credits to promote financial stability and economic mobility. Retrieved from https://www.americanprogress.org/issues/poverty/report/2014/10/07/98452/harnessing-the-eitc-and-other-tax-credits-to-promote-financial-stability-and-economic-mobility/.

Wilson, G., & Mossakowski, K. (2009). FEAR OF JOB LOSS: Racial/Ethnic differences in privileged occupations. *Du Bois Review: Social Science Research on Race, 6*(2), 357–374. https://doi.org/10.1017/S1742058X09990221.

Zivin, K., Paczkowski, M., & Galea, S. (2011). Economic downturns and population mental health: Research findings, gaps, challenges and priorities.

Psychological Medicine, 41(7), 1343–1348. https://doi.org/10.1017/S003329171000173X.

Acknowledgments

The authors are thankful to Deborah Ostrovsky for her helpful review and comments.

Funding

This study was funded by the United States Department of Agriculture (first author; Hatch project number ILLU-793-365), by the Chicago Housing Authority and the City of Chicago Office of the Mayor, and the UIUC Research Board (first three authors).

Author information

Authors and Affiliations

Department of Human Development & Family Studies, University of Illinois at Urbana-Champaign, Urbana, USA
Karen Z. Kramer

School of Social Work, University of Illinois at Urbana-Champaign, Urbana, USA
Flávia Cristina Drumond Andrade

Department of Urban & Regional Planning, University of Illinois at Urbana-Champaign, Champaign, USA
Andrew J. Greenlee

Department of Sociology, University of Illinois at Urbana-Champaign, Urbana, USA
Ruby Mendenhall

School of Social Service Administration, University of Chicago, Chicago, USA

Dylan Bellisle

Chicago Public Schools, Chicago, IL, USA

Renee Lemons Blanks

Corresponding author

Correspondence to Karen Z. Kramer.

Ethics declarations

Conflict of interest

All authors declare that they have no conflict of interest.

Ethical Approval

All procedures performed in studies involving human participants were in accordance with the ethical standards of the institutional and/or national research committee and with the 1964 Helsinki declaration and its later amendments or comparable ethical standards.

Informed Consent

Informed consent was obtained from all individual participants included in the study.

Additional information

Publisher's Note

Springer Nature remains neutral with regard to jurisdictional claims in published maps and institutional affiliations.

Rights and permissions

Reprints and permissions

About this article

Cite this article

Kramer, K.Z., Andrade, F.C.D., Greenlee, A.J. *et al.* Periodic Earned Income Tax Credit (EITC) Payment, Financial Stress and Wellbeing: A Longitudinal Study. *J Fam Econ Iss* **40**, 511–523 (2019). https://doi.org/10.1007/s10834-019-09618-2

Published	Version of record	Issue date
20 February 2019	20 February 2019	15 September 2019

DOI
https://doi.org/10.1007/s10834-019-09618-2

Keywords

EITC | Food insecurity | Inequality | Low-income | Perceived financial stress

Profiles

1. Flávia Cristina Drumond Andrade

View author profile

Search

Search by keyword or author

Navigation

Find a journal

Publish with us

Track your research