



E-FAN-04-002

April 2004

# Relationship Between the EITC and Food Stamp Program Participation Among Households With Children

By Kelly S. Mikelson and Robert I. Lerman, Urban Institute

ERS project representative: Karen S. Hamrick, 202-694-5426,  
khamrick@ers.usda.gov.

## Abstract

The Federal Earned Income Tax Credit (EITC) and the Food Stamp Program (FSP) are the largest means-tested transfer programs for low-income, working parents in the United States. This study examines how these two programs interact, particularly with regard to the impact of the EITC on participation in the FSP during the latter half of the 1990s. Although EITC payments do not reduce the potential size of a household's food stamp allotment under FSP rules, they do add to a household's resources and thus could affect a household's willingness to participate in the FSP. The paper tests this hypothesis with monthly data from the Survey of Income and Program Participation for 1996 through 1999. Although the findings are mixed, they provide evidence of negative impact of EITC on FSP participation.

**This report was prepared by the Urban Institute under a cooperative assistance agreement from the Economic Research Service. The views expressed are those of the authors and not necessarily those of ERS or USDA.**

## Table of Contents

<b>I. Introduction</b> .....	<b>1</b>
Research Questions.....	4
Organization of the Paper .....	5
<b>II. Relevant Literature</b> .....	<b>5</b>
PRWORA Legislation and Declining Food Stamp Caseloads .....	7
Subgroups with High Rates of Food Stamp Caseload Decline .....	8
Estimating the Magnitude of the Effect of PRWORA on Declining Food Stamp Caseloads .....	8
Estimating the Magnitude of the Effect of the Macroeconomy on Declining Food Stamp Caseloads.....	9
This Study’s Contribution .....	10
<b>III. Study Population and Econometric Models</b> .....	<b>11</b>
Study Population .....	12
Econometric Models.....	13
<b>IV. Data</b> .....	<b>18</b>
Survey of Income and Program Participation .....	18
Variables Used in the Analysis.....	20
<b>V. Findings</b> .....	<b>23</b>
Patterns of Joint EITC and Food Stamp Receipt Over Time .....	24
The Relationship Between Federal EITC Benefits and Food Stamp Program Participation Considering State EIC Programs.....	26
Difference-in-Difference Approach to Examining the Relationship Between the EITC and Food Stamp Participation .....	32
<b>VI. Conclusions</b> .....	<b>34</b>
<b>VII. References</b> .....	<b>37</b>